

International Housewares Retail Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1373

2016/17

Interim Report



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Corporate Information

DIRECTORS

Executive Directors:

Mr. Lau Pak Fai Peter (*Chairman*)

Ms. Ngai Lai Ha (*Vice-chairman*)

Mr. Cheng Sing Yuk (*Chief financial officer*)

Non-executive Director:

Mr. Yeung Yiu Keung

(*Resigned on 26 September 2016*)

Independent Non-executive Directors:

Mr. Mang Wing Ming Rene

Mr. Lau Wai Pun Raymond

(*Retired on 26 September 2016*)

Mr. Yee Boon Yip

Mr. Neo Sei Lin Christopher

(*Appointed on 26 September 2016*)

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

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 2016 (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 2015 (“2015/16”).

- The Group's revenue rose by 4.4% to an historical high of HK\$1,002,534,000 (2015/16⁽¹⁾: HK\$960,463,000) for the Period.
- The comparable store sales growth⁽²⁾ of the Group in Hong Kong was 5% (2015/16: 7%).
- The Group's gross profit rose by 5.5% to HK\$470,995,000 (2015/16: HK\$446,584,000) while gross profit margin was up to 47.0% (2015/16: 46.5%).
- Profit for the Period attributable to equity holders of the Company was HK\$34,236,000 (2015/16: HK\$21,103,000), representing an increase of 62.2%.
- The Group maintained a strong financial position with cash and cash equivalents of HK\$408,864,000.
- As at 31 October 2016, the Group had a total of 365 stores worldwide.
- The Board has resolved to declare an interim dividend of 5.0 HK cents per ordinary share (2015/16: an interim dividend of 5.0 HK cents per ordinary share).

Notes:

1. Comparative figures for the six months ended 31 October 2015 are shown as (“2015/16”) 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.

Management Discussion and Analysis

Overview

International Housewares Retail Company Limited and its subsidiaries achieved satisfactory financial results with record-breaking revenue and a solid financial position for the six months ended 31 October 2016. The Group continued to solidify its position as a leading houseware retail chain with a total of 365 stores worldwide.

Financial Performance

The Group continued to increase the variety of product offerings to help it capture additional market opportunities and expand customer base. In addition, further driven by the opening of new stores and growth in overall comparable store sales as well as increase in the average spending per transaction for the Period, the Group's revenue rose by 4.4% to an historical high of HK\$1,002,534,000 (2015/16: HK\$960,463,000).

The Group's gross profit rose by 5.5% to HK\$470,995,000 (2015/16: HK\$446,584,000) and gross profit margin was up to 47.0% (2015/16: 46.5%). During the Period, the discount driven marketplace had made more promotions and markdowns necessary and that placed considerable pressure on our gross profit margin. Fortunately, at the Group's continued effort to streamline logistics arrangement with suppliers and bargaining for more favourable prices to reduce procurement cost, much of that pressure was offset. As a result, the Group managed to improve its gross profit margin.

Boasting strong brand recognition among consumers and popular product offerings, the Group was able to make 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 reduced during the Period, standing at 44.0% (2015/16: 44.9%). The solid performance of the Group was attributed to prudence in managing expenses.

Profit for the Period attributable to equity holders of the Company was HK\$34,236,000 (2015/16: HK\$21,103,000), representing an increase of 62.2%, owing mainly to the Group continuing to broaden its product portfolio, while constantly monitoring purchase prices and logistics costs of its sourcing activities, as well as prudently managing operating expenses. Furthermore, the Group closed down the business operations in West Malaysia and Mainland China to minimize the negative effects on its retail business as a whole.

Liquidity and Financial Resources

As at 31 October 2016, the Group had cash and cash equivalents amounting to HK\$408,864,000 (30 April 2016: HK\$406,080,000). 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 2.8 (30 April 2016: 2.8). Bank borrowings amounted to HK\$45,176,000 as at 31 October 2016 (30 April 2016: HK\$44,373,000). The Group was in net cash position as at 31 October 2016. Its gearing ratio as determined by bank borrowings divided by total equity was 6.6% (30 April 2016: 6.4%).

Management Discussion and Analysis *(Continued)*

Others

Details of the contingent liabilities and charge on the assets of the Group as at 31 October 2016 are set out in note 17 to the condensed consolidated interim financial information. Notwithstanding the foregoing, financial policies and capital commitments did not differ materially during the Period from the information presented in the last published annual report.

Operating Efficiencies

Although the operating environment was ridden with challenges, the Group achieved satisfactory comparable store sales growth⁽¹⁾ in Hong Kong of 5% (2015/16: 7%).

In the past few years, the overall rental expenses on shops in shopping malls continued to increase. Despite the adverse factor, enabled by the strong brand recognition it enjoys, its popular product offerings, and opening new stores with less prime retail space allowing the Group to control of rental expenses as it expands. We are also able to rent retail spaces of varying sizes, which gives us more flexibility in choosing retail spaces and controlling overall rental expenses. In addition, with salaries on general rise in recent years, we expect our employee expenses to increase alongside inflation. To mitigate the effects of increasing employee expenses, we have employee training programmes in place to maximise productivity and employees are redeployed to different stores from time to time to further maximise productivity. As a result, the Group has been able to maintain staff costs at a manageable level as a percentage of revenue.

