

International Housewares Retail Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1373



Self Checkout



2021/22

INTERIM REPORT

Contents

	Page
Corporate Information	2
Financial Highlights	3
Management Discussion and Analysis	4
Report on Review of Interim Financial Information	8
Condensed Consolidated Interim Statement of Comprehensive Income	9
Condensed Consolidated Interim Balance Sheet	10
Condensed Consolidated Interim Statement of Changes in Equity	11
Condensed Consolidated Interim Statement of Cash Flows	12
Notes to the Condensed Consolidated Interim Financial Information	13
Other Information	29

Corporate Information

DIRECTORS

Executive Directors:

Ms. Ngai Lai Ha (*Chairman and Chief executive officer*)
Mr. Lau Pak Fai Peter (*Honorary Chairman*)
Mr. Cheng Sing Yuk (*Chief financial officer*)

Independent Non-executive Directors:

Mr. Mang Wing Ming Rene
Mr. Yee Boon Yip (*Retired on 23 September 2021*)
Mr. Ng Sze Yuen, Terry (*Appointed on 23 September 2021*)
Mr. Yeung Yiu Keung

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

COMPANY SECRETARY

Mr. Lee Kun Yin
HKICPA

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

HONG KONG HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

20th Floor, Tower B,
Southmark, 11 Yip Hing Street,
Wong Chuk Hang, Hong Kong
Tel: (852) 3512-3100

LEGAL ADVISER

Deacons

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

1373

COMPANY WEBSITE

www.ihr.com.hk

Financial Highlights

The board of directors (the “Board” or “Director(s)”) of International Housewares Retail Company Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 October 2021 (the “Period”) prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules” and the “Stock Exchange” respectively), together with comparative figures for the six months ended 31 October 2020 (“2020/21”).

- With the relatively high base in the same period last year, and with the subsiding local epidemic, the Group’s revenue remained stable at HK\$1.3 billion (2020/21⁽¹⁾: HK\$1.3 billion).
- Profit for the Period was HK\$96,104,000 (2020/21: HK\$171,567,000, which included an income of HK\$92 million from COVID-19 related subsidies and rent concessions for the six months ended 31 October 2020).
- The Group’s gross profit rose by 3.1% to HK\$616,416,000 (2020/21: HK\$597,985,000).
- As at 31 October 2021, the Group had a total of 385 stores worldwide (31 October 2020: 385).
- The Board has resolved to declare an interim dividend of 10.5 HK cents and a special dividend of 4.2 HK cents per share as a token of appreciation to our shareholders, amid the time we celebrate JHC’s 30th anniversary, for their continuing supports (2020/21: an interim dividend of 9.0 HK cents per share), representing an increase of 63%.

Note:

1. Comparative figures for the six months ended 31 October 2020 are shown as (“2020/21”) in brackets.

Management Discussion and Analysis

Overview

International Housewares Retail Company Limited and its subsidiaries achieved satisfactory financial results and a solid financial position for the six months ended 31 October 2021. The Group continued to solidify its position as a leading houseware retail chain with a total of 385 stores worldwide.

Financial Performance

During the same period last year, at the onset of the COVID-19 pandemic, in cooperation with its global suppliers, the Group took swift action to ensure a continuous supply of personal protection products in order to fulfill the huge customer demand, which significantly drove its overall sales in the same period last year. With this relatively high base for the same period last year and the subsiding local epidemic, the Group's revenue remained stable at HK\$1,314,301,000 (2020/21: HK\$1,321,494,000) for the Period.

The Group's gross profit rose by 3.1% to HK\$616,416,000 (2020/21: HK\$597,985,000). Leveraging its large and strong global supplier network, the Group is aiming to drive more sales and improve its gross margin through a greater assortment of FMCG categories and OEM products, with new ranges of private label products introduced across different categories as part of its strategic growth initiative. In addition, the Group was committed to enriching its private label products by improving the design and packaging, as well as advertising promotions online to increase awareness among consumers to improve its profit margin and present more modern and positive brand images, ultimately adding greater value in the long term.

Worldwide restrictive measures aimed at preventing and controlling the outbreak of COVID-19 have also led to disruption in the supply chain, factory shutdowns, postponements of ocean and air freight, and the city lockdown, all of which posed challenges to the Group's normal operations. In light of this, the Group strategically solicited purchase orders from its suppliers across different parts of the world, and also made plans to ensure additional buffers for delayed arrival times and to increase the stockholding capacity for high-demand items, both of which resulted in an increase of inventory carrying and transportation costs. The Group continued to invest in its people and operational infrastructure during the Period in order to drive product enhancement and business development in Hong Kong and support its long-term sustainable growth, and this also led to an increase in its operating costs during the Period. With the above-mentioned expenses and the absence of subsidies from the Government of the Hong Kong SAR under the Employment Support Scheme as recorded in the same period last year, as well as an increase in operational costs due to the labor shortage in the Singapore market and the global container shipping capacity shortage, profit for the Period was HK\$96,104,000 (2020/21: HK\$171,567,000, which includes an income of HK\$92 million from COVID-19 related subsidies and rent concessions for the six months ended 31 October 2020).

Liquidity and Financial Resources

In order to meet the challenges brought about by the pandemic, we continued to maintain a strong liquidity and cash flow position, which is of paramount importance for the Group's future development; particularly amid such uncertain economic times. As at 31 October 2021, the Group had cash and cash equivalents amounting to HK\$430,550,000 (30 April 2021: HK\$428,459,000). The majority of the Group's cash and bank deposits were denominated in Hong Kong dollars and were deposited with major banks in Hong Kong, with maturity dates falling within three months.

It is the Group's treasury management policy to not engage in any highly leveraged or speculative derivative products and it will continue to place the majority of its surplus cash in Hong Kong dollar bank deposits with appropriate maturity periods to meet funding requirements in the future. The current ratio for the Group was 1.5 (30 April 2021: 1.5). Borrowings amounted to HK\$22,431,000 as at 31 October 2021 (30 April 2021: HK\$19,078,000). The Group was in a net cash position as at 31 October 2021. Its gearing ratio as determined by total borrowings and loans from non-controlling shareholders divided by total equity was 3.3% (30 April 2021: 2.9%).

Management Discussion and Analysis *(Continued)*

Human Resources

In order to ensure it is able to attract and retain staff capable of delivering outstanding performance, the Group will regularly review its remuneration packages and qualified employees will receive performance bonuses, and/or be granted share options and share awards. The performance of the individuals concerned will be taken into consideration in awarding annual discretionary bonuses to employees and share options and share awards to supervisory and managerial staff.

The Group strongly believes employees are its most valuable asset. Through our reliance on them we have been able to grow and develop our business over all these years. We will continue to invest in human resources by training and upgrading the existing workforce and recruiting new talents to fit our business development plans in order to underpin our mission of sustainable development and to secure new market opportunities in the future. As at 31 October 2021, the Group had approximately 2,250 employees. Total staff costs for the Period were HK\$187,603,000 (2020/21: HK\$184,889,000).

Distribution Network

Established in 1991, the Group is the largest houseware retail chain in Hong Kong, Singapore and Macau⁽¹⁾. It offers housewares, trend-based items, and personal care, food and household FMCG through an extensive retail network comprising 385 stores in Hong Kong, Singapore, Macau, East Malaysia, Cambodia, Australia and Vietnam under renowned brands including JHC (日本城), Japan Home (日本の家), 123 by ELLA, \$MART (多來買), City Life (生活提案) and Day Day Store (日記士多), as well as via the online platforms JHC eshop (日本城網購) and EasyBuy (易購點). Leveraging its extensive sourcing channels and portfolio of private label products, the Group provides a full range of items at competitive prices, creating a “one-stop” shopping experience for customers, and paving the way for its transformation into an omni-channel retail chain of general merchandise stores (“GMS”).

