

International Housewares Retail Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1373



2020/21

INTERIM REPORT

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Corporate Information

DIRECTORS

Executive Directors:

Ms. Ngai Lai Ha (*Chairman and Chief executive officer*)

Mr. Lau Pak Fai Peter (*Honorary Chairman*)

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

Non-executive Director:

Mr. Lau Chun Wah Davy (resigned on 29 September 2020)

Independent Non-executive Directors:

Mr. Mang Wing Ming Rene

Mr. Yee Boon Yip

Mr. Yeung Yiu Keung

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

COMPANY SECRETARY

Ms. Koo Ching Fan

ACG, 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

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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

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

DBS Bank (Hong Kong) 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

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Financial Highlights

- The Group's revenue rose by 13.8% to a historic high of HK\$1,321,494,000 (2019/20⁽¹⁾: HK\$1,161,704,000) for the Period.
- Profit for the Period was HK\$171,567,000 (2019/20: HK\$48,932,000), representing an increase of 250.6%.
- Gross profit rose by 10.2% to HK\$597,985,000 (2019/20: HK\$542,820,000).
- As at 31 October 2020, the Group had a total of 385 stores worldwide (30 April 2020: 378).
- The Board has resolved to declare an interim dividend of 9.0 HK cents per ordinary share (2019/20: an interim dividend of 5.5 HK cents per ordinary share) , representing an increase of 63.6%.

Note:

1. Comparative figures for the six months ended 31 October 2019 are shown as ("2019/20") in brackets.

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 2020. The Group continued to solidify its position as a leading houseware retail chain with a total of 385 stores worldwide.

Financial Performance

The Group continued to provide a wide variety of household products and daily necessities to our customers at competitive prices. We have been taking advantage of an increase in demand as customers opt more and more for “Stay-at-Home” and “Work from Home” arrangements, as well as the heightened demand for sanitizer, disinfection and personal protection products, underpinning an overall increase in revenue. Meanwhile, the Group has continuously endeavored to attract new customers by expanding product offerings from global brand suppliers in the personal care, food and FMCG categories. Further driven by the opening of new stores and growth in comparable store sales for the Period, the Group’s revenue rose by 13.8% to a historic high of HK\$1,321,494,000 (2019/20: HK\$1,161,704,000).

Profit for the Period was HK\$171,567,000 (2019/20: HK\$48,932,000), representing an increase of 250.6%. This was primarily due to different subsidies and rent concessions amid the continuing COVID-19 pandemic, provided by both local and overseas landlords and governments, which have amounted to HK\$92 million, alongside the constant monitoring of purchase prices and careful managing of operating expenses.

World-wide restrictive measures to prevent and control the outbreak of COVID-19 have also led to disruption of the supply chain, shutdowns of factories, stoppages of ocean and air freight and the city lockdown, posing difficulties to the Group’s normal operations. During this period, we have strategically solicited purchase orders with our suppliers across different parts of the world, and have also planned to set up more buffers for later estimated arrival times and to increase the stockholding capacity for high-demand items, which both resulted in an increase of stock carrying and transportation costs. In Singapore, under “Circuit Breaker” measures, we were forced to shut down our stores, leading to a loss of business from 7 April 2020 to 18 June 2020 which was partially compensated by the subsidies and rent concessions totaling HK\$17.9 million from the Government of Singapore and landlords over there being recognized in the Period.

In order to ensure a healthy inventory and cash flow, we have taken prompt action to clear excessive or slow-moving stocks by using different promotional offers and marketing strategies. As a result, the Group’s gross profit rose by 10.2% to HK\$597,985,000 (2019/20: HK\$542,820,000), while gross profit margin decreased slightly to 45.3% (2019/20: 46.7%).

Liquidity and Financial Resources

In order to meet the challenges brought about by the pandemic, we continued to maintain a strong liquidity and cash flow position which is of paramount importance for our future development; particularly under such uncertain economic times. As at 31 October 2020, the Group had cash and cash equivalents amounting to HK\$528,105,000 (30 April 2020: HK\$362,737,000). 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.

Including in finance costs for the Period is interest on lease liabilities of HK\$9,782,000 (2019/20: HK\$10,863,000) arising from the adoption of a new accounting standard HKFRS 16 “Leases” in last year.