In spite of these adversities, enjoying strong brand recognition and boasting popular product offerings, the Group made 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 reduced during the Period, standing at 44.0% (2015/16: 44.9%). The solid performance was attributed to prudence in managing expenses, including closely monitoring store man-hour expenses and the use of energy efficient lighting installations at retail stores. Those measures helped reduce related operating expenses as a percentage of revenue against the same period last year. In the light of the festive shopping spree in the second half of the financial year, the Group is confident that operating expenses as a percentage of revenue will improve.

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

For the six months ended 31 October	2016		2015		Increase/ (decrease) (%)
	HK\$	(%) of revenue	HK\$	(%) of revenue	
Distribution and advertising expenses	25,856,000	2.6%	27,634,000	2.9%	(6.4%)
Administrative and other operating expenses	415,272,000	41.4%	403,384,000	42.0%	2.9%
Total operating expenses	441,128,000	44.0%	431,018,000	44.9%	2.3%

Note:

1. Comparable store sales growth represents a comparison of sales of the same store having full six-month operations in the comparable periods.

Management Discussion and Analysis *(Continued)*

Distribution Network

Established in 1991, the Group is the largest houseware retail chain in Hong Kong, Singapore and Macau⁽¹⁾. The Group offers quality houseware products through an extensive retail network comprising 365 stores in Hong Kong, Singapore, Macau, Cambodia, Indonesia, Malaysia, Saudi Arabia and Australia under the renowned brands including JHC, JHC Concept Store, City Life, Epo Gifts & Stationery, Happy Kitchen, 123 by ELLA, Japan Home and JHCeshop. Armed with extensive sourcing channels and high-margin private label products, the Group provides a full range of houseware items at competitive prices, giving customers “one-stop” shopping experience.

The Group believes that the cumulative brand awareness it enjoys over the years, its extensive retail network growing steadily and consistently and large global supplier network have contributed and will continue to contribute to the Group’s continuous business development. The Group remains positive about its business prospects in the medium- to- long-term and plans to continue to expand its operations in Hong Kong, Singapore and Macau. At the same time, it will continue to restructure with caution its store portfolio in Singapore, closing down underperforming stores to minimize the negative effects on its retail business as a whole, focusing on profitable stores and opening new stores in high potential areas. The following table sets forth the number of our stores worldwide:

	As at 31 October 2016	As at 30 April 2016	Net increase/ (decrease)
The Group’s directly managed stores			
Hong Kong	284	277	7
Singapore	61	62	(1)
Macau	8	8	–
Sub-total	353	347	6
The Group’s licenced stores			
East Malaysia	1	1	–
Saudi Arabia	5	5	–
New Zealand	–	1	(1)
Indonesia	1	1	–
Cambodia	3	3	–
Australia	2	–	2
Sub-total	12	11	1
Total	365	358	7

Note:

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

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 2016, the Group employed approximately 2,118 employees (30 April 2016: 2,236). Total staff costs for the Period were HK\$149,007,000 (2015/16: HK\$142,730,000).

Management Discussion and Analysis *(Continued)*

Operational Review by Business Segments

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

Driven by the opening of new stores and growth in overall comparable store sales as well as increase in customer average spending per transaction, retail revenue of the Group for the Period reached record-high, at a 4% growth, and continued to be the primary revenue driver of the Group. In addition, we continued to increase the variety of product offerings to help us capture additional market opportunities and expand customer base. These endeavours contributed to the HK\$988,341,000 (2015/16: HK\$950,287,000) retail revenue, which also included consignment sales commission income, accounting for 98.6% (2015/16: 98.9%) of total revenue of the Group.

The income of wholesale business, from licensing and others together increased by 39.5% to HK\$14,193,000 (2015/16: HK\$10,176,000) against the same period last year.

Operational Review by Geographical Locations

Operation Review – Hong Kong

Hong Kong remained the key market of the Group, accounting for 87.3% (2015/16: 84.9%) of its total revenue. Revenue from Hong Kong for the Period reached record-high totalling at HK\$875,406,000 (2015/16: HK\$815,003,000), a 7.4% increase, whereas comparable store sales had a relatively healthy growth⁽¹⁾ of 5% (2015/16: 7%).

The net profit in Hong Kong for the Period was HK\$39,243,000 (2015/16: HK\$33,633,000), representing an increase of 16.7% with the net profit margin of 4.5% (2015/16: 4.1%).