The cumulative brand awareness that the Group has enjoyed over the years, along with its steadily-growing extensive retail network and large global supplier network have contributed to, and will continue to contribute to, its steady business development. To achieve expansion of the physical store network within the Hong Kong market and after taking into account the Hong Kong Government’s intensified efforts to increase housing supply, the Group will continue to look for suitable locations to open new stores, particularly in newly developed residential districts and housing estates. We believe these efforts will enable us to further strengthen our leading position in the market.

The Group remains positive about its business prospects in the medium-to-long-term as well as its plans to further expand its operations in Hong Kong, Singapore and Macau, with a focus on opening new stores in areas with high potential. The following table shows the number of the Group’s stores worldwide:

	As at 31 October 2021	As at 31 October 2020	Net increase/ (decrease)
The Group’s Directly Managed Stores			
Hong Kong	320	317	3
Singapore	49	50	(1)
Macau	8	8	–
The Group’s Licensed Stores	8	10	(2)
Total	385	385	–

Note:

1. In terms of revenue and the number of stores the Group operated in the calendar year 2012 according to Frost & Sullivan.

Management Discussion and Analysis *(Continued)*

Operational Review by Business Nature

The Group's business segments by nature include retail, wholesale and licensing and others.

The Group's retail revenue for the Period continued to be the primary revenue driver. In addition, the Group continued to increase the variety of product offerings to help capture additional market opportunities and expand its customer base. These endeavors contributed to the retail revenue reaching HK\$1,305,512,000 (2020/21: HK\$1,316,544,000), which also included consignment sales commission income, accounting for 99.3% (2020/21: 99.6%) of the Group's total revenue for the Period.

The income of the wholesale, licensing and others together increased to HK\$8,789,000 for the Period (2020/21: HK\$4,950,000).

Operational Review by Geographical Locations

Operational Review – Hong Kong

Hong Kong remained the Group's key market, accounting for 88.4% (2020/21: 90.0%) of its total revenue.

With personal protection products such as face masks, hand sanitizers and disinfectant in short supply in the same period last year, the Group quickly established its own mask factory to produce protective face masks under the private brand of "SMILE 365". More critically, in cooperation with its global suppliers, the Group took swift action to ensure a continuous supply of personal protection products in order to fulfill the huge customer demand, which significantly drove its overall sales in the same period last year. With the relatively high base in the same period last year and the subsiding local epidemic, the revenue from Hong Kong for the Period remained stable at HK\$1,161,893,000 (2020/21: HK\$1,189,855,000).

Meanwhile, the Group has continuously endeavored to attract new customers by enhancing its product offerings from global brand suppliers under the personal care, food and FMCG categories. In the meantime, the support of the revenue drivers under the brands of 123 by ELLA and Day Day Store (日記士多) in the Hong Kong market provided the Group with a more stable revenue source.

Operational Review – Singapore

Despite the epidemic in Singapore impacting Singapore's economy, particularly the weak retail sector, we remained committed to being well prepared for the return of customers. The revenue for the Period, as expressed in Hong Kong dollars, surged to HK\$129,682,000 (2020/21: HK\$107,688,000), representing an increase of 20.4%. Despite the adverse effect of the pandemic on the wages and employment of overseas workers in the Singapore market, the Group's business there still achieved a profit-making position for the Period. Singapore remains a strategic market and the Group is hopeful that the market will sustain continuous growth and profitability.

Operational Review – Macau

The Group's operation in Macau was still achieving profitability and continued to deliver satisfactory results for the Period. It recorded revenue of HK\$22,726,000 (2020/21: HK\$23,951,000).

Management Discussion and Analysis *(Continued)*

Prospects

With all sorts of complexities and uncertainties now part of the new normal, the Group has benefited by the fact that many of the products it offers are affordable household necessities with a steady demand and without significant fluctuation regardless of changes in overall market conditions. The Group aims to become a more responsive and flexible entity that is able to adapt to unpredictable changes and is armed with stronger fundamentals to solidify and grow its business.

The Group's focus continues to be on Hong Kong, Singapore and Macau. The Group seeks to further drive sales and enhance its gross margin through a greater assortment of FMCG categories and OEM products, with new ranges of private label products across different categories as part of its strategic growth initiative. The Group is also committed to enriching its products by improving the design and packaging as well as advertising promotions through online channels to improve its profit margin, create more modern and positive brand images and, ultimately, add long-term value. To enrich its product assortment by actively exploring new product categories including food, 3C products and smart living products, the Group will continue to stay alert to market trends and swiftly respond to customers' needs and changing appetites as it has in recent years. Gradually, steadily and surely, we have transformed into an omni-channel retail chain of general merchandise stores ("GMS").

In addition, the Group will continue to optimize product mix, provide well-defined areas for each product category, and improve space management in order to grow its sales for each physical store. In addition, we shall be more focused on sales efficiency by better deployment of our sales and marketing resources and sales uplift analysis for each promotion and marketing event.

In our continued efforts to create a superior seamless online shopping experience for our customers, the Group received a gold award 2021- top 10 quality e-shops under quality e-shop recognition scheme, introduced by Hong Kong Retail Management Association. In addition, the Group launched an ERP system and is currently executing a major revamp of both retail stores and JHC eshop to merge our offline and online platforms, which will ensure a full integration of inventory records between our e-platform and physical stores. The Group has also broadened its online presence by collaborating with Foodpanda mall and Yoho, two leading e-commerce retailers in Hong Kong. We expect to expand upon future collaboration opportunities with third parties to foster the development of our business and operation, aiming to offer customers greater convenience and faster delivery of a wide range of products.

Hong Kong has remained the Group's key market and the Group intends to continue to focus on this geographic market in the future. To achieve expansion of the physical store network within the Hong Kong market and after taking into account the Hong Kong Government's intensified efforts to increase housing supply, the Group will continue to look for suitable locations to open new stores, particularly in newly developed residential districts and housing estates. We believe these efforts will enable us to further strengthen our leading position in the market. The Group expects that "JHC" will continue to maintain its leading position in Hong Kong, and that its e-platform will become a growth engine in the years to come. Going forward, the Group sees opportunities and potential for its growth and expansion.

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF
INTERNATIONAL HOUSEWARES RETAIL COMPANY LIMITED
(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 9 to 28, which comprises the condensed consolidated interim balance sheet of International Housewares Retail Company Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 31 October 2021 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The 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” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information 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 interim financial information 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 interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 23 December 2021

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 31 October 2021

		Unaudited six months ended 31 October	
	Note	2021 HK\$'000	2020 HK\$'000
Revenue	6	1,314,301	1,321,494
Cost of sales		(697,885)	(723,509)
Gross profit		616,416	597,985
Other income	7	29,509	99,446
Other losses, net		(813)	(232)
Distribution and advertising expenses		(32,618)	(30,484)
Administrative and other operating expenses		(493,024)	(466,810)
Operating profit	8	119,470	199,905
Finance income		327	2,314
Finance costs		(8,704)	(10,087)
Profit before income tax		111,093	192,132
Income tax expense	9	(14,989)	(20,565)
Profit for the period		96,104	171,567
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences		261	2,374
Total comprehensive income for the period		96,365	173,941
Profit for the period attributable to:			
Owners of the Company		95,141	169,385
Non-controlling interests		963	2,182
		96,104	171,567
Total comprehensive income for the period attributable to:			
Owners of the Company		95,472	171,673
Non-controlling interests		893	2,268
		96,365	173,941
Earnings per share attributable to owners of the Company (expressed in HK cents per share)	10		
Basic earnings per share		13.26	23.70
Diluted earnings per share		13.19	23.56

The above condensed consolidated interim statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Balance Sheet

