

International Housewares Retail Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1373

2015/16 Interim Report



To take care of every family
with utmost attention



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Corporate Information

Directors

Executive Directors:

Mr. LAU Pak Fai Peter (*Chairman and Chief Executive Officer*)
Ms. NGAI Lai Ha (*Vice-Chairman*)
Mr. CHENG Sing Yuk (*Financial controller*)

Non-executive Director:

Mr. YEUNG Yiu Keung

Independent Non-executive Directors:

Dr. LO Wing Yan William, J.P. (Retired on 25 September 2015)
Mr. HUANG Lester Garson, J.P.
(Retired on 25 September 2015)
Mr. MANG Wing Ming Rene
Mr. LAU Wai Pun Raymond (Appointed on 25 September 2015)
Mr. YEE Boon Yip (Appointed on 25 September 2015)

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Company Secretary

Ms. KOO Ching Fan
ACIS, ACS(PE), FCCA

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

Woo, Kwan, Lee & Lo

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.japanhome.com.hk



Financial Highlights

- For the Period, the Group's revenue reached HK\$960,463,000 (2014/15⁽¹⁾: HK\$901,349,000), representing a growth of 6.6%.
- The comparable store sales growth⁽²⁾ of the Group in Hong Kong sustained a growth of 7% (2014/15: 10%).
- As at 31 October 2015, the Group had a total of 368 stores worldwide.
- The Group's gross profit rose by 5.2% to HK\$446,584,000 (2014/15: HK\$424,631,000) while gross profit margin decreased slightly to 46.5% (2014/15: 47.1%).
- Eliminated the effect of the exchange loss arising from the depreciation of the Renminbi fixed deposit of HK\$3,032,000 for the Period, the adjusted profit⁽³⁾ attributable to equity holders of the Company for the Period was HK\$24,135,000. (2014/15: HK\$44,828,000), representing a decrease of 46.2%.
- The Group maintained a strong financial position with cash and cash equivalents of HK\$405,368,000.
- The Board has resolved to declare an interim dividend of 5.0 HK cents per ordinary share (2014/15: an interim dividend of 4.9 HK cents per ordinary share).

Notes:

1. Comparative figures for the six months ended 31 October 2014 are shown as ("2014/15") in brackets.
2. Comparable store sales growth represents a comparison of sales of the same store having full six-month operations in the comparable periods.
3. The adjusted profit, a non-HKFRS measure, eliminated the effect of the depreciation of the Renminbi fixed deposit for the Period, which is useful in gaining a more complete understanding of the Group's operational performance and of the underlying trends of its business.



Management Discussion and Analysis

Overview

International Housewares Retail Company Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) achieved another half-year record high in revenue for the six months ended 31 October 2015 (the “**Period**”) indicating the Group’s capability to overcome short-term fluctuations and challenges in the markets. The Group’s revenue reached HK\$960,463,000 (2014/15: HK\$901,349,000), representing a growth of 6.6% over that of the same period last year. As at 31 October 2015, the Group had a total of 368 stores worldwide in Hong Kong, Singapore, Malaysia, Mainland China, Macau, Cambodia, Indonesia, Saudi Arabia and New Zealand. Despite subdued consumer confidence, the Group achieved satisfactory comparable store sales growth⁽¹⁾ in Hong Kong of 7% (2014/15: 10%).

Financial Performance

For the Period, the Group’s revenue increased by 6.6% to HK\$960,463,000 (2014/15: HK\$901,349,000). This was mainly due to the growth in Group’s overall comparable store sales. Revenue was also driven by the growth in both the number of transactions and the average spending per transaction. In addition, we continued to increase variety of our product offerings to capture additional market opportunities and expand our customer base.

The Group’s gross profit rose by 5.2% to HK\$446,584,000 (2014/15: HK\$424,631,000) while gross profit margin decreased slightly to 46.5% (2014/15: 47.1%). During the Period, the discount driven marketplace necessitated more promotions and markdowns, and this placed considerable pressure on our gross profit margin. Fortunately, the continued steps to streamline the logistics arrangement with suppliers as well as bargaining more favorable pricing that reduced the procurement cost allowed the Group to offset much of this pressure. As a result, the Group was able to maintain a relatively stable gross profit margin.

Operating expenses increased from 42.5% to 44.9% as a percentage of revenue against the same period last year. This was primarily due to continuing increase of rental expenses and staff cost. In spite of these adverse dynamics, with our strong brand recognition and popular product offering, the Group has been able to deliver record-high sales with costs and expenses maintained at a manageable level as a percentage of revenue during the Period.

The profit attributable to equity holders of the Company for the Period was HK\$21,103,000 (2014/15: HK\$44,828,000), representing a decrease of 52.9%. Such decrease is mainly as a result of increasing operating costs across the Group, the weak consumer sentiment in Singapore and Malaysia and the exchange loss arising from the depreciation of the Renminbi fixed deposit. Eliminated the effect of the exchange loss arising from the depreciation of the Renminbi fixed deposit of HK\$3,032,000 for the Period, the adjusted profit⁽²⁾ attributable to equity holders of the Company for the Period was HK\$24,135,000, representing a decrease of 46.2%.

Notes:

1. Comparable store sales growth represents a comparison of sales of the same store having full six-month operations in the comparable periods.
2. The adjusted profit, a non-HKFRS measure, eliminated the effect of the depreciation of the Renminbi fixed deposit for the Period, which is useful in gaining a more complete understanding of the Group’s operational performance and of the underlying trends of its business.

Liquidity and Financial Resources

As at 31 October 2015, the Group had cash and cash equivalents amounting to HK\$405,368,000 (30 April 2015: HK\$447,376,000). Most 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 not to engage in any highly leveraged or speculative derivative products and it will continue to place the majority of our surplus cash in Hong Kong dollars bank deposits with appropriate maturity periods to meet the funding requirements in the future. The current ratio for the Group was 2.9 (30 April 2015: 2.7). Bank borrowings amounted to HK\$68,430,000 as at 31 October 2015 (30 April 2015: HK\$75,130,000). The Group was in net cash position as at 31 October 2015. The Group’s gearing ratio as determined by bank borrowings divided by total equity was 9.9% (30 April 2015: 10.3%).

Management Discussion and Analysis *(Continued)*

Others

Notwithstanding the foregoing, financial policies, contingent liabilities and charges on the Group's assets did not differ materially during the Period from the information presented in the last published annual report.

Operating Efficiencies

Despite subdued consumer confidence, the Group achieved satisfactory comparable store sales growth⁽¹⁾ in Hong Kong of 7% (2014/15: 10%).