Operation Review – Singapore

In Singapore, revenue decreased by 8.9% to HK\$108,677,000 (2015/16: HK\$119,311,000) during the Period, given the market's conservative consumer spending patterns. Anticipating continuous challenge in the market in the second half of this financial year, the Group will strive to solidify its position by maintaining the strategy of studying and restructuring its product mix tailoring it to fit the characteristics of the market and customer demographics there, as well as exercising prudent cost control. The Group intends to focus on improving efficiencies of its operations in the market via including dedicated training programmes for employees to help maximise their productivity. The Group will strive to enhance its competitive edges and strengthen its position in Singapore to facilitate continuous business expansion there. Staff costs and other operating expenses in Singapore registered a decline in local currency during the Period, in line with the reduction in the number of employees at our efforts to streamline organisational structure and closing unprofitable retail stores in Singapore. We are thankful that at the concerted efforts of our employees in Singapore, we were able to address every expense item of the businesses in the market. Singapore will remain an important market to the Group. It is expected to achieve moderate growth and boasts an encouraging outlook in the medium- to long-term.

Operation Review – Macau

During the Period, the Group's Macau revenue recorded a 1.3% decrease to HK\$18,451,000 (2015/16: HK\$18,693,000), while operating expenses declined during the Period.

Note:

1. Comparable store sales growth represents a comparison of sales of the same store having full six-month operations in the comparable periods.

Management Discussion and Analysis *(Continued)*

Prospects

With the global economy remaining uncertain, the overall operating environment of the Group continues to be challenging. However, given the large global supplier network it has built on an operational experience of 25 years, the Group has the ability to secure a stable and continuous supply of a wide variety of products at competitive prices. In addition, the strong Hong Kong dollar and other depreciating foreign currencies recently have helped the Group to reduce procurement cost. The Group will continue to broaden its product portfolio, while constantly monitoring purchase prices and logistics costs of its sourcing activities, and prudently managing expenses.

The Group will improve operational efficiencies of its supply chain so that it may more quickly respond to customers' changing demands, shorten the cycle of product forecasting, the procurement process, shipping logistics, as well as closely align purchases with sales levels thereby tightening inventory control. These initiatives have enabled the Group to reduce inventory turnover days. Furthermore, they helped shorten the lead time "123 by Ella" needs to answer market demand for selected trendy and personal merchandise befitting the "simple and fast consuming" concept that the brand operates on. The Group is empowered to tap the potential in the market of young adults and consumption trend. The Group will continue to look for suitable locations to open more stores to enlarge its share in the Hong Kong retail market. Encouraged by the satisfactory stores sales growth under the new banner of "123 by Ella", the Group's strategy is to open more "123 by Ella" stores in the near future.

To solidify its position in Singapore, the Group will maintain the strategy of studying and restructuring its product mix to tailor in Singapore location to capitalise on its characteristics and local customer demographics, and prudent cost control. The Group intends to focus on improving operational efficiencies of its operations in the market, including tailoring training programmes for employees to help maximise their productivity. The Group will strive to enhance our competitive edge and strengthen our position in Singapore to facilitate continuous expansion of our business there. Staff costs and other operating expenses in Singapore registered a decline in local currency during the Period, in line with the reduction in the number of employees through our efforts to streamline the organisational structure and closing unprofitable retail stores in Singapore. We are thankful that with the concerted efforts of our employees in Singapore, we were able to address every expense item of the businesses in the market. Singapore will remain an important market to the Group. It is expected to achieve moderate growth and boast an encouraging outlook in the medium- to long-term.

The Group will continue to focus on the strategy to sell our products through a comprehensive and integrated omni-channel interactive platform comprising through an extensive retail network in Hong Kong and online sales networks, including e-commerce business platform, as well as our social network platform on J Fun APPs and Facebook, and the Group will continue its efforts to build an operating platform on the basis of the omni-channel cored business model. At the same time, through the change of new company logo "JHC" provides the Group with a better identification with the business upgrade and strengthen the Group's corporate image, which will benefit the future business development.

The Group continues to diversify and expand the product mix and promote "Concept stores" to enlarge its customer base. In particular, it intends to offer more stylish, good value products to the consumers, and, above all, expand product coverage in Hong Kong. This is a strategic move to broaden product categories of the Group to cover selected special products in smart living, digital accessories, health & beauty, trendy stationery, green food, gardening, fragrance and Japanese & Korean products. The Group believes this concept can facilitate flexible expansion of its business and enhance market penetration. We will also continue to strengthen our product mix to attract a wider range of customers and to increase our proportion of private label products in order to achieve higher profit margin.