As at 31 October 2021

	Note	Unaudited 31 October 2021 HK\$'000	Audited 30 April 2021 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	191,761	191,208
Right-of-use assets	13	475,713	508,605
Investment properties	12	41,126	40,567
Intangible assets	12	33,391	35,430
Deferred income tax assets		8,591	5,666
Financial assets at fair value through profit or loss	5.2	23,310	–
Prepayments and deposits	14	53,456	44,043
		827,348	825,519
Current assets			
Inventories		355,467	374,830
Trade and other receivables, prepayments and deposits	14	129,077	108,422
Bank deposits with initial terms of over three months		388	388
Cash and cash equivalents		430,550	428,459
		915,482	912,099
Total assets		1,742,830	1,737,618
EQUITY			
Capital and reserve attributable to owners of the Company			
Share capital and share premium	15	587,252	586,866
Reserves		287,565	299,610
		874,817	886,476
Non-controlling interests		7,713	6,820
Total equity		882,530	893,296
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		835	865
Provision for reinstatement costs		3,516	4,021
Lease liabilities	13	229,978	221,718
		234,329	226,604
Current liabilities			
Trade and other payables	17	269,073	244,072
Contract liabilities	17	15,084	7,166
Loans due to non-controlling shareholders of a subsidiary		6,777	6,681
Borrowings	18	22,431	19,078
Lease liabilities	13	261,281	305,494
Current income tax liabilities		51,325	35,227
		625,971	617,718
Total liabilities		860,300	844,322
Total equity and liabilities		1,742,830	1,737,618

The above condensed consolidated interim balance sheet should be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 31 October 2021

		Unaudited				
		Attributable to owners of the Company				
	Note	Share capital and share premium HK\$'000	Reserves HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total Equity HK\$'000
At 1 May 2021						
Comprehensive income:						
Profit for the period		–	95,141	95,141	963	96,104
Other comprehensive income:						
Currency translation differences		–	331	331	(70)	261
Total comprehensive income for the period		–	95,472	95,472	893	96,365
Transactions with owners:						
Employee share option and share award scheme:						
– value of employee services		–	1,282	1,282	–	1,282
– exercise of share options		386	–	386	–	386
– vesting of share awards		–	3,489	3,489	–	3,489
Purchase of treasury shares		–	(3,250)	(3,250)	–	(3,250)
Dividends	11	–	(109,038)	(109,038)	–	(109,038)
Total transactions with owners		386	(107,517)	(107,131)	–	(107,131)
At 31 October 2021						
At 1 May 2020						
Comprehensive income:						
Profit for the period		–	169,385	169,385	2,182	171,567
Other comprehensive income:						
Currency translation differences		–	2,288	2,288	86	2,374
Total comprehensive income for the period		–	171,673	171,673	2,268	173,941
Transactions with owners:						
Employee share option and share award scheme:						
– value of employee services		–	2,197	2,197	–	2,197
– exercise of share options		2,557	–	2,557	–	2,557
– vesting of share awards		–	3,221	3,221	–	3,221
Purchase of treasury shares		–	(4,008)	(4,008)	–	(4,008)
Dividends		–	(78,983)	(78,983)	–	(78,983)
Cancellation of shares	11	(1,673)	1,673	–	–	–
Total transactions with owners		884	(75,900)	(75,016)	–	(75,016)
At 31 October 2020						

The above condensed consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 31 October 2021

	Unaudited six months ended 31 October	
	2021 HK\$'000	2020 HK\$'000
Cash flows from operating activities		
Cash generated from operations	325,028	407,814
Income tax paid	(1,855)	(1,303)
Net cash generated from operating activities	323,173	406,511
Cash flows from investing activities		
Purchase of property, plant and equipment	(16,215)	(20,937)
Purchase of intangible assets	–	(456)
Proceeds from disposal of property, plant and equipment	–	175
Purchase of financial assets at fair value through profit or loss	(23,310)	–
Prepayment for purchase of property, plant and equipment	(344)	–
Prepayment for purchase of intangible assets	(1,296)	–
Increase in bank deposits with initial terms of over three months	–	(4)
Interest received	327	2,314
Net cash used in investing activities	(40,838)	(18,908)
Cash flows from financing activities		
Repayments of lease liabilities	(174,683)	(159,881)
Proceeds from exercise of share options	386	2,557
Proceeds from vesting of share awards	3,489	3,221
Purchase of treasury shares	(3,250)	(4,008)
Proceeds from trust receipt loans	3,353	10,686
Consideration from loans due to non-controlling shareholders	–	3,419
Interest paid	(149)	(226)
Dividend paid	(109,038)	(78,983)
Net cash used in financing activities	(279,892)	(223,215)
Net increase in cash and cash equivalents	2,443	164,388
Cash and cash equivalents at beginning of the period	428,459	362,737
Currency translation differences	(352)	980
Cash and cash equivalents at end of the period	430,550	528,105
Analysis of balances of cash and cash equivalents:		
Cash at bank and on hand	243,859	206,507
Short-term bank deposits with original maturity within three months	186,691	321,598
	430,550	528,105

The above condensed consolidated interim statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Interim Financial Information

1 General information

International Housewares Retail Company Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in retail sales and trading of houseware products, licensing of franchise rights and provision of management services.

The Company is a limited liability company incorporated in Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Group is controlled by Hiluleka Limited (incorporated in the British Virgin Islands). The ultimate controlling parties of the Group are Ms Ngai Lai Ha and Mr Lau Pak Fai, Peter.

This condensed consolidated interim financial information is presented in HK dollars, unless otherwise stated. This interim financial information has been approved for issue by the Board of Directors on 23 December 2021.

This condensed consolidated interim financial information has been reviewed, but not audited.

2 Basis of presentation

The condensed consolidated interim financial information for the six months ended 31 October 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting” issued by Hong Kong Institute of Certified Public Accountants..

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30 April 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3 Principal accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 April 2021, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Amended standards adopted by the Group

The Group has applied the following amended standards for the first time for the current reporting period beginning 1 May 2021:

HKFRS 9, HKAS 39, HKFRS 7 and HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform (Phase 2)
--	--

The amendment to standards did not have material impact on the Group’s accounting policies and did not require any adjustments.

Notes to the Condensed Consolidated Interim Financial Information *(Continued)*

3 Principal accounting policies *(Continued)*

(b) Impact of new and amended standards, interpretation and accounting guideline issued but not yet applied by the Group

The following new and amended standards, interpretation and accounting guideline that are not effective for periods commencing on or after 1 May 2021 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41 (Amendments)	Annual Improvements to HKFRS Standards 2018 to 2020	1 January 2022
Accounting Guideline 5 (Amendments)	Merger Accounting for Common Control Combinations	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17 (Amendments)	Amendments to HKFRS 17	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HK Interpretation 5 (2020)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in process of making an assessment of the impact of these new and amended standards, interpretation and accounting guideline upon initial application, and has concluded on a preliminary basis that these are not expected to have a significant impact on the Group's results of operations or financial position.

4 Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 30 April 2021.

Notes to the Condensed Consolidated Interim Financial Information *(Continued)*

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: including foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest rate risk. The Group's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 April 2021. There have been no significant changes in the risk management policies since the year end.

5.2 Fair value estimation

The carrying amounts of the financial assets including financial asset at fair value through profit or loss, trade and other receivables, bank deposits with initial terms of over three months, cash and cash equivalents; financial liabilities including loans due to non-controlling shareholder of a subsidiary, trade and other payables, borrowings and lease liabilities approximate their fair value. The fair values of investment properties that are not traded in an active market are determined by using valuation techniques.

The disclosure of the investment properties that are measured at fair value is set out in Note 12.