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 its surplus cash in Hong Kong dollar bank deposits with appropriate maturity periods to meet funding requirements in the future. The current ratio for the Group was 1.5 (30 April 2020: 1.4). Borrowings amounted to HK\$33,303,000 as at 31 October 2020 (30 April 2020: HK\$22,617,000). The Group was in net cash position as at 31 October 2020. Its gearing ratio as determined by total borrowings and loans from non-controlling shareholders divided by total equity was 4.6% (30 April 2020: 3.3%).

Management Discussion and Analysis *(Continued)*

Operating Efficiencies

The Group launched the in-store online shopping iPanel “Easy Buy”. This not only enables the sharing of inventory for on- and off-line channels, but also gives greater flexibility in choosing retail spaces and controlling overall rental expenses. In addition, with strong brand recognition and product popularity among customers, the Group has more flexibility in choosing new store sites, and hence it has been able to control rental expenses in its operation to meet the requirement for future business growth.

In addition, to upgrade our workforce efficiency and productivity, the Group is offering training programmes to employees and staff members are also redeployed to different stores/ positions for better use of their talents. As a result, the Group was able to maintain employee expenses at a stable level as a percentage of revenue for the Period. Furthermore, to meet the requirement for future business growth, the Group has embarked on the development of its office centre adjacent to the Guangzhou South High Speed Train Station so as to provide more cost-efficient back-end support to its operations.

Through the above-mentioned efforts and prudence exercised in managing expenses, the Group was able to reduce operating expenses as a percentage of revenue during the Period to 37.6% (2019/20: 42.1%).

Distribution Network

Established in 1991, the Group is the largest houseware retail chain in Hong Kong, Singapore and Macau⁽¹⁾. It offers houseware, trendy items, personal care, snack and household FMCG through an extensive retail network comprised of 385 stores across Hong Kong, Singapore, Macau, East Malaysia, Cambodia, Australia and Vietnam under renowned brands including JHC (日本城), Japan Home (日本の家), 123 by ELLA, \$SMART (多來買), City Life (生活提案) as well as the online platforms JHC eshop (日本城網購) and EasyBuy (易購點). Leveraging its extensive sourcing channels and series of private label products, the Group provides a full range of items at competitive prices, creating a “one-stop” shopping experience for customers, and paving the road to transform into a chain of convenience general merchandise stores (GMS).

The cumulative brand awareness that the Group has enjoyed over the years, along with its steadily-growing extensive retail network and large global supplier network have contributed and will continue to contribute to steady business development. For store network development, taking into account an overall rental adjustment becoming more widespread and the HKSAR Government stepping up efforts to increase housing supply, the Group will continue to look for suitable locations for opening new stores, particularly in newly-developed residential districts and housing estates. We believe these moves shall enable us to further increase our share of the Hong Kong retail market and ultimately maintain the Group’s position as one of the largest houseware retail chains in the region.

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

	As at 31 October 2020	As at 30 April 2020	Net increase
The Group’s Directly Managed Stores			
Hong Kong	317	312	5
Singapore	50	49	1
Macau	8	8	–
The Group’s Licenced Stores	10	9	1
Total	385	378	7

Note:

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

Management Discussion and Analysis *(Continued)*

Human Resources

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

The Group strongly believes employees are our most valuable asset. Through our reliance on them we have been able to grow and develop our business over all these years. We will continue to invest in human resources by training and upgrading the existing workforce and recruiting new talents to fit our business development plans in order to underpin its mission of sustainable development and to secure new market opportunities in the future.

As at 31 October 2020, the Group had approximately 2,382 employees (31 October 2019: 2,240 and 30 April 2020: 2,295). Total staff costs for the Period were HK\$184,889,000 (2019/20: HK\$177,310,000).

Operational Review by Business Nature

The Group's business segments by nature include retail, wholesale and licencing and others. With the opening of new stores, growth in overall comparable store sales and JHC eshop sales increasing by multiples, retail revenue of the Group for the Period reached a record high with 14.0% growth, and continued to be the primary revenue driver. In addition, the Group continued to increase the variety of product offerings to help capture additional market opportunities and expand its customer base. These endeavours contributed to the retail revenue reaching HK\$1,316,544,000 (2019/20: HK\$1,154,820,000), which also included consignment sales commission income, accounting for 99.6% (2019/20: 99.4%) of the Group's total revenue.