Management Discussion and Analysis *(Continued)*

Recognizing that the second half of this financial year will be challenging, the Group intends to continue to focus on the Hong Kong market. Going forward, despite the weak retail environment, the Group sees opportunities and potential for growth and expansion. Many of the products the Group offers are affordable household necessities in steady demand, hence are not heavily affected by changes in economic cycles and overall market conditions. The Group will continue to carefully manage expenses so as to maximise return on capital. The Group believes with it enjoying cumulative brand awareness and the support of an extensive and steadily growing shop network, a sizeable membership base and a large global supplier network, it will see continuous development of its business. It remains positive about its medium- to long-term business prospects. Meanwhile, with sufficient cash flow, the Group is poised to explore potential investment opportunities for achieving higher gains and increasing operational efficiency, thus generating greater returns for 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 25, 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 2016 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, 16 December 2016

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 31 October 2016

	Note	Unaudited six months ended 31 October	
		2016 HK\$'000	2015 HK\$'000
Revenue	6	1,002,534	960,463
Cost of sales		(531,539)	(513,879)
Gross profit		470,995	446,584
Other income		6,740	7,242
Other losses, net		(338)	(1,925)
Distribution and advertising expenses		(25,856)	(27,634)
Administrative and other operating expenses		(415,272)	(403,384)
Operating profit	7	36,269	20,883
Finance income		744	2,146
Finance costs		(604)	(869)
Profit before income tax		36,409	22,160
Income tax expense	8	(7,639)	(7,513)
Profit for the period		28,770	14,647
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences		(272)	(2,850)
Total comprehensive income for the period		28,498	11,797
Profit/(loss) for the period attributable to:			
Equity holders of the Company		34,236	21,103
Non-controlling interests		(5,466)	(6,456)
		28,770	14,647
Total comprehensive income for the period attributable to:			
Equity holders of the Company		33,934	19,210
Non-controlling interests		(5,436)	(7,413)
		28,498	11,797
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share)	9		
Basic earnings per share		4.78	2.92
Diluted earnings per share		4.78	2.92

The notes on pages 16 to 25 form an integral part of the interim financial information.

Condensed Consolidated Interim Balance Sheet

As at 31 October 2016

	Note	Unaudited 31 October 2016 HK\$'000	Audited 30 April 2016 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	110,653	103,345
Investment property	11	13,167	13,782
Intangible assets	11	27,461	28,480
Deferred income tax assets		6,207	6,187
Non-current deposits and other receivables	12	63,039	64,738
		220,527	216,532
Current assets			
Inventories		246,507	280,240
Trade and other receivables	12	69,332	59,846
Amounts due from shareholders		465	465
Income tax recoverable		570	–
Pledged bank deposits		6,565	6,555
Bank deposits with initial terms of over three months		387	372
Cash and cash equivalents		408,864	406,080
		732,690	753,558
Total assets		953,217	970,090
EQUITY			
Equity attributable to equity holders of the Company			
Share capital and share premium	13	581,051	581,051
Reserves		107,547	114,684
		688,598	695,735
Non-controlling interests		(1,122)	(966)
Total equity		687,476	694,769

Condensed Consolidated Interim Balance Sheet *(Continued)*

As at 31 October 2016

	Note	Unaudited 31 October 2016 HK\$'000	Audited 30 April 2016 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		2,678	2,773
Loans due to a non-controlling shareholder of a subsidiary		281	–
Provision for reinstatement costs		2,543	2,637
Obligation under finance lease		366	–
		5,868	5,410
Current liabilities			
Trade and other payables	15	185,974	203,156
Amount due to a non-controlling shareholder of a subsidiary		259	–
Loans due to non-controlling shareholders of subsidiaries		497	3,064
Borrowings	16	45,176	44,373
Current income tax liabilities		27,890	19,318
Obligation under finance lease		77	–
		259,873	269,911
Total liabilities		265,741	275,321
Total equity and liabilities		953,217	970,090

The notes on pages 16 to 25 form an integral part of the interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 31 October 2016

	Note	Unaudited				
		Attributable to equity holders of the Company				
		Share capital and share premium HK\$'000	Reserves HK\$'000	Total HK\$'000	Non- controlling interest HK\$'000	Total Equity HK\$'000
At 1 May 2016		581,051	114,684	695,735	(966)	694,769
Comprehensive income:						
Profit/(loss) for the period		–	34,236	34,236	(5,466)	28,770
Other comprehensive income:						
Currency translation differences		–	(302)	(302)	30	(272)
Total comprehensive income for the period		–	33,934	33,934	(5,436)	28,498
Transactions with owners:						
Issue of ordinary shares to a non-controlling shareholder		–	–	–	4,096	4,096
Change in equity interests in subsidiaries without change of control		–	(2,103)	(2,103)	1,184	(919)
Employee share option and share award scheme:						
– value of employee services		–	1,105	1,105	–	1,105
Dividends	10	–	(40,073)	(40,073)	–	(40,073)
Total transactions with owners		–	(41,071)	(41,071)	5,280	(35,791)
At 31 October 2016		581,051	107,547	688,598	(1,122)	687,476
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

The notes on pages 16 to 25 from an integral part of the interim financial information.