In the past few years, the overall rental expenses increased significantly, particularly for prime retail locations. Rental expenses constitute a significant portion of our operating expenses. Despite this adverse dynamic, the Group has been able to maintain rental costs at a manageable level as a percentage of revenue historically, as through leveraging our strong brand recognition and popular product offerings, we can open new stores with less prime retail space and thereby control our rental expenses as we expand. We are also able to rent retail spaces of varying sizes, which gives us more flexibility in choosing retail spaces and controlling our overall rental expenses. In addition, the salaries of employees have generally increased in recent years. We expect our employee expenses to increase along with inflation. In order to mitigate the effects of increasing employee expenses, we have employee training programmes in place to maximise productivity and we may redeploy our employees to different stores from time to time in order to further maximise productivity. As a result, the Group has been able to maintain staff costs within a manageable level as a percentage of revenue.

In spite of these adverse dynamics, with our strong brand recognition and popular product offering, the Group has been able to deliver record-high sales with costs and expenses maintained at a manageable level as a percentage of revenue during the Period. The Group's operating expenses as a percentage of revenue only increased during the Period, accounting for 44.9% of its revenue (2014/15: 42.5%). The Group is confident that operating expenses as a percentage of revenue will improve in the light of the festive shopping spree in the second half of the Group's financial year.

The Group will continue to exercise prudence in managing its expenses. The Group has closely monitored store man-hour expenses. Meanwhile, through operating energy efficient lighting installation to retail stores, there has begun to reduce the related operating expenses from the same period last year.

The following table provides details of the Group's operating expenses:

For the six months ended 31 October	2015		2014		Increase (%)
	HK\$	(%) of revenue	HK\$	(%) of revenue	
Distribution and advertising expenses	27,634,000	2.9%	23,553,000	2.6%	17.3%
Administrative and other operating expenses:					
–Rental expenses – retails stores	158,951,000	16.5%	142,007,000	15.7%	11.9%
–Employee benefit expenses	142,730,000	14.9%	126,111,000	14.0%	13.2%
–Other expenses ⁽²⁾	101,703,000	10.6%	91,846,000	10.2%	10.7%
Total operating expenses	431,018,000	44.9%	383,517,000	42.5%	12.4%

Notes:

1. Comparable store sales growth represents a comparison of sales of the same store having full six-month operations in the comparable periods.
2. Other expenses including the exchange loss arising from the depreciation of the Renminbi fixed deposit of HK\$3,032,000.

Management Discussion and Analysis *(Continued)*

Distribution Network

The Group believes that the cumulative brand awareness over the years, the extensive retail network with a proven track record of stable growth and the large global supplier network, will contribute to the Group's continuous business development. The Group remains positive about the mid- to long- term business prospect and plan to continue to expand our operations in Hong Kong, Singapore and Macau. Meanwhile, in the overseas retail business, the depreciation of currencies in Mainland China, Malaysia and Singapore not only affected the sales figures denominated in Hong Kong dollar, but also led to increased costs in these markets. The Group will continue to restructure its store portfolio in the overseas markets in a prudent manner, by further closing down underperforming stores to minimize the negative effects on the retail business as a whole and focusing on the profitable stores.

We believe that our comparable store sales growth in Hong Kong as well as the increasing revenue from our operations in Singapore and Macau demonstrate our growth potential in these regions. As at 31 October 2015, the Group had a presence in 10 jurisdictions throughout the world. The number of stores has a net decrease by 3 to 368 for the period from 30 April 2015 to 31 October 2015, of which 357 stores were directly managed by the Group and 11 stores were licenced stores. The following table sets forth the number of our stores worldwide:

	As at 31 October 2015	As at 30 April 2015	Net increase/ (decrease)
The Group's stores			
Hong Kong	272	267	5
Singapore	64	65	(1)
West Malaysia	8	12	(4)
Mainland China	5	8	(3)
Macau	8	8	–
Sub-total	357	360	(3)
The Group's licenced stores			
East Malaysia	2	2	–
Saudi Arabia	5	5	–
New Zealand	1	1	–
Indonesia	1	1	–
Cambodia	2	2	–
Sub-total	11	11	–
Total	368	371	(3)

Human Resources

To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. Performance bonus, share awards and share options are then offered to qualified employees. A performance-based element is included in the annual discretionary bonus for all staff as well as in share awards and share options for supervisory and managerial staff. As at 31 October 2015, the Group employed approximately 2,250 employees (30 April 2015: 2,400). Total staff costs for the Period were HK\$142,730,000 (2014/15: HK\$126,111,000).



Management Discussion and Analysis *(Continued)*

Operational Review by Business Segments

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

Retail revenue for the Period achieved a record-high revenue and continued to be the primary sales driver for the Group with a growth of 7%. This was mainly due to the growth in Group's overall comparable store sales. Revenue was also driven by the growth in both the number of transactions and the average spending per transaction. In addition, we continued to increase the variety of our product offerings to capture additional market opportunities and expand our customer base. This resulted in HK\$950,287,000 (2014/15: HK\$888,136,000) of retail revenue which included consignment sales commission income, accounting for 98.9% (2014/15: 98.5%) of total revenue.

The wholesale business, licencing income and others as a whole decreased by 23.0% from the same period last year to HK\$10,176,000 (2014/15: HK\$13,213,000).

Operational Review by Geographical Locations

Operation Review – Hong Kong

Hong Kong remained the key market for the Group, representing 84.9% (2014/15: 83.4%) of the Group's total revenue. Revenue in Hong Kong for the Period achieved a record-high total revenue of HK\$815,003,000 (2014/15: HK\$751,767,000) with a 8.4% increase, while comparable store sales growth⁽¹⁾ showed a relatively healthy growth of 7.0% (2014/15: 10.0%).

Eliminated the effect of the exchange loss arising from the depreciation of the Renminbi fixed deposit of HK\$3,032,000 for the Period, the adjusted net profit⁽²⁾ in Hong Kong for the Period was HK\$36,665,000 (2014/15: HK\$50,618,000), representing a decrease of 27.6% with the adjusted net profit⁽²⁾ margin of 4.5% (2014/15: 6.7%).

Operation Review – Singapore

In Singapore, the revenue grew slightly by 0.1% to HK\$119,311,000 (2014/15: HK\$119,182,000) during the Period. In local currency terms, the revenue grew by 9.6% while comparable store sales growth⁽¹⁾ recorded a growth of 0.3% (2014/15: -6.9%), given a conservative consumer spending patterns. Recognizing that the second half of this financial year will be challenging, the Group intends to focus on improving operational efficiencies, including putting employee training programmes in place to maximise productivity and further leverage our strategic strengths in system integration. We will continue our all-out effort in expanding of the market in Singapore after strengthening the Group's position in this market. Singapore will remain our important market and the Group expects to achieve moderate growth and holds an optimistic view about its business for the mid- to long-term.