Financial instruments carried at fair value are analysed by valuation method. The different levels have been defined as follows:

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices).
- (iii) Level 3: inputs for the asset or liability that are not based on observable market data.

Notes to the Condensed Consolidated Interim Financial Information *(Continued)*

5 Financial risk management *(Continued)*

5.2 Fair value estimation *(Continued)*

The following table presents the Group's financial assets that are measured at fair value at 31 October 2021.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 October 2021				
Assets				
Financial assets at fair value through profit or loss				
– Unlisted investments (Note)	–	–	23,310	23,310

Unlisted investments was stated at fair value which is estimated using other prices observed in recent transactions where the market price is not readily available. If one or more of the significant inputs is not based on observable market data, the instruments is included in level 3.

Note:

On 21 May 2021, the Group subscribed 5,465,854 preference shares of Yoho Group Holdings Limited (the "Yoho Group"), a private company principally engaged in the sale of consumer electronics and home appliances in Hong Kong, at a consideration of US\$3 million (equivalent to approximately HK\$23.3 million). As at 31 October 2021, the carrying amount of the preferred shares approximated its fair value.

There were no transfers among Levels 1, 2 and 3 and changes in valuation techniques during the period.

6 Segment information

The chief operating decision-maker has been identified as the executive directors of the Group. The executive directors review the Group's internal reporting in order to assess performance and allocate resources and have determined the operating segments based on these reports.

During the six months ended 31 October 2020, the Group had three operating segments, namely (i) Retail; (ii) Wholesales and (iii) Licencing and others.

However, during the second half of the financial year ended 30 April 2021, the executive directors reassessed the performance of the operating segments based on the nature of the Group's business and determined that the Group has the following reportable operating segments:

(i) Retail – Hong Kong and Macau*

Retail – Singapore*

(ii) Wholesales, licencing and others

The impact of the abovementioned change in the Group's reportable operating segments for the period ended 31 October 2020 is considered retrospectively and the Group's operating segment information is restated as if the Group had been operating as two operating segments in that period.

The executive directors assess the performance of the operating segments based on revenue and gross profit percentage of each segment.

* Including consignment sales commission income.

Notes to the Condensed Consolidated Interim Financial Information *(Continued)*

6 Segment information *(Continued)*

The segment information provided to the executive directors for the reportable segments for the six months ended 31 October 2021 is as follows:

	Retail		Wholesales, licencing and others	Total
	Hong Kong and Macau HK\$'000	Singapore HK\$'000	HK\$'000	HK\$'000
Segment revenue (all from external customers)	1,175,830	129,682	8,789	1,314,301
Cost of sales	(617,339)	(75,124)	(5,422)	(697,885)
Segment results	558,491	54,558	3,367	616,416
Gross profit%**	47.50%	42.07%	38.31%	46.90%
Other income				29,509
Other losses, net				(813)
Distribution and advertising expenses				(32,618)
Administrative and other operating expenses				(493,024)
Operating profit				119,470
Finance income				327
Finance costs				(8,704)
Profit before income tax				111,093
Income tax expense				(14,989)
Profit for the period				96,104

The segment information provided to the executive directors for the reportable segments for the six months ended 31 October 2020 as restated is as follows:

	Retail		Wholesales, licencing and others	Total
	Hong Kong and Macau HK\$'000	Singapore HK\$'000	HK\$'000	HK\$'000
Segment revenue (all from external customers)	1,208,856	107,688	4,950	1,321,494
Cost of sales	(650,551)	(69,725)	(3,233)	(723,509)
Segment results	558,305	37,963	1,717	597,985
Gross profit%**	46.18%	35.25%	34.69%	45.25%
Other income				99,446
Other losses, net				(232)
Distribution and advertising expenses				(30,484)
Administrative and other operating expenses				(466,810)
Operating profit				199,905
Finance income				2,314
Finance costs				(10,087)
Profit before income tax				192,132
Income tax expense				(20,565)
Profit for the period				171,567

** Gross profit% is calculated by gross profit (segment results) divided by revenue (segment revenue).

Notes to the Condensed Consolidated Interim Financial Information *(Continued)*

6 Segment information *(Continued)*

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the six months ended 31 October 2021 and 2020. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The retail sales include sales of goods of HK\$1,303,353,000 (2020/21: HK\$1,313,825,000), revenue arising from customer loyalty programme of HK\$1,348,000 (2020/21: HK\$1,705,000) and consignment sales commission of HK\$811,000 (2020/21: HK\$1,014,000).

The revenue from the Group's largest customer accounted for less than 10% of the Group's total revenue for the six months ended 31 October 2021 and 2020.

All of the Group's revenues are recognised at a point in time for the six months ended 31 October 2021 and 2020.

The following tables present segment assets and liabilities as at 31 October 2021 and 30 April 2021 respectively:

	As at 31 October 2021			Total HK\$'000
	Retail Hong Kong and Macau HK\$'000	Singapore HK\$'000	Wholesales, licencing and others HK\$'000	
Segment assets	1,074,140	156,980	6,105	1,237,225
Segment liabilities	707,114	88,417	5,832	801,363

	As at 30 April 2021			Total HK\$'000
	Retail Hong Kong and Macau HK\$'000	Singapore HK\$'000	Wholesales, licencing and others HK\$'000	
Segment assets	1,087,010	169,586	5,942	1,262,538
Segment liabilities	688,424	105,878	7,247	801,549

Segment assets include intangible assets, property, plant and equipment, right-of-use assets, trade and other receivables and inventories. Segment liabilities include provision for reinstatement costs, lease liabilities, borrowings, trade and other payables and contract liabilities.

A reconciliation of segment assets to total assets is provided as follows:

	As at	
	31 October 2021 HK\$'000	30 April 2021 HK\$'000
Segment assets	1,237,225	1,262,538
Investment properties	41,126	40,567
Prepayment for purchase of intangible assets	1,296	–
Prepayment for purchase of property, plant and equipment	344	–
Deferred income tax assets	8,591	5,666
Financial assets at fair value through profit or loss	23,310	–
Bank deposits with initial terms of over three months	388	388
Cash and cash equivalents	430,550	428,459
Total assets	1,742,830	1,737,618

Notes to the Condensed Consolidated Interim Financial Information *(Continued)*

6 Segment information *(Continued)*

A reconciliation of segment liabilities to total liabilities is provided as follows:

	As at	
	31 October 2021 HK\$'000	30 April 2021 HK\$'000
Segment liabilities	801,363	801,549
Deferred income tax liabilities	835	865
Loans due to non-controlling shareholders of a subsidiary	6,777	6,681
Current income tax liabilities	51,325	35,227
Total liabilities	860,300	844,322

Revenue from external customers in Hong Kong, Singapore and Macau are as follows:

	Six months ended	
	31 October 2021 HK\$'000	2020 HK\$'000
Hong Kong	1,161,893	1,189,855
Singapore	129,682	107,688
Macau	22,726	23,951
	1,314,301	1,321,494

Non-current assets, other than intangible assets, financial assets at fair value through profit or loss and deferred income tax assets, of the Group are located as follows:

	As at	
	31 October 2021 HK\$'000	30 April 2021 HK\$'000
Hong Kong	570,725	583,387
Mainland China	51,762	51,458
Singapore	81,242	93,907
Macau	58,327	55,671
	762,056	784,423

Notes to the Condensed Consolidated Interim Financial Information *(Continued)*

7 Other income

	Six months ended 31 October	
	2021 HK\$'000	2020 HK\$'000
Advertising and promotion income	7,248	4,029
Sub-leasing rental income	194	69
Government grant	11,609	73,648
Rent concessions	10,194	21,228
Sundry income	264	472
	29,509	99,446

8 Operating profit

The following items have been charged to the operating profit during the period:

	Six months ended 31 October	
	2021 HK\$'000	2020 HK\$'000
Employee benefit expenses (including directors' emoluments)	187,603	184,889
Short-term lease expense	28,493	26,243
Depreciation of property, plant and equipment	14,999	14,005
Depreciation of right-of-use assets	173,464	170,072
Amortisation of intangible assets	1,820	2,538
Write down of inventories	1,732	4,024
Loss on disposal of property, plant and equipment	842	402
Net exchange loss	1,872	19

9 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit. Overseas profits tax has been provided at the standard tax rate of the respective entities according to local tax laws.