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 31 October 2016

	Unaudited six months ended 31 October	
	2016 HK\$'000	2015 HK\$'000
Cash flows from operating activities		
Cash generated from operation	61,821	29,367
Income tax refund/(paid)	341	(381)
Net cash generated from operating activities	62,162	28,986
Cash flows from investing activities		
Purchase of property, plant and equipment	(22,242)	(15,869)
Proceeds on disposal of property, plant and equipment	–	246
(Increase)/decrease in bank deposits with initial terms of over three months	(15)	189
Interest received	744	2,146
Net cash used in investing activities	(21,513)	(13,288)
Cash flows from financing activities		
Repurchase of ordinary shares for cancellation	–	(9,113)
Purchase of treasury shares	–	(1,398)
Proceeds from issuance of ordinary shares to a non-controlling shareholder	–	562
Proceeds from loan from non-controlling shareholders	2,182	–
Addition in pledged bank deposits	(10)	(10)
Net increase/(decrease) in trust receipt loans	1,074	(6,345)
Dividend paid	(40,073)	(40,295)
Proceeds paid for increase in equity interests in subsidiaries without change of control	(919)	–
Other financing cash flow – net	(122)	(834)
Net cash used in financing activities	(37,868)	(57,433)
Increase/(decrease) in cash and cash equivalents	2,781	(41,735)
Cash and cash equivalents at beginning of the period	406,080	447,376
Currency translation differences	3	(273)
Cash and cash equivalents at end of the period	408,864	405,368
Analysis of balances of cash and cash equivalents:		
Cash at bank and on hand	223,030	150,750
Short-term bank deposits with original maturity within three months	185,834	254,618
	408,864	405,368

Significant non-cash transaction:

During the period ended 31 October 2016, the issuance of ordinary shares to a non-controlling shareholder of HK\$4,096,000 is settled through the loan due to a non-controlling shareholder.

The notes on pages 16 to 25 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 16 December 2016.

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 2016 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 2016, 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 2016, 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 2016 that either have no significant impact or are not currently relevant to the Group:

		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 11 (Amendment)	Accounting for Acquisition of Interest in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
Annual Improvements Project	Annual Improvements 2012-2014 Cycle	1 January 2016

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 2016 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue of Contracts from Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 9	Financial Instruments	1 January 2018

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 2016.

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 2016. 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 2016 and 30 April 2016 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 2016 is as follows:

	Retail HK\$'000	Wholesales HK\$'000	Licencing and others HK\$'000	Total HK\$'000
Segment revenue (all from external customers)	988,341	13,635	558	1,002,534
Cost of sales	(520,414)	(11,125)	–	(531,539)
Segment results	467,927	2,510	558	470,995
Gross profit % **	47.34%	18.41%	–	46.98%
Other income				6,740
Other losses, net				(338)
Distribution and advertising expenses				(25,856)
Administrative and other operating expenses				(415,272)
Operating profit				36,269
Finance income				744
Finance costs				(604)
Profit before income tax				36,409
Income tax expense				(7,639)
Profit for the period				28,770

** 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 2016. 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 2016.

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 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.

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

	Six months ended 31 October	
	2016 HK\$'000	2015 HK\$'000
Hong Kong	875,406	815,003
Mainland China	–	2,276
Singapore	108,677	119,311
Malaysia	–	5,180
Macau	18,451	18,693
	1,002,534	960,463

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

6 Segment information *(Continued)*

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

	As at	
	31 October 2016	30 April 2016
	HK\$'000	HK\$'000
Hong Kong	144,547	139,533
Mainland China	13,167	13,782
Singapore	49,067	49,145
Malaysia	–	–
Macau	7,539	7,884
	<u>214,320</u>	<u>210,344</u>

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	
	2016	2015
	HK\$'000	HK\$'000
Employee benefit expenses (including directors' emoluments)	149,007	142,730
Operating lease payment	180,313	172,627
Depreciation of property, plant and equipment	13,844	15,670
Amortisation of intangible assets	312	309
Loss on disposal of property, plant and equipment	338	1,198
Net exchange loss	1,378	6,460

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	
	2016	2015
	HK\$'000	HK\$'000
Hong Kong profits tax		
– current year	8,519	7,241
– over-provision in prior years	(1,087)	(20)
Overseas taxation	227	186
	<u>7,659</u>	<u>7,407</u>
Deferred income tax	(20)	106
Income tax expense	<u>7,639</u>	<u>7,513</u>

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 2017 is 16.9% (the estimated tax rate used for the year ended 30 April 2016 and applied to the six months ended 31 October 2015 was 14.8%).

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

8 Income tax expense *(Continued)*

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 2009/10 to the three subsidiaries, demanding tax totalling HK\$19,160,000. 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 2016: HK\$2,113,000) in the Group's consolidated balance sheet as at 31 October 2016 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.

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.

	Six months ended 31 October	
	2016	2015
Profit attributable to equity holders of the Company (HK\$'000)	34,236	21,103
Weighted average number of shares in issue ('000)	715,653	722,545
Basic earnings per share (HK cents)	4.78	2.92

(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 awards and share options. 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	
	2016	2015
Profit attributable to equity holders of the Company (HK\$'000)	34,236	21,103
Weighted average number of shares for diluted earnings per share ('000)	716,603	723,080
Diluted earnings per share (HK cents)	4.78	2.92

10 Dividends

In the current period, a final dividend of HK\$40,073,000 in relation to the year ended 30 April 2016 was declared and paid.