Operation Review – Mainland China

With respect to Mainland China, the Group's revenue recorded a decrease of 13.0% to HK\$2,276,000 (2014/15: HK\$2,616,000). In local currency terms, the revenue decreased by 11.6% while comparable store sales growth⁽¹⁾ was 40.4% (2014/15: 32.1%) during the Period. The store network has been reviewed and certain under-performing stores have now been consolidated.

Operation Review – West Malaysia

The revenue for West Malaysia operations was HK\$5,180,000 (2014/15: HK\$11,755,000), a decrease of 55.9% over the same period last year. In local currency terms, the revenue decreased by 46.0% while comparable store sales growth⁽¹⁾ was -19.3% (2014/15: - 3.6%).

Operation Review – Macau

During the Period, the Group's Macau revenue recorded an increase of 16.6% to HK\$18,693,000 (2014/15: HK\$16,029,000), while comparable store sales growth⁽¹⁾ was 2.5% (2014/15: 3.7%).

Notes:

1. Comparable store sales growth represents a comparison of sales of the same store having full six-month operations in the comparable periods.
2. The adjusted profit, a non-HKFRS measure, eliminated the effect of the depreciation of the Renminbi fixed deposit for the Period, which is useful in gaining a more complete understanding of the Group's operational performance and of the underlying trends of its business.



Management Discussion and Analysis *(Continued)*

Future Prospects

Looking ahead, the Group will continue to strengthen its market position as the leading houseware retail chain in Hong Kong, Singapore and Macau. With this in mind, we intend to reinforce its brand recognition by implementing various marketing initiatives and promotional campaigns so as to more effectively reach out to its current and potential customers, and, ultimately to drive future growth.

In the second half of the year, against the backdrop of continuing uncertainty in the global economy, together with competitors' intensified discounting and promotional activities in the market, the overall operating environment will remain challenging. However, the Group will continue to optimize the product mix to cater to customer needs and preferences and to improve the gross profit margins. As part of its expansion strategy, the Group will enhance its sourcing and logistics capabilities by establishing logistics centers in Mainland China and other regions. In addition, the Group will strategically broaden the product categories, especially higher gross profit margin products as well as continue to constantly monitor the purchase price and logistics costs of our sourcing activities. In addition, the strong Hong Kong dollar and depreciating Renminbi or other foreign currencies will reduce the procurement cost, which will benefit the Group.

Regarding the retail business, Hong Kong has remained the key market for the Group. The Group intends to continue to focus on the Hong Kong market in the future. Going forward, despite the weak retail environment, the Group sees opportunities and potential for its growth and expansion. Many of the products the Group offers are affordable household necessities with a steady demand without significant fluctuation regardless of changes in overall market conditions. Moreover, rental expenses of stores are starting to experience a downward trend which is a favorable factor to the Group's long-term expansion strategy, although rental expenses of stores continued to increase during the Period, in particular of shopping malls.

Meanwhile, for other overseas markets, Singapore will remain our important market and the Group expects to achieve moderate growth and holds an optimistic view about its business for the mid- to long-term. On the other hand, the depreciation of currencies in Mainland China, Malaysia and Singapore has not only affected the sales figures denominated in Hong Kong dollars, but also increased costs in these markets. The Group continues to prudently restructure its store portfolio in the overseas markets, by further closing down underperforming stores to minimize the negative effects on the retail business as a whole and focusing on the profitable stores.

Harnessing the competitive edge of the online-to-offline business, the Group has launched its e-commerce business in Hong Kong. The "JHCeshop" e-shop targeting online shoppers, serves as another convenient, highly flexible and accessible retail channel for customers to purchase the Group's products. The Group is developing online platform to strengthen cooperation with physical stores and to leverage on the capability of online marketing to highlight the attractive product offerings of both online and offline stores. Besides, the Group will continue to showcase, promote and market products through the mobile applications and social media platforms such as Facebook and WeChat. By understanding customers' consumption habits, the Group aims to provide products tailored to consumption behavior and market demand, thereby enhancing customers' brand loyalty.

Besides, our fixed-price store under the banner of "123 by Ella" in Wong Tai Sin based on a "sample and fast consuming" concept opened in November 2015, selling selected trendy and personal merchandise at a range of fixed prices. The Group believes the fixed price store model enhances its flexibility in the continuous expansion and penetration of its network in support of its other retail store brands.



Management Discussion and Analysis *(Continued)*

Building on its position as the leading houseware retail chain with deep market penetration over many years, we are also continuously exploring new concepts and co-operation opportunities with potential overseas brands to expand their brands into the Hong Kong market. We believe this can further strengthen our overall market presence and accelerate the expansion of our customer base, and more importantly, bring additional revenue and profit and create synergies particularly in leasing, logistics and marketing.

To fuel further business growth, the membership program “JHC HomePass” continues to facilitate repeat purchases and attracts new customers to boost comparable same store sales. “JHC HomePass” is aimed at boosting the number of transactions and the average spending per transaction, thus broadening the Group’s revenue stream. The membership program also enhances understanding of customers’ spending behaviour and preferences and the Group can subsequently formulate even more effective marketing promotions. As of 31 October 2015, “JHC HomePass” has more than 300,000 members in Hong Kong, accounting for approximately 13% of the retail business revenue in Hong Kong. It also contributes to higher spending amounts per transaction. The Group is devoting greater efforts to interact with its members and is confident of building up a sizeable membership base by offering valuable benefits such as rebates, special birthday discounts or special promotional events exclusively for members.

In the future, the Group will continue to exercise prudence in managing its expenses so as to maximize its return on capital. The Group believes that the cumulative brand awareness over the years, the extensive retail network with a proven track record of stable growth and the large global supplier network will contribute to its continuous business development. The Group remains positive about its mid- to long- term business prospects. With the sufficient cash flow, the Group will be poised to explore further potential investment opportunities with higher return, thus generate greater returns to shareholders.



Report on Review of Interim Financial Information from Independent Auditor

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 11 to 26, 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 2015 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 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 December 2015

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 31 October 2015

		Unaudited For the six months ended 31 October	
	Note	2015 HK\$'000	2014 HK\$'000
Revenue	6	960,463	901,349
Cost of sales		(513,879)	(476,718)
Gross profit		446,584	424,631
Other income		7,242	9,175
Other losses, net		(1,925)	(339)
Distribution and advertising expenses		(27,634)	(23,553)
Administrative and other operating expenses		(403,384)	(359,964)
Operating profit	7	20,883	49,950
Finance income		2,146	3,207
Finance costs		(869)	(649)
Profit before income tax		22,160	52,508
Income tax expense	8	(7,513)	(9,476)
Profit for the period		14,647	43,032
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences		(2,850)	(522)
Total comprehensive income for the period		11,797	42,510
Profit/(loss) for the period attributable to:			
Equity holders of the Company		21,103	44,828
Non-controlling interests		(6,456)	(1,796)
		14,647	43,032
Total comprehensive income for the period attributable to:			
Equity holders of the Company		19,210	44,675
Non-controlling interests		(7,413)	(2,165)
		11,797	42,510
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share)	9		
Basic earnings per share		2.92	6.20
Diluted earnings per share		2.92	6.17

The notes on pages 16 to 26 form an integral part of the interim financial information.