	Six months ended 31 October	
	2021 HK\$'000	2020 HK\$'000
Hong Kong profits tax		
– Current period	17,623	20,208
Overseas taxation		
– Current period	330	466
– Over-provision in prior periods	–	(8)
	17,953	20,666
Deferred income tax	(2,964)	(101)
Income tax expense	14,989	20,565

Notes to the Condensed Consolidated Interim Financial Information *(Continued)*

10 Earnings per share

(a) Basic

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company and on the weighted average number of shares in issue during the period.

	Six months ended 31 October	
	2021	2020
Profit attributable to owners of the Company (HK\$'000)	95,141	169,385
Weighted average number of shares in issue ('000)	717,478	714,777
Basic earnings per share (HK cents per share)	13.26	23.70

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary share: share options and share awards. The number of shares that would have been issued assuming the vesting of share awards and exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	Six months ended 31 October	
	2021	2020
Profit attributable to owners of the Company (HK\$'000)	95,141	169,385
Weighted average number of shares for diluted earnings per share ('000)	721,432	718,802
Diluted earnings per share (HK cents per share)	13.19	23.56

11 Dividends

In the current period, a final dividend and a special dividend totaling HK\$109,038,000 in relation to the year ended 30 April 2021 was declared and paid.

On 23 December 2021, the Board resolved to declare an interim dividend of 10.5 HK cents and a special dividend of 4.2 HK cents (2020/21: 9.0 HK cents) per share, totaling approximately HK\$105,600,000 (2020/21: HK\$64,500,000). The proposed dividend has not been recognised as a liability in this interim financial information but will be reflected as an appropriation of retained profits for the year ending 30 April 2022.

Notes to the Condensed Consolidated Interim Financial Information *(Continued)*

12 Property, plant and equipment, investment properties and intangible assets

	Intangible assets							
	Property, plant and equipment HK\$'000	Investment properties HK\$'000					Sub Total HK\$'000	Total HK\$'000
			Trademark HK\$'000	Goodwill HK\$'000	Computer software HK\$'000			
Six months ended 31 October 2021								
Net book value								
As at 1 May 2021	191,208	40,567	19,602	5,931	9,897	35,430	267,205	
Additions	16,418	–	–	–	–	–	16,418	
Disposals	(842)	–	–	–	–	–	(842)	
Depreciation and amortisation	(14,999)	–	(316)	–	(1,504)	(1,820)	(16,819)	
Exchange difference	(24)	559	(219)	–	–	(219)	316	
As at 31 October 2021	191,761	41,126	19,067	5,931	8,393	33,391	266,278	
Six months ended 31 October 2020								
Net book value								
As at 1 May 2020	137,632	34,176	19,171	5,931	10,701	35,803	207,611	
Additions	21,892	–	–	–	456	456	22,348	
Disposals	(577)	–	–	–	–	–	(577)	
Depreciation and amortisation	(14,005)	–	(307)	–	(2,231)	(2,538)	(16,543)	
Exchange difference	610	1,897	544	–	–	544	3,051	
As at 31 October 2020	145,552	36,073	19,408	5,931	8,926	34,265	215,890	

The Group's investment properties were revaluated at 30 April 2021. No valuation was performed during the period as there was no indication of significant changes in the values since previous annual reporting date.

13 Leases

(a) Amounts recognised in the condensed consolidated interim balance sheet

The condensed consolidated interim balance sheet shows the following amounts relating to right-of-use assets:

(i) Right-of-use assets

	As at	
	31 October 2021 HK\$'000	30 April 2021 HK\$'000
Properties	472,341	505,131
Vehicles	19	114
Land use rights	3,353	3,360
	475,713	508,605

Additions to the right-of-use assets during the period were HK\$141,667,000 (For the year ended 30 April 2021: HK\$380,358,000).

Notes to the Condensed Consolidated Interim Financial Information *(Continued)*

13 Leases *(Continued)*

(a) Amounts recognised in the condensed consolidated interim balance sheet *(Continued)*

(ii) Lease liabilities

	As at	
	31 October 2021	30 April 2021
	HK\$'000	HK\$'000
Non-current	229,978	221,718
Current	261,281	305,494
	491,259	527,212

During the six months ended 31 October 2021 and 2020, the Group received COVID-19-related rent concessions from landlords for certain leased properties which have been accounted for as negative variable lease payments and recognised in other income (Note 7) under the amendments to HKFRS 16.

(b) Amounts recognised in the condensed consolidated interim statement of comprehensive income

The condensed consolidated interim comprehensive income shows the following amounts relating to leases:

	Six months ended	
	31 October 2021	2020
	HK\$'000	HK\$'000
Depreciation of right-of-use assets		
– Properties	173,318	169,876
– Vehicles	93	97
– Land use rights	53	99
Interest on lease liabilities	8,459	9,782
Expense relating to short-term leases	28,493	26,243

The total cash outflow for leases for the six months ended 31 October 2021 was HK\$203,176,000 (2020/21: HK\$186,124,000).

(c) The Group's leasing activities and how these are accounted for

As a lessee

The Group leases various land, offices, warehouses, retail stores and vehicles. Rental contracts are typically made for fixed periods of 1 to 50 years, but may have extension and termination options as described in (d) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

(d) Extension and termination options

Extension and termination options are included in a number of land leases and property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Notes to the Condensed Consolidated Interim Financial Information *(Continued)*

14 Trade and other receivables, prepayments and deposits

	As at	
	31 October 2021 HK\$'000	30 April 2021 HK\$'000
Trade receivables, net	20,420	9,362
Prepayments	25,888	9,586
Deposits and other receivables	136,225	133,517
	182,533	152,465
Less: non-current portion		
Deposits	(51,816)	(44,043)
Prepayment for purchase of intangible assets	(1,296)	–
Prepayment for purchase of property, plant and equipment	(344)	–
	(53,456)	(44,043)
Current portion	129,077	108,422

The Group conducts sales to customers on a cash-on-delivery basis for retail sales. The balance at period end represents credit card receivables and receivables from wholesales customers. At 31 October 2021 and 30 April 2021, the ageing analysis of trade receivables based on invoice date is as follows:

	As at	
	31 October 2021 HK\$'000	30 April 2021 HK\$'000
Up to 3 months	20,358	9,253
4-12 months	62	109
	20,420	9,362

15 Share capital and share premium

	Number of shares (thousands)	Share capital HK\$'000	Share premium HK\$'000	Total HK\$'000
As at 1 May 2021	722,649	72,265	514,601	586,866
Issue of shares (Note a)	200	20	366	386
As at 31 October 2021	722,849	72,285	514,967	587,252
As at 1 May 2020	722,092	72,209	513,541	585,750
Issue of shares (Note a)	1,437	144	2,413	2,557
Cancellation of shares (Note b)	(1,000)	(100)	(1,573)	(1,673)
As at 31 October 2020	722,529	72,253	514,381	586,634

Notes:

- During the six months ended 31 October 2021, 200,000 shares were issued and allotted upon the exercise of options by the options holders (2020/21: 1,437,000).
- During the year ended 30 April 2020, the Company acquired 1,000,000 of its own shares through purchases from the Hong Kong Stock Exchange on 20 March 2020. The total amount paid to acquire the shares was HK\$1,673,000. These shares have been cancelled and have been deducted from share capital and share premium on 24 July 2020.