On 16 December 2016, the Board resolved to declare an interim dividend of HK5.0 cents (2015: HK5.0 cents) per share, totaling HK\$35,802,000 (2015: HK\$35,963,000). 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 2017.

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

11 Property, plant and equipment, investment property and intangible assets

	Property, plant and equipment HK\$'000	Investment property HK\$'000	Intangible Assets			Total HK\$'000
			Trademark HK\$'000	Goodwill HK\$'000	Sub Total HK\$'000	
Six months ended 31 October 2016						
Net book value						
As at 1 May 2016	103,345	13,782	22,549	5,931	28,480	145,607
Additions	22,282	–	–	–	–	22,282
Disposals	(338)	–	–	–	–	(338)
Depreciation and amortisation	(13,844)	–	(312)	–	(312)	(14,156)
Exchange difference	(792)	(615)	(707)	–	(707)	(2,114)
As at 31 October 2016	110,653	13,167	21,530	5,931	27,461	151,281
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

The Group's investment property were revaluated at 30 April 2016. No valuation was performed during the period as there was no indication of significant changes in the values since previous annual reporting date.

12 Trade and other receivables

	As at	
	31 October 2016 HK\$'000	30 April 2016 HK\$'000
Trade receivables	9,259	8,680
Prepayments	5,781	3,351
Deposits and other receivables	117,331	112,553
	132,371	124,584
Less non-current portion:		
Deposits and other receivables	(63,039)	(64,738)
Current portion	69,332	59,846

The Group normally makes sales to customers on a cash-on-delivery basis for retail sales. At 31 October 2016 and 30 April 2016, the ageing analysis of trade receivables based on invoice date was as follows:

	As at	
	31 October 2016 HK\$'000	30 April 2016 HK\$'000
1 – 3 months	7,491	8,680
4 – 6 months	1,768	–
	9,259	8,680

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

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 2016 and 31 October 2016	718,254	71,825	509,226	581,051
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

Note:

- (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.

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.

The number of shares to be awarded under the 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 period ended 31 October 2016, 1,598,000 shares were granted to selected participants pursuant to the Share Award Scheme (2015: 954,000 shares). 445,000 treasury shares were distributed to the participants whose share awards have been vested during the period ended 31 October 2016 (2015: none). For the period ended 31 October 2016, total expense recognized in the consolidated income statement for Share Award Scheme is approximately HK\$794,000 (2015: HK\$98,000).

15 Trade and other payables

	As at	
	31 October 2016	30 April 2016
	HK\$'000	HK\$'000
Trade payables	141,129	159,591
Other payables and accruals	29,554	32,646
Deposits received	192	148
Receipts in advance and cash coupons	5,124	2,225
Provision for customer loyalty programs	3,352	2,179
Provision for employee benefits	6,623	6,367
	185,974	203,156

- (a) The carrying values of trade and other payables approximate their fair values as at 31 October 2016 and 30 April 2016.

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

15 Trade and other payables *(Continued)*

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

	As at	
	31 October 2016 HK\$'000	30 April 2016 HK\$'000
0 – 30 days	58,850	72,887
31 – 60 days	58,504	38,850
61 – 90 days	18,192	31,442
91 – 120 days	3,306	14,443
Over 120 days	2,277	1,969
	<u>141,129</u>	<u>159,591</u>

16 Borrowings

	As at	
	31 October 2016 HK\$'000	30 April 2016 HK\$'000
Trust receipt loans, secured and contain a repayment on demand clause	45,176	44,373

Interest expense on borrowings for the six months ended 31 October 2016 is approximately HK\$604,000 (31 October 2015: HK\$835,000).

The Group has the following undrawn banking facilities:

	As at	
	31 October 2016 HK\$'000	30 April 2016 HK\$'000
Floating rates		
– expiring within one year	154,023	133,644

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

17 Contingent liabilities

The Group's bankers have given guarantees in lieu of deposits amounting to approximately HK\$13,597,000 as at 31 October 2016 (30 April 2016: HK\$15,581,000) to the Group's landlords and utility providers. These guarantees are counter indemnified by corporate guarantees and pledged deposits provided by certain subsidiaries.

18 Transactions with non-controlling interests

During the period ended 31 October 2016, the Group acquired additional interests in JHC Ella Limited from non-controlling shareholders, which increased the Group's shareholding in this subsidiary from 71.25% to 77.5%.