Condensed Consolidated Interim Balance Sheet

As at 31 October 2015

	Note	Unaudited 31 October 2015 HK\$'000	Audited 30 April 2015 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	114,829	117,161
Intangible assets	11	27,950	30,103
Deferred income tax assets		5,251	5,357
Non-current prepayment and deposits	12	75,164	73,493
		223,194	226,114
Current assets			
Inventories		256,735	294,952
Trade and other receivables	12	60,973	58,577
Amounts due from shareholders		465	465
Pledged bank deposits		6,543	6,533
Bank deposits with initial terms of over three months		378	567
Cash and cash equivalents		405,368	447,376
		730,462	808,470
Total assets		953,656	1,034,584
EQUITY			
Equity attributable to equity holders of the Company			
Share capital and share premium	13	583,145	591,274
Reserves		105,896	128,641
		689,041	719,915
Non-controlling interests		5,481	12,332
Total equity		694,522	732,247

Condensed Consolidated Interim Balance Sheet *(Continued)*

As at 31 October 2015

	Note	Unaudited 31 October 2015 HK\$'000	Audited 30 April 2015 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		2,339	2,462
Loans due to non-controlling shareholders of subsidiaries		52	2,620
Provision for reinstatement costs		2,606	2,134
		4,997	7,216
Current liabilities			
Trade and other payables	15	150,550	193,968
Amount due to a non-controlling shareholder of a subsidiary		874	1,147
Loans due to non-controlling shareholders of subsidiaries		2,842	450
Borrowings	16	68,430	75,130
Current income tax liabilities		31,441	24,426
		254,137	295,121
Total liabilities		259,134	302,337
Total equity and liabilities		953,656	1,034,584
Net current assets		476,325	513,349
Total assets less current liabilities		699,519	739,463

The notes on pages 16 to 26 form an integral part of the interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 31 October 2015

Unaudited

	Note	Attributable to equity holders of the Company			Non- controlling interest HK\$'000	Total Equity HK\$'000
		Share capital and share premium HK\$'000	Reserves HK\$'000	Total HK\$'000		
At 1 May 2015		591,274	128,641	719,915	12,332	732,247
Comprehensive income:						
Profit/(loss) for the period		–	21,103	21,103	(6,456)	14,647
Other comprehensive income:						
Currency translation differences		–	(1,893)	(1,893)	(957)	(2,850)
Total comprehensive income for the period		–	19,210	19,210	(7,413)	11,797
Transactions with owners:						
Issue of ordinary shares to a non-controlling shareholder		–	–	–	562	562
Buy back of shares	13	(8,129)	(984)	(9,113)	–	(9,113)
Purchase of treasury shares	14	–	(1,398)	(1,398)	–	(1,398)
Employee share option and share award scheme:						
–value of employee services		–	722	722	–	722
Dividends	10	–	(40,295)	(40,295)	–	(40,295)
Total transactions with owners		(8,129)	(41,955)	(50,084)	562	(49,522)
At 31 October 2015		583,145	105,896	689,041	5,481	694,522
At 1 May 2014		589,400	106,702	696,102	22,578	718,680
Comprehensive income:						
Profit/(loss) for the period		–	44,828	44,828	(1,796)	43,032
Other comprehensive income:						
Currency translation differences		–	(153)	(153)	(369)	(522)
Total comprehensive income for the period		–	44,675	44,675	(2,165)	42,510
Transactions with owners:						
Changes in equity interests in subsidiaries without change of control		–	1,493	1,493	(1,826)	(333)
Employee share option scheme:						
–value of employee services		–	768	768	–	768
–exercise of options	13	2,687	–	2,687	–	2,687
Dividends	10	–	(32,551)	(32,551)	–	(32,551)
Total transactions with owners		2,687	(30,290)	(27,603)	(1,826)	(29,429)
At 31 October 2014		592,087	121,087	713,174	18,587	731,761

The notes on pages 16 to 26 form an integral part of the interim financial information.

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 31 October 2015

	Unaudited	
	For the six months ended	
	2015	2014
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from operation	29,367	81,189
Income tax (paid)/refund	(381)	87
Net cash generated from operating activities	28,986	81,276
Cash flows from investing activities		
Purchase of property, plant and equipment	(15,869)	(19,679)
Proceeds on disposal of property, plant and equipment	246	–
Decrease in bank deposits with initial terms of over three months	189	51
Interest received	2,146	3,207
Other investing cash flow – net	–	(63)
Net cash used in investing activities	(13,288)	(16,484)
Cash flows from financing activities		
Repurchase of ordinary shares for cancellation	(9,113)	–
Purchase of treasury shares	(1,398)	–
Proceeds from exercise of share option	–	2,687
Proceeds from issuance of ordinary shares to a non-controlling shareholder	562	–
Addition in pledged bank deposits	(10)	(7)
Net (decrease)/increase in trust receipt loans	(6,345)	1,198
Dividend paid	(40,295)	(32,551)
Professional expenses paid in connection with the IPO	–	(400)
Proceeds paid for increase in equity interests in subsidiaries without change of control	–	(189)
Other financing cash flow – net	(834)	(550)
Net cash used in financing activities	(57,433)	(29,812)
(Decrease)/increase in cash and cash equivalents	(41,735)	34,980
Cash and cash equivalents at beginning of the period	447,376	466,432
Currency translation differences	(273)	781
Cash and cash equivalents at end of the period	405,368	502,193
Analysis of balances of cash and cash equivalents:		
Cash at bank and on hand	150,750	161,944
Short-term bank deposits with original maturity within three months	254,618	340,249
	405,368	502,193

The notes on pages 16 to 26 form an integral part of the interim financial information.

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 Mr Lau Pak Fai, Peter and Ms Ngai Lai Ha.

This interim financial information is presented in HK dollars, unless otherwise stated. This interim financial information was approved for issue on 18 December 2015.

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 2015 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim financial reporting”.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30 April 2015, 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 2015, 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.