The income of the wholesale business, from licensing and others together decreased by HK\$1,934,000 against the same period last year mainly due to outbreak of COVID-19 hitting export sales.

Operational Review by Geographical Locations

Operation Review – Hong Kong

Hong Kong remained the Group's key market, accounting for 90.0% (2019/20: 87.6%) of its total revenue. Despite the outbreak of COVID-19 having an impact on the economy, especially on the weak retail environment, the revenue for the Period continues to deliver growth, the revenue from Hong Kong for the Period reached a record high totaling HK\$1,189,855,000 (2019/20: HK\$1,018,203,000), a 16.9% increase, whereas comparable store sales⁽¹⁾ had a growth of 14.6%. Because we provide a wide variety of household products and daily necessities to our customers at competitive prices, we have been taking advantage of an increase in demand as customers opt more and more for "Stay-at-Home" and "Work from Home" arrangements, as well as an overall demand for sanitizer, disinfection and personal protection products, underpinning an overall increase in revenue. In addition, the Group has continuously endeavored to attract new customers by enhancing product offerings from global brand suppliers under the personal care, food and FMCG categories. The relatively low base in the same period last year due to the social unrest is also one of the reasons for the high sales growth rate in the Period. In the meantime, the support of the revenue driver under the brands of 123 by ELLA and \$SMART (多來買) in the Hong Kong market added momentum for revenue growth.

Operation Review – Singapore

Due to the epidemic in the Singapore market, the stores were closed from 7 April 2020 to 18 June 2020 resulting in a loss of 49 business days in the Period and hence a 13.0% decrease in revenue to HK\$107,688,000 (2019/20: HK\$123,842,000). Such loss of business was partially compensated by the subsidies and rent concessions totaling HK\$17.9 million from the Government of Singapore and landlords over there. Though the stores were shut, our work did not slow down. We remained committed to being well prepared for the return of customers. The Group has continuously endeavored to supply a wide variety of products including personal protection such as face masks, hand sanitizers and disinfectant and thereby, increasing the customer traffic and thus serving as an effective driver of same-store sales⁽²⁾, which grew by 5.6%. Consequently, the business in the market still achieved a profit making position.

Singapore remains a strategic market and the Group is hopeful that the market will sustain continuous growth and profitability.

Notes:

1. Comparable store sales growth represents a comparison of sales of the same store having full six-month operations during the comparable periods.
2. Comparable store sales growth represents a comparison of sales of the same store having full month operations during the comparable periods and such data did not include months which the stores were closed due to the epidemic in the Singapore market.

Management Discussion and Analysis *(Continued)*

Operation Review – Macau

The Group's revenue in Macau recorded a 21.8% increase to HK\$23,951,000 (2019/20: HK\$19,659,000) while comparable store sales grew⁽¹⁾ by 8.9% during the Period. Its operations in Macau are still achieving profitability and continued to deliver satisfactory results for the Period.

Note:

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

Prospects

Different subsidies and rent concessions amid the continuing COVID-19 pandemic provided by local and overseas landlords and governments have amounted to HK\$92 million, and they make us more able to strengthen our fundamentals for the benefit of the Group, customers and stakeholders as a whole. To meet the challenges brought about by the pandemic, we continued to maintain a strong liquidity and cash flow position which is of paramount importance for our future development, particularly in these uncertain economic times.

Expansion in the contribution of online platforms JHC eshop (日本城網購) and EasyBuy (易購點) allowed the Group to begin reaping the fruits of its O2O integration development. During the Period, the sales contribution by JHC eshop increased by multiples against the same period last year. Together with the shift of consumers' buying habit to online shopping and linking our membership scheme J Fun APPs and Facebook interactive service platforms, it is anticipated to have even brighter prospect.