Notes to the Condensed Consolidated Interim Financial Information *(Continued)*

16 Share award scheme

On 24 July 2015, a share award scheme (the “Share Award Scheme”) was approved and adopted by the Board of Directors of the Company. Unless otherwise cancelled or amended, the Share Award Scheme will remain valid and effective for 10 years from the date of adoption.

The number of shares to be awarded under the Share Award Scheme throughout its duration is limited to 5% of the issued share capital of the Company from time to time. The maximum number of shares which may be granted to a selected employee under the scheme shall not exceed 1% of the issued share capital of the Company from time to time.

During the six months ended 31 October 2021, 9,214,000 shares were granted to selected participants pursuant to the Share Award Scheme (2020/21: 1,020,000 Shares). The trustee of the Share Award Scheme has purchased 1,195,000 shares of the Company on the Stock Exchange (2020/21: 1,850,000 shares). The total amount paid to acquire the shares was HK\$3,250,000 (2020/21: HK\$4,008,000) and has been deducted from shareholders’ equity. 4,333,000 treasury shares were distributed to the participants whose share awards have been vested during the six months ended 31 October 2021 (2020/21: 4,063,000 treasury shares). Treasury shares held uncancelled are accounted for as a deduction of shareholders’ equity. As at 31 October 2021, 2,355,000 treasury shares were held by the Group (As at 30 April 2021: 5,493,000 treasury shares).

For the six months ended 31 October 2021, total expense recognised in the condensed consolidated interim statement of comprehensive income for Share Award Scheme is approximately HK\$1,282,000 (2020/21: HK\$2,197,000).

The fair value of shares granted on 20 December 2021 determined using the Binomial Option Pricing Model was HK\$0.66 per share. The significant inputs into the model were as following:

Risk-free rate	0.48%
Volatility (Note a)	25.74%
Dividend yield	7.35%
Forfeit ratio	0%
Close prices of the underlying shares at respective grant dates	HK\$2.72

Note:

- (a) The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices of the Company’s comparable companies over the last 2-3 years.

17 Trade and other payables and contract liabilities

	As at	
	31 October 2021 HK\$'000	30 April 2021 HK\$'000
Trade and other payables		
Trade payables	217,918	186,164
Other payables and accruals	43,690	47,522
Deposits received	19	19
Provision for employee benefits	7,446	10,367
	269,073	244,072
Contract liabilities		
Receipts in advance and cash coupons	11,638	3,711
Deferred revenue arising from customer loyalty programs	3,446	3,455
	15,084	7,166

Notes to the Condensed Consolidated Interim Financial Information *(Continued)*

17 Trade and other payables and contract liabilities *(Continued)*

- (a) The carrying values of trade and other payables approximate their fair values as at 31 October 2021 and 30 April 2021.
- (b) The ageing analysis of trade payables based on invoice date are as follows:

	As at	
	31 October 2021 HK\$'000	30 April 2021 HK\$'000
0-30 days	158,650	121,458
31-60 days	49,098	47,684
61-90 days	7,756	13,478
91-120 days	2,414	3,544
	<u>217,918</u>	<u>186,164</u>

18 Borrowings

	As at	
	31 October 2021 HK\$'000	30 April 2021 HK\$'000
Current		
Trust receipt loans, secured and contain a repayment on demand clause	22,431	19,078

Interest expense on borrowings for the six months ended 31 October 2021 is approximately HK\$149,000 (31 October 2020: HK\$226,000).

The Group has the following undrawn banking facilities:

	As at	
	31 October 2021 HK\$'000	30 April 2021 HK\$'000
Floating rates		
– expiring within one year	195,650	182,349

The facilities expiring within one year are annual facilities subject to review at various dates.

19 Contingent liabilities

The Group's banks have given guarantees in lieu of deposits of approximately HK\$21,203,000 as at 31 October 2021 (30 April 2021: HK\$18,968,000) to the Group's landlords and utility providers. These guarantees are counter indemnified by corporate guarantees and pledged deposits provided by certain subsidiaries.

Notes to the Condensed Consolidated Interim Financial Information *(Continued)*

20 Significant related party transactions

Other than those transactions or balances disclosed elsewhere in the condensed consolidated interim financial information, the following transactions were carried out with related parties in the normal course of the Group's business during the period:

Ms. Ngai Lai Ha is a director of the related companies of the Group in (a) and (b) below during the six months ended 31 October 2021 and 2020.

(a) Sales of goods and services

		Six months ended 31 October	
	Note	2021 HK\$'000	2020 HK\$'000
Management fee income:			
– JHC (Investment) Limited	(i)	–	10
– Mulan's Garden (HK) Limited	(i)	–	20
– Hong Sing Investment Limited	(i)	–	10

(b) Purchase of goods and services

		Six months ended 31 October	
	Note	2021 HK\$'000	2020 HK\$'000
(i) Short-term lease expenses in respect of certain premises to related companies:			
– Mulan's Garden (HK) Limited	(ii), (iii)	2,231	1,888
– JHC (Investment) Limited	(ii), (iii)	871	750
– Hong Sing Investment Limited	(ii), (iii)	8,965	9,025
– Charm Rainbow Limited	(ii), (iii)	972	972
– Beauty Delight Limited	(ii), (iii)	750	750
– Hugo Grand Limited	(ii), (iii)	3,130	3,094
(ii) Purchase of goods from a related company			
– Radha Exports Pte. Limited	(i)	31,903	28,280

Note:

- (i) Management fee income and purchase of goods were charged based on terms mutually agreed between the relevant parties.
- (ii) Short-term lease expenses were charged based on terms mutually agreed between the relevant parties.
- (iii) Before 1 May 2019, the Group has entered into certain operating lease agreements with certain related parties on terms mutually agreed between the relevant parties. The lease payments to these related companies under these agreements for the six months ended 31 October 2021 and 2020 were shown as follows:

	Six months ended 31 October	
	2021 HK\$'000	2020 HK\$'000
Lease payments made in respect of certain premises to related companies:		
– Mulan's Garden (HK) Limited	450	2,177
– JHC (Investment) Limited	563	684
– Hong Sing Investment Limited	420	161
	1,433	3,022

Notes to the Condensed Consolidated Interim Financial Information *(Continued)*

20 Significant related party transactions *(Continued)*

(c) Key management compensation

Key management includes directors and senior managements. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 31 October	
	2021	2020
	HK\$'000	HK\$'000
Short-term employee benefits	7,111	7,033
Post-employment benefits - defined contribution plans	63	90
Other long-term benefits	405	1,029
	<u>7,579</u>	<u>8,152</u>

21 Capital commitment

Capital expenditure contracted for at the end of the period but not yet incurred is as follows:

	As at	
	31 October	30 April
	2021	2021
	HK\$'000	HK\$'000
Intangible assets	<u>3,024</u>	<u>–</u>

Other Information

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 October 2021, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name and Category	Capacity/ Nature of Interest	Number of shares of the Company	Number of underlying shares of the Company – Share Option (Note 3)	Number of underlying shares of the Company – Share Award (Note 5)	Total interest (Note 1)	Approximate percentage of shareholding as at 31 October 2021*
Directors						
Mr. Lau Pak Fai Peter	Interest in a controlled corporation	324,000,000 (Note 2)	–	–	346,320,000	47.91%
	Personal interest	21,645,000	675,000	–		
Ms. Ngai Lai Ha	Interest in a controlled corporation	324,000,000 (Note 4)	–	–	357,426,000	49.45%
	Personal interest	33,101,000	325,000	–		
Mr. Cheng Sing Yuk	Personal interest	1,372,000	627,500	636,000	2,635,500	0.36%
Mr. Mang Wing Ming Rene	Personal interest	424,000	–	–	424,000	0.06%

* The percentage was calculated based on 722,849,000 shares in issue as at 31 October 2021.