The following new standards, amendments to standards and interpretations are mandatory for the financial year beginning on or after 1 May 2015 that either have no significant impact or are not currently relevant to the Group:

		Effective for accounting period beginning on or after
HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvement Project	Annual Improvements 2010-2012 Cycle and Annual Improvements 2011-2013 Cycle	1 July 2014

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

3 Principal accounting policies *(Continued)*

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year beginning 1 May 2015 that not currently relevant to the Group and have not been early adopted:

		Effective for accounting period beginning on or after
HKAS 1 Amendment	Disclosure Initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants	1 January 2016
HKAS 27 Amendment	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisition of Interest in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue of Contracts from Customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018
Annual Improvements Project	Annual Improvements 2012-2014 Cycle	1 January 2016

4 Estimates

The preparation of condensed consolidated 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 that applied to the consolidated financial statements for the year ended 30 April 2015.

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 2015. There have been no significant changes in the risk management policies since the year end.

5.2 Fair value estimation

The carrying amount of the non-current prepayment and deposits, trade and other receivables, amount due from shareholders, pledged bank deposits, bank deposits with initial terms of over three months, cash and cash equivalents, loans due to non-controlling shareholders of subsidiaries, provision for reinstatement cost, trade and other payables, amount due to a non-controlling shareholder of a subsidiary and borrowings as at 31 October 2015 and 30 April 2015 approximate their fair value.

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

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.

The executive directors considered the nature of the Group's business and determined that the Group has three reportable operating segments as follows:

- (i) Retail*
- (ii) Wholesales
- (iii) Licencing and others

The executive directors assess the performance of the operating segments based on revenue and gross profit percentage of each segment. As the Group's resources are integrated and there are no discrete operating segment assets and liabilities for the retail and wholesales business segments, accordingly, no operating segment assets and liabilities are presented.

* Including consignment sales commission income.

The segment information provided to the executive directors for the reportable segments for the six months ended 31 October 2015 is as follows:

	Retail HK\$'000	Wholesales HK\$'000	Licencing and others HK\$'000	Total HK\$'000
Segment revenue (all from external customers)	950,287	9,844	332	960,463
Cost of sales	(505,662)	(8,217)	–	(513,879)
Segment results	444,625	1,627	332	446,584
Gross profit%**	46.79%	16.53%	–	46.50%
Other income				7,242
Other losses, net				(1,925)
Distribution and advertising expenses				(27,634)
Administrative and other operating expenses				(403,384)
Operating profit				20,883
Finance income				2,146
Finance costs				(869)
Profit before income tax				22,160
Income tax expense				(7,513)
Profit for the period				14,647

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

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the six months ended 31 October 2015. The accounting policies of the reportable segments are the same as the Group's accounting policies.

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 2015.

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 2014 is as follows:

	Retail HK\$'000	Wholesales HK\$'000	Licencing and others HK\$'000	Total HK\$'000
Segment revenue (all from external customers)	888,136	13,113	100	901,349
Cost of sales	(465,494)	(11,224)	–	(476,718)
Segment results	422,642	1,889	100	424,631
Gross profit%**	47.59%	14.41%	–	47.11%
Other income				9,175
Other losses, net				(339)
Distribution and advertising expenses				(23,553)
Administrative and other operating expenses				(359,964)
Operating profit				49,950
Finance income				3,207
Finance costs				(649)
Profit before income tax				52,508
Income tax expense				(9,476)
Profit for the period				43,032

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

	For the six months ended 31 October	
	2015 HK\$'000	2014 HK\$'000
Hong Kong	815,003	751,767
Mainland China	2,276	2,616
Singapore	119,311	119,182
Malaysia	5,180	11,755
Macau	18,693	16,029
	960,463	901,349

The total of non-current assets, other than intangible assets and deferred income tax assets of the Group are as follows:

	As at	
	31 October 2015 HK\$'000	30 April 2015 HK\$'000
Hong Kong	137,717	130,739
Mainland China	16,208	17,169
Singapore	29,533	32,702
Malaysia	3,913	7,155
Macau	2,622	2,889
	189,993	190,654

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

7 Operating profit

An analysis of the amounts presented as operating items in the interim financial information is given below.

	For the six months ended	
	31 October	
	2015	2014
	HK\$'000	HK\$'000
Employee benefit expenses (including directors' emoluments)	142,730	126,111
Operating lease rental in respect of		
– office premises and warehouses	13,676	13,253
– retails shops	158,951	142,007
Depreciation of property, plant and equipment	15,670	16,082
Amortisation of intangible assets	309	307
Loss on disposal of property, plant and equipment	1,198	339
Net exchange loss/(gain)	6,460	(1,607)

8 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.

	For the six months ended	
	31 October	
	2015	2014
	HK\$'000	HK\$'000
Hong Kong profits tax		
– current year	7,241	9,313
– over-provision in prior years	(20)	(224)
Overseas taxation	186	54
	7,407	9,143
Deferred income tax	106	333
Income tax expense	7,513	9,476

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year ending 30 April 2016 is 14.8% (the estimated tax rate used for the year ended 30 April 2015 and applied to the six months ended 31 October 2014 was 15.7%).

The Hong Kong Inland Revenue Department is conducting a field audit on three subsidiaries of the Group and had issued additional assessments for the years of assessment 2003/04 to 2008/09 to the three subsidiaries, demanding tax totalling HK\$16,685,000. These assessments were protective assessments issued before the expiry of the statutory time-barred period pending the result of the field audit.

Management has recorded income tax provision of HK\$2,113,000 (as at 30 April 2015: HK\$2,113,000) in the Group's consolidated balance sheet as at 31 October 2015 to cover the total potential additional tax, penalty surcharge and interest. Based on the advice sought from the Group's tax representative and self-assessment, management considers that this amount appropriately reflects the Group's additional liability based on the current status of the case.

Mr Lau Pak Fai, Peter and Ms Ngai Lai Ha, directors of the Company, and Red Home Holding Limited, a shareholder of the Company have agreed to indemnify the Group in respect of such amount and any cost or liabilities arising out of the additional assessment for which the Group may be liable in relation to the tax audit.

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

9 Earnings per share

(a) Basic

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

	For the six months ended 31 October	
	2015	2014
Profit attributable to equity holders of the Company (HK\$'000)	21,103	44,828
Weighted average number of shares in issue ('000)	722,545	723,479
Basic earnings per share (HK cents)	2.92	6.20

(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 one category of dilutive potential ordinary share: share options. For share options, the number of shares that would have been issued assuming the 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.

	For the six months ended 31 October	
	2015	2014
Profit attributable to equity holders of the Company (HK\$'000)	21,103	44,828
Weighted average number of shares for diluted earnings per share ('000)	723,080	725,965
Diluted earnings per share (HK cents)	2.92	6.17

10 Dividends

In the current period, a final dividend of HK\$40,295,000 in relation to the year ended 30 April 2015 was declared and paid.