With Hong Kong currently undergoing economic adjustment triggered largely by the recent global spread of COVID-19, it is imperative that we have in place a well-trained, adaptable and versatile workforce to maintain our business competitiveness and sustainability in order to seize any emerging opportunities. In this regard, we seek to identify the current and future manpower needs and meet these through the training, recruiting and upgrading our workforce. The Group continues to develop, improve and expand the operation capacity of its human capital according to business needs in order to underpin its mission of sustainable development and to secure new market opportunities in the future.

To achieve expansion of the physical store network within the Hong Kong market and after taking into account rental adjustments which have become more widespread and the Hong Kong Government's intensified efforts to increase housing supply, the Group will continue to look for suitable locations to open new stores, particularly in newly developed residential districts and housing estates. We believe these moves will enable us to further strengthen our leading position in the market.

To secure a stable supply of face masks, aside from our global sourcing, we saw a need for a local manufactory of face masks. Therefore, in July 2020, the Group began production on protective face masks under our private brand "SMILE 365" and they are available in both online and offline sales platforms, a move which leverages the Group's extensive sales network.

With all sort of complexities and uncertainties now part of the new normal, we will elevate the Group into a more responsive and flexible entity that is able to adapt to unpredictable changes and armed with stronger fundamentals to solidify and grow our business. Our focus continues to be on Hong Kong, Singapore and Macau. There is still plenty of room for development in these markets, notably in the establishment of the new retail brand \$SMART (多來買) which will increase the Group's market share in the FMCG of food and personal care products. Gradually, steadily and surely, we are transforming the Group into a chain of convenience general merchandise stores (GMS).

Hong Kong has remained the key market for the Group and the Group intends to continue to focus on this geographic market in the future. The Group expects that "JHC" will continue to maintain its leading position in Hong Kong; 123 by ELLA and \$SMART will continue to expand, and our e-platform will become growing engines in the years to come. 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.

Report on Review of Interim Financial Information

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

Introduction

We have reviewed the interim financial information set out on pages 9 to 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 2020 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 December 2020

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 31 October 2020

		Unaudited six months ended 31 October	
	Note	2020 HK\$'000	2019 HK\$'000
Revenue	6	1,321,494	1,161,704
Cost of sales		(723,509)	(618,884)
Gross profit		597,985	542,820
Other income	7	99,446	13,437
Other losses, net		(232)	(417)
Distribution and advertising expenses		(30,484)	(29,087)
Administrative and other operating expenses		(466,810)	(459,665)
Operating profit	8	199,905	67,088
Finance income		2,314	2,844
Finance costs		(10,087)	(11,295)
Profit before income tax		192,132	58,637
Income tax expense	9	(20,565)	(9,705)
Profit for the period		171,567	48,932
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences		2,374	(1,480)
Total comprehensive income for the period		173,941	47,452
Profit for the period attributable to:			
Owners of the Company		169,385	48,135
Non-controlling interests		2,182	797
		171,567	48,932
Total comprehensive income for the period attributable to:			
Owners of the Company		171,673	46,673
Non-controlling interests		2,268	779
		173,941	47,452
Earnings per share attributable to owners of the Company (expressed in HK cents per share)	10		
Basic earnings per share		23.70	6.74
Diluted earnings per share		23.56	6.69

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

Condensed Consolidated Interim Balance Sheet

As at 31 October 2020

	Note	Unaudited 31 October 2020 HK\$'000	Audited 30 April 2020 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	145,552	137,632
Right-of-use assets	13	443,045	476,943
Investment properties	12	36,073	34,176
Intangible assets	12	34,265	35,803
Deferred income tax assets		5,568	5,467
Non-current prepayments and deposits	14	51,629	61,220
		716,132	751,241
Current assets			
Inventories		312,501	335,899
Trade and other receivables	14	108,989	90,079
Bank deposits with initial terms of over three months		392	388
Cash and cash equivalents		528,105	362,737
		949,987	789,103
Total assets		1,666,119	1,540,344
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	15	586,634	585,750
Reserves		275,379	179,606
		862,013	765,356
Non-controlling interests		5,956	3,688
Total equity		867,969	769,044
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		584	584
Provision for reinstatement costs		3,651	3,224
Lease liabilities	13	145,837	210,130
		150,072	213,938
Current liabilities			
Trade and other payables	17	233,188	210,182
Contract liabilities	17	11,002	5,343
Loans due to non-controlling shareholders of subsidiaries		6,585	3,087
Borrowings	18	33,303	22,617
Lease liabilities	13	316,846	288,342
Current income tax liabilities		47,154	27,791
		648,078	557,362
Total liabilities		798,150	771,300
Total equity and liabilities		1,666,119	1,540,344