Notes:

- All the above shares and underlying shares are long position.
- Mr. Lau Pak Fai Peter is deemed to have interests in 324,000,000 shares beneficially owned by Hiluleka Limited, by virtue of his controlling shareholding (i.e. 50%) in Hiluleka Limited.
- These represent the shares to be issued and allotted by the Company upon exercise of the options granted under the Share Option Scheme (as defined in the section headed "Share Option Scheme" of this report).
- Ms. Ngai Lai Ha is deemed to have interests in 324,000,000 shares beneficially owned by Hiluleka Limited, by virtue of her controlling shareholding (i.e. 50%) in Hiluleka Limited.
- These represent the shares granted by the Company under the Share Award Scheme (as defined in the section headed "Share Award Scheme" of this report).

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 31 October 2021, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information *(Continued)*

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 31 October 2021, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity/Nature of Interest	Number of shares of the Company (Note 1)	Approximate percentage of shareholding as at 31 October 2021*
Hiluleka Limited	Beneficial owner	324,000,000 (Note 2)	44.82%
FMR LLC	Interest of corporation controlled by the substantial shareholder	43,230,470	5.98%
Webb David Michael	Beneficial owner/Interest of corporation controlled by the substantial shareholder	50,603,000	7.00%

* The percentage was calculated based on 722,849,000 shares in issue as at 31 October 2021.

Notes:

1. All the above shares are long position.
2. The shares are taken to have a duty of disclosure as described in Notes (2) and (4) under the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures".

Save as disclosed above, as at 31 October 2021, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Other Information *(Continued)*

Share Option Scheme

The Company adopted a share option scheme for a period of 10 years commencing on 4 September 2013 (the “Share Option Scheme”). The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants (as defined below) and for such other purposes as the Board may approve from time to time. The Participants include Directors, any employees (whether full-time or part-time) of each member of the Group and any chief executives or substantial shareholders of the Company (together the “Participants” and each a “Participant”). In determining the basis of eligibility of each Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

The total number of Shares, which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the total number of shares in issue on the day on which trading of the shares commenced on the Stock Exchange, which is 72,000,000 Shares, unless the Company obtains a fresh approval from its shareholders. The options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating such 10% limit.

The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each Participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue, without prior approval from the Company’s shareholders.

Where options are proposed to be granted to a substantial shareholder or an independent non-executive Director of the Company or any of their respective associates, and the proposed grant of options will result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the total number of shares in issue on the date of offer and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5,000,000, such grant of options must be subject to the approval of the shareholders at general meeting.

Option granted must be taken up upon payment of HK\$1 per option. The exercise period of the share options granted is determinable by the Directors and ends on a date which is not later than 10 years from the date of grant of the share options. The exercise price is determined by the Directors, and shall be at least the highest of (i) the closing price of the Company’s shares on the date of offer of the grant of option, (ii) the average closing price of the shares for the five business days immediately preceding the date of offer of the grant of option; and (iii) the nominal value of the Company’s share.

Other Information *(Continued)*

Details of Options Granted by the Company

As at 31 October 2021, options to subscribe for an aggregate of 3,525,000 shares of the Company granted to Directors and certain employees pursuant to the Share Option Scheme remained outstanding, details of which were as follows:

Name and Category of participants	Date of grant	Exercise prices of share options HK\$ per share	Exercise periods of share options	Number of shares options			At 31 October 2021
				At 1 May 2021	(Exercised)/ granted during the Period	Forfeited during the Period	
Directors							
Mr. Lau Pak Fai Peter (Note 1)	28/02/2014	3.86	31/10/2014 to 27/02/2022 (Note 2)	325,000	–	–	325,000
	12/11/2014	1.93	31/10/2015 to 11/11/2022 (Notes 3(i),(v)&(vi))	350,000	–	–	350,000
Sub-total				675,000	–	–	675,000
Ms. Ngai Lai Ha (Note 1)	28/02/2014	3.86	31/10/2014 to 27/02/2022 (Note 2)	325,000	–	–	325,000
Sub-total				325,000	–	–	325,000
Mr. Cheng Sing Yuk	28/02/2014	3.86	31/10/2014 to 27/02/2022 (Note 2)	187,500	–	–	187,500
	12/11/2014	1.93	31/10/2015 to 11/11/2022 (Notes 3(ii),(v)&(vi))	220,000	–	–	220,000
	21/01/2016	1.08	31/10/2016 to 20/01/2024 (Notes 4(ii),(v)&(vi))	220,000	–	–	220,000
Sub-total				627,500	–	–	627,500
Employees – In aggregate	28/02/2014	3.86	31/10/2014 to 27/02/2022 (Note 2)	937,500	–	–	937,500
	12/11/2014	1.93	31/10/2015 to 11/11/2022 (Notes 3(iv),(vi)&(vii))	1,100,000	(200,000)	–	900,000
	21/01/2016	1.08	31/10/2016 to 20/01/2024 (Notes 4(iv)&(vi))	60,000	–	–	60,000
Sub-total				2,097,500	(200,000)	–	1,897,500
Total				3,725,000	(200,000)	–	3,525,000

Notes:

1. Mr. Lau Pak Fai Peter and Ms. Ngai Lai Ha are substantial shareholders of the Company.
2. The options, granted on 28 February 2014, are exercisable from 31 October 2014 to 27 February 2022 (both days inclusive) in the following manner:
 - (i) up to 33% of the total number of options granted under the Share Option Scheme commencing 31 October 2014;
 - (ii) up to 66% of the total number of options granted under the Share Option Scheme commencing 31 October 2015;
 - (iii) up to 100% of the total number of options granted under the Share Option Scheme commencing 31 October 2016;
 - (iv) Out of the total 2,071,875 share options granted, 837,500 share options were granted to the Directors. The grant of the share options to the Directors was approved by all the independent non-executive Directors; and
 - (v) Closing price of the shares of the Company immediately before the date on which the options were granted was HK\$3.80 per share.

Other Information *(Continued)*

3. The options, granted on 12 November 2014, are exercisable from 31 October 2015 to 11 November 2022 (both days inclusive) in the following manner:
- (i) up to 117,000 options granted under the Share Option Scheme commencing 31 October 2015; up to 234,000 options granted under the Share Option Scheme commencing 31 October 2016; and up to 350,000 options granted under the Share Option Scheme commencing 31 October 2017.
 - (ii) up to 73,000 options granted under the Share Option Scheme commencing 31 October 2015; up to 146,000 options granted under the Share Option Scheme commencing 31 October 2016; and up to 220,000 options granted under the Share Option Scheme commencing 31 October 2017.
 - (iii) up to 100,000 options granted under the Share Option Scheme commencing 31 October 2015.
 - (iv) up to 547,000 options granted under the Share Option Scheme commencing 31 October 2015; up to 1,094,000 options granted under the Share Option Scheme commencing 31 October 2016; and up to 1,640,000 options granted under the Share Option Scheme commencing 31 October 2017.
 - (v) Out of the total 2,660,000 share options granted, 1,020,000 share options were granted to the Directors. The grant of the share options to the Directors was approved by all the independent non-executive Directors, and the Independent non-executive Director has abstained from voting on the resolution in respect of the grant of options to himself.
 - (vi) Closing price of the shares of the Company immediately before the date on which the options were granted was HK\$1.89 per share.
 - (vii) The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK\$2.71 per share.
4. The options, granted on 21 January 2016, are exercisable from 31 October 2016 to 20 January 2024 (both days inclusive) in the following manner:
- (i) up to 117,000 options granted under the Share Option Scheme commencing 31 October 2016; up to 234,000 options granted under the Share Option Scheme commencing 31 October 2017; and up to 350,000 options granted under the Share Option Scheme commencing 31 October 2018.
 - (ii) up to 73,000 options granted under the Share Option Scheme commencing 31 October 2016; up to 146,000 options granted under the Share Option Scheme commencing 31 October 2017; and up to 220,000 options granted under the Share Option Scheme commencing 31 October 2018.
 - (iii) up to 100,000 options granted under the Share Option Scheme commencing 31 October 2016.
 - (iv) up to 636,000 options granted under the Share Option Scheme commencing 31 October 2016; up to 1,272,000 options granted under the Share Option Scheme commencing 31 October 2017; and up to 1,940,000 options granted under the Share Option Scheme commencing 31 October 2018.
 - (v) Out of the total 2,960,000 share options granted, 1,020,000 share options were granted to the Directors. The grant of the share options to the Directors was approved by all the independent non-executive Directors of the Company, and the Independent non-executive Director has abstained from voting on the resolution in respect of the grant of options to himself.
 - (vi) Closing price of the shares of the Company immediately before the date on which the options were granted was HK\$1.03 per share.