On 18 December 2015, the Board resolved to declare an interim dividend of HK5.0 cents (2014: HK4.9 cents per share), totaling HK\$35,963,000 (2014: HK\$35,556,000). The proposed dividend has not been recognized as a liability in this interim financial information but will be reflected as an appropriation of retained profits for the year ending 30 April 2016.

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

11 Property, plant and equipment and intangible assets

	Property, plant and equipment HK\$'000	Intangible Assets			Total HK\$'000
		Trademark HK\$'000	Goodwill HK\$'000	Sub Total HK\$'000	
Six months ended 31 October 2015					
Net book value					
As at 1 May 2015	117,161	23,445	6,658	30,103	147,264
Additions	16,526	–	–	–	16,526
Disposals	(1,444)	–	–	–	(1,444)
Depreciation and amortisation	(15,670)	(309)	–	(309)	(15,979)
Impairment	–	–	(727)	(727)	(727)
Exchange difference	(1,744)	(1,117)	–	(1,117)	(2,861)
As at 31 October 2015	114,829	22,019	5,931	27,950	142,779
Six months ended 31 October 2014					
Net book value					
As at 1 May 2014	72,552	23,058	6,658	29,716	102,268
Additions	23,062	–	–	–	23,062
Disposals	(339)	–	–	–	(339)
Depreciation and amortisation	(16,082)	(307)	–	(307)	(16,389)
Exchange difference	(94)	(534)	–	(534)	(628)
As at 31 October 2014	79,099	22,217	6,658	28,875	107,974

12 Trade and other receivables

	As at 31 October 2015 HK\$'000	30 April 2015 HK\$'000
Trade receivables	6,495	6,721
Prepayments	18,016	16,959
Deposits and other receivables	111,626	108,390
	136,137	132,070
Less non-current portion:		
Deposits	(62,849)	(60,763)
Prepayment for purchase of property, plant and equipment	(12,315)	(12,730)
	(75,164)	(73,493)
Current portion	60,973	58,577

Notes to the Condensed Consolidated Interim Financial Information (Continued)

12 Trade and other receivables (Continued)

The Group normally makes sales to customers on a cash-on-delivery basis for retail sales. At 31 October 2015 and 30 April 2015, the ageing analysis of trade receivables based on invoice date for wholesales was as follows:

	As at	
	31 October	30 April
	2015	2015
	HK\$'000	HK\$'000
Up to 3 months	6,495	6,721

13 Share capital and share premium

	Number of shares (thousands)	Share capital HK\$'000	Share premium HK\$'000	Total HK\$'000
As at 1 May 2015	724,411	72,441	518,833	591,274
Buy back of shares (note (a))	(4,557)	(456)	(7,673)	(8,129)
At 31 October 2015	719,854	71,985	511,160	583,145
As at 1 May 2014	723,216	72,322	517,078	589,400
Exercise of options (note (b))	1,620	162	2,525	2,687
At 31 October 2014	724,836	72,484	519,603	592,087

Notes:

- (a) The Company acquired 5,157,000 of its own shares through purchase on the Hong Kong Stock Exchange from 28 July 2015 to 22 October 2015. The total amount paid to acquire the shares was HK\$9,113,000. During the period ended 31 October 2015, 4,557,000 of the Company's own shares repurchased totalling HK\$8,129,000 has been cancelled and deducted from share capital and share premium. The remaining 600,000 shares totalling HK\$984,000 were not yet cancelled as at 31 October 2015 and were deducted from other reserve. The 600,000 shares have been subsequently cancelled on 30 November 2015.
- (b) During the period ended 31 October 2014, 1,620,000 shares were issued and allotted upon the exercise of options granted under the share option scheme.

14 Share award scheme

On 24 July 2015, a new 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.

During the period, 954,000 shares were granted to selected participants pursuant to the Share Award Scheme. Also, the trustee of the Share Award Scheme purchased 840,000 shares of the Company on the Stock Exchange. The total amount paid to acquire the shares was HK\$1,398,000 and has been deducted from shareholders' equity. As at 31 October 2015, such shares were recorded as treasury shares of the Group as they are not yet vested.

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

15 Trade and other payables

	As at	
	31 October 2015 HK\$'000	30 April 2015 HK\$'000
Trade payables	114,635	151,148
Other payables and accruals	26,139	33,498
Deposits received	149	181
Receipts in advance	3,469	3,206
Provision for employee benefits	6,158	5,935
	150,550	193,968

(a) The carrying values of trade and other payables approximate their fair values as at 31 October 2015.

(b) The ageing analysis of trade payables based on invoice date are as follows:

	As at	
	31 October 2015 HK\$'000	30 April 2015 HK\$'000
0 – 30 days	53,171	76,325
31 – 60 days	14,928	31,178
61 – 90 days	30,040	22,105
91 – 120 days	14,163	19,984
Over 120 days	2,333	1,556
	114,635	151,148

16 Borrowings

	As at	
	31 October 2015 HK\$'000	30 April 2015 HK\$'000
Trust receipt loans, secured and contain a repayment on demand clause	68,430	75,130

Interest expense on borrowings for the six months ended 31 October 2015 is approximately HK\$835,000 (31 October 2014: HK\$612,000).

The Group has the following undrawn banking facilities:

	As at	
	31 October 2015 HK\$'000	30 April 2015 HK\$'000
Floating rates		
– expiring within one year	107,629	101,911

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

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

17 Contingent liabilities

The Group's bankers have given guarantees in lieu of deposits amounting to approximately HK\$13,014,000 as at 31 October 2015 (30 April 2015: HK\$14,061,000) to the Group's landlords and utility providers. These guarantees are counter indemnified by corporate guarantees and pledged deposits provided by certain subsidiaries.

18 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:

Mr. Lau Pak Fai, Peter and Ms. Ngai Lai Ha are directors of the related companies of the Group in (a) and (b) below during the period.

(a) Sales of goods and services

	Note	For the six months ended 31 October	
		2015 HK\$'000	2014 HK\$'000
Management fee income:			
– JHC (Investment) Limited	(i)	10	10
– Mulan's Garden (HK) Limited	(i)	20	20
– Hong Sing Investment Limited	(i)	10	10

(b) Purchase of goods and services

	Note	For the six months ended 31 October	
		2015 HK\$'000	2014 HK\$'000
Operating lease rentals in respect of retail shops to related companies:			
– Mulan's Garden (HK) Limited	(i)	3,016	2,841
– JHC (Investment) Limited	(i)	435	363
– Hong Sing Investment Limited	(i)	5,254	4,868
– Charm Rainbow Limited	(i)	972	887
– Hugo Grand Limited	(i)	2,629	2,208
Consultancy fee to a non-controlling shareholder of a subsidiary	(ii)	75	–
Purchase of goods from a non-controlling shareholder of a subsidiary	(iii)	1,081	–

Notes:

- (i) Management fee and operating lease rentals were charged based on terms mutually agreed between the relevant parties.
- (ii) Consultancy fee to a non-controlling shareholder of a subsidiary was charged based on the terms mutually agreed with the relevant parties.
- (iii) Purchase from a non-controlling shareholder of a subsidiary was conducted in the normal course of business at terms mutually agreed with the relevant parties.