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

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 31 October 2020

		Unaudited				
		Attributable to owners of the Company				
	Note	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 2020						
Comprehensive income:						
Profit for the period		–	169,385	169,385	2,182	171,567
Other comprehensive income:						
Currency translation differences		–	2,288	2,288	86	2,374
Total comprehensive income for the period		–	171,673	171,673	2,268	173,941
Transactions with owners:						
Employee share option and share award scheme:						
– value of employee services		–	2,197	2,197	–	2,197
– exercise of share options		2,557	–	2,557	–	2,557
– vesting of share awards		–	3,221	3,221	–	3,221
Purchase of treasury shares		–	(4,008)	(4,008)	–	(4,008)
Dividends	11	–	(78,983)	(78,983)	–	(78,983)
Cancellation of shares		(1,673)	1,673	–	–	–
Total transactions with owners		884	(75,900)	(75,016)	–	(75,016)
At 31 October 2020						
At 1 May 2019						
Impact on initial application of HKFRS 16		–	(25,500)	(25,500)	(1,061)	(26,561)
Restated balance at 1 May 2019		585,123	139,798	724,921	(1,509)	723,412
Comprehensive income:						
Profit for the period		–	48,135	48,135	797	48,932
Other comprehensive income:						
Currency translation differences		–	(1,462)	(1,462)	(18)	(1,480)
Total comprehensive income for the period		–	46,673	46,673	779	47,452
Transactions with owners:						
Employee share option and share award scheme:						
– value of employee services		–	1,397	1,397	–	1,397
– exercise of share options		627	–	627	–	627
Purchase of treasury shares		–	(2,702)	(2,702)	–	(2,702)
Dividends	11	–	(64,256)	(64,256)	–	(64,256)
Total transactions with owners		627	(65,561)	(64,934)	–	(64,934)
At 31 October 2019						

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

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 31 October 2020

	Unaudited six months ended 31 October	
	2020	2019
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from operation	407,814	287,397
Income tax paid	(1,303)	(140)
Net cash generated from operating activities	406,511	287,257
Cash flows from investing activities		
Purchase of property, plant and equipment	(20,937)	(17,345)
Purchase of intangible assets	(456)	–
Proceeds from disposal of property, plant and equipment	175	50
Purchase of investment properties	–	(1,825)
Prepayment for purchase of property, plant and equipment	–	(898)
Increase in bank deposits with initial terms of over three months	(4)	–
Interest received	2,314	2,844
Net cash used in investing activities	(18,908)	(17,174)
Cash flows from financing activities		
Repayments of lease liabilities	(159,881)	(192,216)
Proceeds from exercise of share options	2,557	627
Proceeds from vesting of share awards	3,221	–
Purchase of treasury shares	(4,008)	(2,702)
Proceeds from/(repayment of) trust receipt loans	10,686	(11,943)
Consideration from loans due to non-controlling shareholders	3,419	–
Interest paid	(226)	(400)
Dividend paid	(78,983)	(64,256)
Net cash used in financing activities	(223,215)	(270,890)
Increase/(decrease) in cash and cash equivalents	164,388	(807)
Cash and cash equivalents at beginning of the period	362,737	369,703
Currency translation differences	980	(229)
Cash and cash equivalents at end of the period	528,105	368,667
Analysis of balances of cash and cash equivalents:		
Cash at bank and on hand	206,507	177,253
Short-term bank deposits with original maturity within three months	321,598	191,414
	528,105	368,667

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

Notes to the Condensed Consolidated Interim Financial Information

1 General information

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

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

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

This condensed consolidated interim financial information is presented in thousands of units of HK dollars (“HK\$’000”), unless otherwise stated. This interim financial information has been approved for issue by the Board of Directors on 21 December 2020.

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 2020 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 2020, 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 2020, as described in those annual financial statements.