Effects of transactions with non-controlling interests on the equity attributable to owners of the Company for the period ended 31 October 2016:

	Six months ended 31 October HK\$'000
Changes in equity attributable to owners of the Company arising from:	
– Acquisition of additional interests in a subsidiary	(2,103)

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

19 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	Six months ended 31 October	
		2016 HK\$'000	2015 HK\$'000
Management fee income:			
– JHC (Investment) Limited	(i)	–	10
– Mulan's Garden (HK) Limited	(i)	20	20
– Hong Sing Investment Limited	(i)	10	10

(b) Purchase of goods and services

	Note	Six months ended 31 October	
		2016 HK\$'000	2015 HK\$'000
Operating lease payment to related companies:			
– Mulan's Garden (HK) Limited	(i)	3,216	3,016
– JHC (Investment) Limited	(i)	453	435
– Hong Sing Investment Limited	(i)	6,986	5,254
– Charm Rainbow Limited	(i)	972	972
– Hugo Grand Limited	(i)	2,800	2,629
Consultancy fee to a non-controlling shareholder of a subsidiary	(ii)	62	75
Purchase of goods from a non-controlling shareholder of a subsidiary	(iii)	–	1,081

Note:

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

(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	
	2016 HK\$'000	2015 HK\$'000
Short-term employee benefits	6,452	6,169
Post-employment benefits – defined contribution plans	102	99
Other long-term benefits	805	501
	7,359	6,769

Other Information

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

As at 31 October 2016, 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	Number of underlying shares of the Company – share award	Total interest (Note 1)	Approximate percentage of shareholding as at 31 October 2016*
Directors						
Mr. LAU Pak Fai Peter	Interest in a controlled corporation	324,000,000 (Note 2)			331,735,000	46.19%
	Personal interest	6,710,000	1,025,000 (Note 3)			
Ms. NGAI Lai Ha	Interest in a controlled corporation	324,000,000 (Note 4)			330,498,000	46.01%
	Personal interest	5,473,000	1,025,000 (Note 3)			
Mr. CHENG Sing Yuk	Personal interest	56,000	1,761,500 (Note 5)	177,000 (Note 6)	1,994,500	0.28%
Mr. MANG Wing Ming Rene	Personal interest	28,000	200,000 (Note 3)	28,000 (Note 6)	256,000	0.04%
Chief Executive						
Mr. CHONG Siu Hong	Personal interest			870,000 (Note 6)	870,000	0.12%

* The percentage was calculated based on 718,253,700 shares in issue as at 31 October 2016.

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 (i) 627,500 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 Schemes" of this report) and (ii) 1,134,000 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 Schemes" of this report).
- 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).

Other Information *(Continued)*

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 31 October 2016, 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 2016, 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 2016*
Hiluleka Limited	Beneficial owner	324,000,000 (Note 2)	45.11%
FIL Limited	Investment manager	65,465,000	9.11%
FMR LLC	Investment manager	65,273,000 (Note 3)	9.09%
Grandeur Peak Global Advisors, LLC	Investment manager	43,711,000	6.09%

* The percentage was calculated based on 718,253,700 shares in issue as at 31 October 2016.

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 65,273,000 shares of the Company indirectly held by Fidelity (Canada) Asset Management ULC in 32,811,000 shares, Fidelity Management & Research (Hong Kong) Limited in 27,250,000 shares and FMR CO., INC in 5,212,000 shares respectively. Fidelity Management & Research (Hong Kong) Limited and FMR CO., INC are wholly-owned subsidiaries of FMR LLC. Fidelity (Canada) Asset Management ULC is wholly-owned subsidiary of 483 Bay Street Holdings LP, which is majority-owned by Fidelity Canada Investors LLC, which is owned by certain employees and shareholders of FMR LLC.

Save as disclosed above, as at 31 October 2016, 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 10.02% 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 2016, options to subscribe for an aggregate of 7,155,000 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 2016
				At 1 May 2016	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 (Notes 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
	21/01/2016	1.08	31/10/2016 to 20/01/2024 (Notes 4(i),(v)&(vi))	350,000	-	-	350,000
				1,025,000			1,025,000
Ms. NGAI Lai Ha (Note 1)	28/02/2014	3.86	31/10/2014 to 27/02/2022 (Notes 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
	21/01/2016	1.08	31/10/2016 to 20/01/2024 (Notes 4(i),(v)&(vi))	350,000	-	-	350,000
				1,025,000			1,025,000
Mr. CHENG Sing Yuk	28/02/2014	3.86	31/10/2014 to 27/02/2022 (Notes 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
				627,500			627,500
Mr. MANG Wing Ming Rene	12/11/2014	1.93	31/10/2015 to 11/11/2022 (Notes 3(iii),(v)&(vi))	100,000	-	-	100,000
	21/01/2016	1.08	31/10/2016 to 20/01/2024 (Notes 4(ii),(v)&(vi))	100,000	-	-	100,000
				200,000			200,000
Sub-total				2,877,500	-	-	2,877,500
Employees							
In aggregate	28/02/2014	3.86	31/10/2014 to 27/02/2022 (Notes 2)	937,500	-	-	937,500
	12/11/2014	1.93	31/10/2015 to 11/11/2022 (Notes 3(iv)&(vi))	1,640,000	-	(120,000)	1,520,000
	21/01/2016	1.08	31/10/2016 to 20/01/2024 (Notes 4(iv)&(vi))	1,940,000	-	(120,000)	1,820,000
Sub-total				4,517,500	-	(240,000)	4,277,500
Total				7,395,000	-	(240,000)	7,155,000