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

18 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:

	For the six months ended 31 October	
	2015 HK\$'000	2014 HK\$'000
Short-term employee benefits	6,169	6,057
Post-employment benefits – defined contribution plans	99	92
Other long-term benefits	501	567
	6,769	6,716

Other Information

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

As at 31 October 2015, 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 of Directors	Capacity/Nature of Interest	Number of shares of the Company	Number of underlying shares of the Company	Total interest (Note 1)	Approximate percentage of shareholding as at 31 October 2015*
Mr. LAU Pak Fai Peter	Interest in a controlled corporation	324,000,000 (Note 2)		327,675,000	45.52%
	Personal interest	3,000,000	675,000 (Note 3)		
Ms. NGAI Lai Ha	Interest in a controlled corporation	324,000,000 (Note 4)		324,675,000	45.10%
	Personal interest		675,000 (Note 3)		
Mr. CHENG Sing Yuk	Personal interest		1,653,500 (Note 5)	1,653,500	0.23%
Mr. MANG Wing Ming Rene	Personal interest		156,000 (Note 6)	156,000	0.02%

* The percentage was calculated based on 719,853,700 shares in issue as at 31 October 2015.

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.
- Of the 1,653,500 underlying shares of the Company held by Mr. CHENG Sing Yuk, 407,500 shares 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). 1,134,000 shares represent the shares to be issued and allotted by the Company upon exercise of the options granted under the Pre-IPO Share Option Scheme (as defined in the section headed "Pre-IPO Share Option Scheme" of this report) and 112,000 shares represent the shares granted by the Company under the Share Award Scheme (as defined in the section headed "Share Award Scheme" of this report).
- Of the 156,000 underlying shares of the Company held by Mr. MANG Wing Ming Rene, 100,000 shares 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) and 56,000 shares represent the shares granted by the Company under the Share Award Scheme (as defined in the section headed "Share Award Scheme" of this report).

Other Information *(Continued)*

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 31 October 2015, 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.

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 31 October 2015, 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 2015*
Hiluleka Limited	Beneficial owner	324,000,000 (Note 2)	45.01%
FIL Limited	Investment manager	43,503,000	6.04%
FMR LLC	Investment manager	43,499,000 (Note 3)	6.04%
Grandeur Peak Global Advisors, LLC	Investment manager	37,395,000	5.19%

* The percentage was calculated based on 719,853,700 shares in issue as at 31 October 2015.

Notes:

- All the above shares are long position.
- 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" under the SFO.
- FMR LLC is deemed to have interests in 43,499,000 shares of the Company indirectly held by Fidelity Management & Research (Hong Kong) Limited in 22,831,000 shares and Pyramis Global Advisors (Canada) Ulc in 20,668,000 shares. Fidelity Management & Research (Hong Kong) Limited and Pyramis Global Advisors (Canada) Ulc are wholly-owned subsidiaries of FMR LLC.

Save as disclosed above, as at 31 October 2015, 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. At the date of this report, the total number of Shares available for issue under the Share Option Scheme is 72,000,000 Shares, representing approximately 10.01% of the Company's issued share capital as at the same date.

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 2015, options to subscribe for an aggregate of 4,435,000 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 (Note 5)			
				At 1 May 2015	Granted during the Period	Forfeited during the Period	At 31 October 2015
Directors							
Mr. LAU Pak Fai Peter (Note 1)	28/02/2014	3.86	31/10/2014 to 27/02/2022 (Notes 2 & 3)	325,000	-	-	675,000
	12/11/2014	1.93	31/10/2015 to 11/11/2022(Notes 4(i),(v)& (vi))	350,000	-	-	
Ms. NGAI Lai Ha (Note 1)	28/02/2014	3.86	31/10/2014 to 27/02/2022 (Notes 2 & 3)	325,000	-	-	675,000
	12/11/2014	1.93	31/10/2015 to 11/11/2022(Notes 4(i),(v) & (vi))	350,000	-	-	
Mr. CHENG Sing Yuk	28/02/2014	3.86	31/10/2014 to 27/02/2022 (Notes 2 & 3)	187,500	-	-	407,500
	12/11/2014	1.93	31/10/2015 to 11/11/2022 (Notes 4(ii),(v) & (vi))	220,000	-	-	
Mr. MANG Wing Ming Rene	12/11/2014	1.93	31/10/2015 to 11/11/2022 (Notes 4(iii),(v) & (vi))	100,000	-	-	100,000
Sub-total				1,857,500	-	-	1,857,500
Employees-							
In aggregate	28/02/2014	3.86	31/10/2014 to 27/02/2022 (Notes 2 & 3)	937,500	-	-	937,500
	12/11/2014	1.93	31/10/2015 to 11/11/2022(Notes 4(iv)& (vi))	1,640,000	-	-	1,640,000
Sub-total				2,577,500	-	-	2,577,500
Total				4,435,000	-	-	4,435,000

Notes:

- Mr. LAU Pak Fai Peter and Ms. NGAI Lai Ha are substantial shareholders of the Company.
- The options, granted on 28 February 2014, are exercisable from 31 October 2014 to 27 February 2022 (both days inclusive) in the following manner:
 - up to 33% of the total number of options granted under the Share Option Scheme commencing 31 October 2014;
 - up to 66% of the total number of options granted under the Share Option Scheme commencing 31 October 2015;
 - up to 100% of the total number of options granted under the Share Option Scheme commencing 31 October 2016; and
 - Out of the total 1,775,000 share options as at 31 October 2015, 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.
- Closing price of the shares of the Company immediately before the date on which the options were granted was HK\$3.80 per share.
- The options, granted on 12 November 2014, are exercisable from 31 October 2015 to 11 November 2022 (both days inclusive) in the following manner:
 - 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.
 - 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.
 - up to 100,000 options granted under the Share Option Scheme commencing 31 October 2015.

Other Information *(Continued)*

- (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 as at 31 October 2015, 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.
- (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
5. All share options are unexercised.

Pre-IPO Share Option Scheme

The Company adopted a pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) on 4 September 2013. As at 31 October 2015, options to subscribe for an aggregate of 3,166,020 shares of the Company granted to a Director and certain employees pursuant to the Pre-IPO Share Option Scheme remained outstanding, details of which have been set out in the section headed “appendix IV statutory and general information” in the Company’s prospectus dated 12 September 2013.