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

(a) Amended standards adopted by the Group

The Group has applied the following new and amended standards for the first time for the current reporting period beginning 1 May 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The Group has early adopted Amendment to HKFRS 16 “Covid-19-Related Rent Concessions” retrospectively from 1 May 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments due on or before 30 June 2021; and c) there is no substantive change to other terms and conditions of the lease.

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

3 Principal accounting policies *(Continued)*

(a) Amended standards adopted by the Group *(Continued)*

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions approximately HK\$21,228,000 have been accounted for as negative variable lease payments and recognised in other income in the condensed consolidated interim statement of comprehensive income for the six months ended 31 October 2020 (Note 7), with a corresponding adjustment to the lease liabilities. There is no impact on the opening balance of equity at 1 May 2020.

A number of new or amended standards became applicable for the current reporting period. Except for the Amendment to HKFRS 16 set out above, the Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

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

The following new and amended standards have been issued but are not yet effective for the Group's financial periods beginning 1 May 2020 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
Amendments to annual improvements project	Annual improvements to HKFRSs 2018-2020 cycle	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual framework	1 January 2022
Amendments to HKAS 16	Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts – costs of fulfilling a contract	1 January 2022
HKAS 1	Classification of liabilities as current or non-current	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint ventures	To be announced

Management is in the process of making an assessment of the financial impact of adoption of these new standards and amendments to standards, none of these is expected to have significant effect on the condensed consolidated interim financial information of the Group's results of operations or financial position. The management will adopt the new standards and amendments to standards when they become effective.

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 2020.

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

5 Financial risk management

5.1 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 April 2020. 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, bank deposits with initial terms of over three months, cash and cash equivalents, loans due to non-controlling shareholders of subsidiaries, trade and other payables, borrowings and lease liabilities as at 31 October 2020 and 30 April 2020 approximate their fair value.

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 the following reportable operating segments:

- (i) Retail – Hong Kong and Macau*
Retail – Singapore*
- (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.

* Including consignment sales commission income.

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

6 Segment information *(Continued)*

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

	Retail				Total HK\$'000
	Hong Kong and Macau HK\$'000	Singapore HK\$'000	Wholesales HK\$'000	Licencing and others HK\$'000	
Segment revenue (all from external customers)	1,208,856	107,688	4,835	115	1,321,494
Cost of sales	(650,551)	(69,725)	(3,233)	–	(723,509)
Segment results	558,305	37,963	1,602	115	597,985
Gross profit %**	46.18%	35.25%	33.13%	–	45.25%
Other income					99,446
Other losses, net					(232)
Distribution and advertising expenses					(30,484)
Administrative and other operating expenses					(466,810)
Operating profit					199,905
Finance income					2,314
Finance costs					(10,087)
Profit before income tax					192,132
Income tax expense					(20,565)
Profit for the period					171,567

The segment information provided to the executive directors for the reportable segments for the six months ended 31 October 2019 is as follows:

	Retail				Total HK\$'000
	Hong Kong and Macau HK\$'000	Singapore HK\$'000	Wholesales HK\$'000	Licencing and others HK\$'000	
Segment revenue (all from external customers)	1,030,978	123,842	6,824	60	1,161,704
Cost of sales	(541,281)	(71,904)	(5,699)	–	(618,884)
Segment results	489,697	51,938	1,125	60	542,820
Gross profit %**	47.50%	41.94%	16.49%	–	46.73%
Other income					13,437
Other losses, net					(417)
Distribution and advertising expenses					(29,087)
Administrative and other operating expenses					(459,665)
Operating profit					67,088
Finance income					2,844
Finance costs					(11,295)
Profit before income tax					58,637
Income tax expense					(9,705)
Profit for the period					48,932

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

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

6 Segment information *(Continued)*

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the six months ended 31 October 2020 and 2019. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The retail sales include sales of goods of HK\$1,313,825,000 (2019: HK\$1,152,676,000), revenue arising from customer loyalty programme of HK\$1,705,000 (2019: HK\$1,364,000) and consignment sales commission of HK\$1,014,000 (2019: HK\$780,000).

The revenue from the Group's largest customer accounted for less than 10% of the Group's total revenue for the six months ended 31 October 2020 and 2019.