Other Information *(Continued)*

Share Award Scheme

The Share Award Scheme was adopted by the Board on 24 July 2015 (the “Adoption Date” and the “Share Award Scheme” respectively) to recognise the contributions by the Group’s employees (including without limitation any Director) and to provide them with incentives in order to retain them for their continual operation and development of the Group; and to attract suitable personnel for further development of the Group. Subject to any early termination as may be determined by the Board pursuant to the rules and trust deed of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date. The nominal value of the shares of the Company to be awarded under the Share Award Scheme throughout its duration is limited to 5% of the issued share capital of the Company from time to time. The maximum number of shares of the Company which may be granted to selected employee under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time. Details of which have been set out in the Company’s announcement dated 24 July 2015.

For the six months ended 31 October 2021, the trustee of the Share Award Scheme, pursuant to the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 1,465,000 shares of the Company at a total consideration of about HK\$3,995,000. The following table discloses movements of the awarded shares of the Company held by the Company’s Director or employees during the Period:

Name and Category of participants	Date of grant	Vesting period	Number of awarded shares				
			Unvested as at 1 May 2021	Granted during the Period	Forfeited during the Period	Vested during the Period	Unvested as at 31 October 2021
Directors							
Ms. NGAI Lai Ha	21/12/2018	31/10/2021 to 31/10/2021	800,000	–	(800,000)	–	–
	20/10/2021	16/10/2024 to 31/10/2024	–	800,000	–	–	800,000
Sub-total			800,000	800,000	(800,000)	–	800,000
Mr. CHENG Sing Yuk	21/12/2018	07/08/2020 to 31/10/2021	250,000	–	–	(250,000)	–
	23/12/2019	06/10/2020 to 06/10/2021	51,000	–	–	(51,000)	–
	20/10/2020	08/10/2021 to 08/10/2022	103,000	–	–	(52,000)	51,000
	06/10/2021	06/10/2022 to 06/10/2023	–	85,000	–	–	85,000
	20/10/2021	16/10/2024 to 31/10/2024	–	500,000	–	–	500,000
Sub-total			404,000	585,000	–	(353,000)	636,000
Mr. MANG Wing Ming Rene	20/10/2020	08/10/2021 to 08/10/2021	28,000	–	–	(28,000)	–
Sub-total			28,000	–	–	(28,000)	–
Employees – In aggregate							
Employees – In aggregate	21/12/2018	07/08/2020 to 31/10/2021	3,005,000	–	(250,000)	(2,755,000)	–
	15/02/2019	07/08/2020 to 31/10/2021	100,000	–	–	(100,000)	–
	23/04/2019	07/08/2020 to 31/10/2021	334,000	–	–	(334,000)	–
	03/10/2019	06/10/2020 to 06/10/2021	326,000	–	(12,000)	(314,000)	–
	22/09/2020	31/10/2021 to 31/10/2022	130,000	–	(15,000)	(50,000)	65,000
	08/10/2020	08/10/2021 to 08/10/2022	784,000	–	(13,000)	(399,000)	372,000
	06/10/2021	06/10/2022 to 06/10/2023	–	703,000	–	–	703,000
	20/10/2021	16/10/2024 to 31/10/2024	–	7,126,000	–	–	7,126,000
Sub-total			4,679,000	7,829,000	(290,000)	(3,952,000)	8,266,000
Total			5,911,000	9,214,000	(1,090,000)	(4,333,000)	9,702,000

Other Information *(Continued)*

Compliance with Corporate Governance Code

The Company has adopted the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) contained in Appendix 14 to the Listing Rules. The Directors recognise the importance of good corporate governance in the management of the Group. The Board will review and monitor the corporate governance practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices.

The Board is of the view that the Company has met the code provisions set out in the CG Code, except that there is no separation of the roles of Chairman and Chief Executive Officer as stipulated in the code provision A.2.1 of the CG Code. Currently, Ms. Ngai Lai Ha is both the Chairman and the Chief Executive Officer of the Company. As Ms. Ngai is one of the founders of the Group, the Board believes that it is in the best interest of the Group to have Ms. Ngai taking up both roles for continuous effective management of the Board and the business development of the Group.

Review of Financial Statements

The audit committee of the Company (the “Audit Committee”) comprises three independent non-executive Directors with written terms of reference in accordance with the requirements of the Listing Rules, and reports to the Board. The Audit Committee has reviewed and discussed with the management the unaudited interim results of the Group for the Period. In addition, PricewaterhouseCoopers as the Company’s auditor has reviewed the unaudited interim results of the Group for the Period 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.

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules as the Company’s code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry with all of the Directors, the Directors confirmed that they had been in compliance with the required standard set out in the Model Code throughout the Period.

Purchase, Sale or Redemption of the Company’s Listed Securities

The Company’s share award scheme was adopted by the Board on 24 July 2015 (the “Share Award Scheme”). The trustee of the Share Award Scheme, pursuant to the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 1,465,000 shares of the Company at a total consideration of approximately HK\$3,995,000. Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s securities during the Period.

Interim Dividend and Special Dividend

The Board has resolved to declare an interim dividend of 10.5 HK cents and a special dividend of 4.2 HK cents per share (2020/21: interim dividend of 9.0 HK cents per share), representing a total payout of approximately HK\$105,600,000 (2020/21: approximately HK\$64,500,000). Shareholders whose names appear on the register of members of the Company on Friday, 14 January 2022 will be entitled to the interim and special dividends which will be paid on or around Tuesday, 8 February 2022.

Other Information *(Continued)*

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 11 January 2022 to Friday, 14 January 2022, (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for an interim dividend and a special dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 10 January 2022.

Changes in Directors' information

With effect from 1 October 2021, the annual basic emolument of Mr. Mang Wing Ming Rene, Mr. Ng Sze Yuen Terry and Mr. Yueng Yiu Keung has been adjusted to HK\$282,000, HK\$282,000 and HK\$183,600 respectively.

Disclosure of Directors' information under rule 13.51b(1) of the Listing Rules

Mr. Yueng Yiu Keung was appointed as an independent non-executive Director of Tam Jai International Co. Limited (stock code: 2217.hk), the shares of which are listed on the Main Board of the Stock Exchange, on 14 September 2021.

Appreciation

On behalf of the Board, I would like to thank all of our management team members and staff for their commitment and contributions. I also greatly appreciate the constant support of our customers, business partners and shareholders. We shall be grateful for your continuing trust and support in the years to come.

By Order of the Board of
International Housewares Retail Company Limited
NGAI Lai Ha
Chairman and Executive Director

Hong Kong, 23 December 2021