The following table discloses movements of the Pre-IPO share options of the Company held by the Company’s Director or employees during the Period:

Name and Category of participants	Exercise prices of share options HK\$ per share	Exercise periods of share options	Number of shares options (Note 1)					
			At 1 May 2015	Exercised during the Period	Forfeited during the Period	At 31 October 2015		
Director								
Mr. CHENG Sing Yuk	1.04	25/09/2013 – 11/10/2018	178,200	–	–	178,200		
		12/10/2013 – 11/10/2018	91,800	–	–	91,800		
	1.39	25/09/2013 – 11/10/2019	142,560	–	–	142,560		
		12/10/2013 – 11/10/2019	142,560	–	–	142,560		
		12/10/2014 – 11/10/2019	146,880	–	–	146,880		
	1.86	16/10/2013 – 15/10/2020	142,560	–	–	142,560		
		16/10/2014 – 15/10/2020	142,560	–	–	142,560		
		16/10/2015 – 15/10/2020	146,880	–	–	146,880		
	Sub-total			1,134,000	–	–	1,134,000	
Employees-								
In aggregate	1.04	25/09/2013 – 11/10/2018	178,200	–	–	178,200		
		12/10/2013 – 11/10/2018	183,600	–	–	183,600		
	1.39	25/09/2013 – 11/10/2019	89,100	–	–	89,100		
		12/10/2013 – 11/10/2019	178,200	–	–	178,200		
		12/10/2014 – 11/10/2019	183,600	–	–	183,600		
	1.86	16/10/2013 – 15/10/2020	178,200	–	–	178,200		
		16/10/2014 – 15/10/2020	178,200	–	–	178,200		
		16/10/2015 – 15/10/2020	862,920	–	–	862,920		
	Sub-total			2,032,020	–	–	2,032,020	
Total			3,166,020	–	–	3,166,020		

Note:

1. No option granted under the Pre-IPO Share Option Scheme during the Period.

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 of the Company) 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.

Since the Adoption Date and up to 31 October 2015, 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 840,000 shares of the Company at a total consideration of about HK\$1.4 million. A total of 954,000 shares of the Company had been granted under the Share Award Scheme, representing 0.13% of the shares of the Company in issue as at 31 October 2015, details of which were as follows:

Name and Category of participants	Number of shares
Directors	
Mr. CHENG Sing Yuk	112,000
Mr. MANG Wing Ming Rene	56,000
Employees- In aggregate	786,000
Total	954,000

* The percentage was calculated based on 719,853,700 shares in issue as at 31 October 2015.

Changes in Directors’ Information

Pursuant to Rule 13.51B(1) of the Listing Rules, changes of Directors’ information are set out below:

Both Dr. LO Wing Yan William, J.P. and Mr. HUANG Lester Garson, J.P. retired as independent non-executive directors of the Company at the conclusion of the Annual General Meeting of the Company held on 25 September 2015 (the “**Annual General Meeting**”) and did not offer themselves for re-election due to other business commitments.

Dr. LO Wing Yan William, J.P. also retired as a member of the audit committee, the nomination committee and the remuneration committee of the Company upon his retirement as a director of the Company from the conclusion of the Annual General Meeting and Mr. HUANG Lester Garson, J.P. also retired as the chairman of the remuneration committee and a member of the nomination committee of the Company upon his retirement as a director of the Company from the conclusion of the Annual General Meeting.

With effect from 25 September 2015, Mr. LAU Wai Pun, Raymond (“**Mr. LAU**”) was appointed as an independent non-executive director of the Company and a member of the audit committee, the nomination committee and the remuneration committee of the Company and Mr. YEE Boon Yip (“**Mr. YEE**”) was appointed as an independent non-executive director of the Company and a member of the audit committee and the nomination committee of the Company. Mr. YEE has been appointed as a member of the remuneration committee of the Board, with effect from 9 October 2015.



Other Information *(Continued)*

Each of Mr. LAU and Mr. YEE has entered into a letter of appointment with the Company for a term of one year commencing from 25 September 2015. Both Mr. LAU and Mr. YEE will be subject to retirement as a director by rotation and will also be eligible for re-election at annual general meetings of the Company in accordance with the articles of association of the Company. Pursuant to the letter of appointment, each of Mr. LAU and Mr. YEE will receive a remuneration of HK\$120,000 per annum, which was recommended by the remuneration committee with reference to his experience, duties and responsibilities to the Company and prevailing market conditions and determined by the Board in accordance with the authorisation given by the shareholders at the annual general meeting of the Company.

Mr. MANG Wing Ming Rene, the existing independent non-executive director of the Company, has been appointed as the chairman of the remuneration committee of the Company with effect from 25 September 2015.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**” and the “**Stock Exchange**” respectively). 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 of the Company.

The Board is of the view that the Company has met the code provisions set out in the CG Code during the Period, 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, Mr. LAU Pak Fai Peter is both the Chairman and the Chief Executive Officer of the Company. As Mr. LAU Pak Fai Peter is one of the founders of the Group, the Board believes that it is in the best interest of the Group to have Mr. LAU Pak Fai Peter taking up both roles for continuous effective management of the Board and business development of the Group.

Audit Committee

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors and one non-executive Director 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 consolidated interim results of the Group for the Period. 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, Directors confirmed that they had been in compliance with the required standard set out in the Model Code throughout the Period.

Other Information *(Continued)*

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

During the Period, the Company repurchased a total of 5,157,000 shares of the Company on the Stock Exchange at an aggregate consideration (including transaction cost) of approximately HK\$9,113,000. All the repurchased shares were subsequently cancelled by the date of this report. Particulars of the repurchases are as follows:

Month	Number of shares repurchased	Purchase price (per share)		Aggregate Consideration HK\$
		Highest HK\$	Lowest HK\$	
July	607,000	2.02	1.86	1,176,000
August	2,450,000	2.02	1.67	4,400,000
September	1,500,000	1.77	1.60	2,553,000
October	600,000	1.68	1.61	984,000
Total	5,157,000			9,113,000

The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the earnings per share of the Company. Besides, 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 840,000 shares of the Company at a total consideration of about HK\$1.4 million. 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 Dividends

The Board has resolved to declare an interim dividend of 5.0 HK cents per ordinary share (2014/15: interim dividend of 4.9 HK cents per share), representing a total payout of approximately HK\$35,963,000 (2014/15: approximately HK\$35,556,000). Shareholders whose names appear on the register of members of the Company on Friday, 22 January 2016 will be entitled to the interim dividend which will be paid on or around Friday, 29 January 2016.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 20 January 2016 to Friday, 22 January 2016, (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the interim 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 Tuesday, 19 January 2016.

By order of the Board of
International Housewares Retail Company Limited
LAU Pak Fai Peter
Chairman and Executive Director

Hong Kong, 18 December 2015