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;
 - Out of the total 1,775,000 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
 - 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.
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 above 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)*

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 2016, 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 2016	Exercised during the Period	Forfeited during the Period	At 31 October 2016
Director						
Mr. CHENG Sing Yuk	1.04	25/09/2013 to 11/10/2018	178,200	–	–	178,200
		12/10/2013 to 11/10/2018	91,800	–	–	91,800
	1.39	25/09/2013 to 11/10/2019	142,560	–	–	142,560
		12/10/2013 to 11/10/2019	142,560	–	–	142,560
		12/10/2014 to 11/10/2019	146,880	–	–	146,880
	1.86	16/10/2013 to 15/10/2020	142,560	–	–	142,560
		16/10/2014 to 15/10/2020	142,560	–	–	142,560
		16/10/2015 to 15/10/2020	146,880	–	–	146,880
Sub-total			1,134,000	–	–	1,134,000
Employees						
In aggregate	1.04	25/09/2013 to 11/10/2018	178,200	–	–	178,200
		12/10/2013 to 11/10/2018	183,600	–	–	183,600
	1.39	25/09/2013 to 11/10/2019	89,100	–	–	89,100
		12/10/2013 to 11/10/2019	178,200	–	–	178,200
		12/10/2014 to 11/10/2019	183,600	–	–	183,600
	1.86	16/10/2013 to 15/10/2020	178,200	–	–	178,200
		16/10/2014 to 15/10/2020	178,200	–	–	178,200
		16/10/2015 to 15/10/2020	862,920	–	–	862,920
Sub-total			2,032,020	–	–	2,032,020
Total			3,166,020	–	–	3,166,020

Note:

- 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 2016, 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 2,660,000 shares of the Company at a total consideration of about HK\$3.9 million. A total of 2,552,000 shares of the Company had been granted under the Share Award Scheme, representing 0.36%* of the shares of the Company in issue as at 31 October 2016, out of which 2,043,000 awarded shares of the Company remained unvested. 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				
			At 1 May 2016	Granted during the Period	Forfeited during the Period	Vested during the Period	At 31 October 2016
Directors							
Mr. CHENG Sing Yuk	09/10/2015	08/10/2016 to 08/10/2017	112,000	–	–	(56,000)	56,000
	06/10/2016	05/10/2017 to 05/10/2018	–	121,000	–	–	121,000
			<u>112,000</u>	<u>121,000</u>	<u>–</u>	<u>(56,000)</u>	<u>177,000</u>
Mr. MANG Wing Ming Rene	09/10/2015	08/10/2016 to 08/10/2017	56,000	–	–	(28,000)	28,000
Chief Executive							
Mr. CHONG Siu Hong	08/08/2016	01/01/2017 to 01/01/2019	–	870,000	–	–	870,000
Employees							
In aggregate	09/10/2015	08/10/2016 to 08/10/2017	786,000	–	(64,000)	(361,000)	361,000
	06/10/2016	05/10/2017 to 05/10/2018	–	607,000	–	–	607,000
			<u>786,000</u>	<u>607,000</u>	<u>(64,000)</u>	<u>(361,000)</u>	<u>968,000</u>
Total			<u>954,000</u>	<u>1,598,000</u>	<u>(64,000)</u>	<u>(445,000)</u>	<u>2,043,000</u>

* The percentage was calculated based on 718,253,700 shares in issue as at 31 October 2016.

Other Information *(Continued)*

Changes in Directors' Information

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

Due to family circumstances, Mr. LAU Wai Pun, Raymond ("Mr. LAU") retired by rotation as independent non-executive Director in accordance with the articles of association of the Company at the conclusion of the annual general meeting of the Company held on 26 September 2016 (the "Annual General Meeting") and did not offer himself for re-election. Mr. LAU also ceased to be a member of the audit committee, nomination committee and remuneration committee of the Company upon his retirement.

Mr. YEUNG Yiu Keung ("Mr. YEUNG") resigned as a non-executive Director with effect from the conclusion of the Annual General Meeting due to his other business commitment. Following his resignation, Mr. YEUNG has ceased to be a member of the audit committee of the Company.

Mr. NEO Sei Lin Christopher ("Mr. NEO") was appointed as an independent non-executive Director and a member of the audit committee, nomination committee and remuneration committee of the Company from the conclusion of the Annual General Meeting. Mr. NEO has entered into a letter of appointment with the Company for a term of one year commencing from 26 September 2016. Mr. NEO will be subject to retirement as 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, Mr. NEO 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 of the Company at the Annual General Meeting.

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 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.

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, 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

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 (2015/16: interim dividend of 5.0 HK cents per share), representing a total payout of approximately HK\$35,802,000 (2015/16: approximately HK\$35,963,000). Shareholders whose names appear on the register of members of the Company on Friday, 20 January 2017 will be entitled to the interim dividend which will be paid on or around Friday, 27 January 2017.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 18 January 2017 to Friday, 20 January 2017, (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, 17 January 2017.

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

Hong Kong, 16 December 2016