All of the Group's revenues are recognised at a point in time for the six months ended 31 October 2020 and 2019.

The following tables present segment assets and liabilities as at 31 October 2020 and 30 April 2020 respectively:

	As at 31 October 2020				
	Retail				Total
	Hong Kong and Macau	Singapore	Wholesales	Licencing and others	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	927,371	163,014	5,592	4	1,095,981
Segment liabilities	633,713	102,370	7,448	296	743,827

	As at 30 April 2020				
	Retail				Total
	Hong Kong and Macau	Singapore	Wholesales	Licencing and others	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	976,615	155,610	4,427	4	1,136,656
Segment liabilities	636,931	96,526	6,035	346	739,838

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

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

	As at	
	31 October 2020	30 April 2020
	HK\$'000	HK\$'000
Segment assets	1,095,981	1,136,656
Investment properties	36,073	34,176
Prepayment for purchase of property, plant and equipment	–	920
Deferred income tax assets	5,568	5,467
Bank deposits with initial terms of over three months	392	388
Cash and cash equivalents	528,105	362,737
Total assets	1,666,119	1,540,344

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

6 Segment information *(Continued)*

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

	As at	
	31 October 2020 HK\$'000	30 April 2020 HK\$'000
Segment liabilities	743,827	739,838
Deferred income tax liabilities	584	584
Loans due to non-controlling shareholders of subsidiaries	6,585	3,087
Current income tax liabilities	47,154	27,791
Total liabilities	798,150	771,300

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

	Six months ended 31 October	
	2020 HK\$'000	2019 HK\$'000
Hong Kong	1,189,855	1,018,203
Singapore	107,688	123,842
Macau	23,951	19,659
	1,321,494	1,161,704

Non-current assets, other than intangible assets and deferred income tax assets, of the Group are located as follows:

	As at	
	31 October 2020 HK\$'000	30 April 2020 HK\$'000
Hong Kong	526,809	574,737
Mainland China	46,731	44,871
Singapore	88,096	80,671
Macau	14,663	9,692
	676,299	709,971

7 Other income

	Six months ended 31 October	
	2020 HK\$'000	2019 HK\$'000
Advertising and promotion income	4,029	7,628
Sub-leasing rental income	69	310
Government grant	73,648	1,116
Rent concessions	21,228	–
Sundry income	472	4,383
	99,446	13,437

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

8 Operating profit

The following items have been charged/(credited) to the operating profit during the period:

	Six months ended 31 October	
	2020 HK\$'000	2019 HK\$'000
Employee benefit expenses (including directors' emoluments)	184,889	177,310
Short-term lease expense	26,243	9,471
Depreciation of property, plant and equipment	14,005	13,475
Depreciation of right-of-use assets	170,072	179,421
Amortisation of intangible assets	2,538	312
Write down of inventories	4,024	–
Loss on disposal of property, plant and equipment	402	417
Net exchange loss/(gain)	19	(1,483)

9 Income tax expense

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

	Six months ended 31 October	
	2020 HK\$'000	2019 HK\$'000
Hong Kong profits tax		
– Current year	20,208	9,458
– Under-provision in prior years	–	24
Overseas taxation		
– Current year	466	17
– (Over)/under-provision in prior years	(8)	212
	20,666	9,711
Deferred income tax	(101)	(6)
Income tax expense	20,565	9,705

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

10 Earnings per share

(a) Basic

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

	Six months ended 31 October	
	2020	2019
Profit attributable to owners of the Company (HK\$'000)	169,385	48,135
Weighted average number of shares in issue ('000)	714,777	714,324
Basic earnings per share (HK cents per share)	23.70	6.74

(b) Diluted

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

	Six months ended 31 October	
	2020	2019
Profit attributable to owners of the Company (HK\$'000)	169,385	48,135
Weighted average number of shares for diluted earnings per share ('000)	718,802	719,093
Diluted earnings per share (HK cents per share)	23.56	6.69

11 Dividends

In the current period, a final dividend of HK\$78,983,000 in relation to the year ended 30 April 2020 was declared and paid.

On 21 December 2020, the Board resolved to declare an interim dividend of 9.0 HK cents (2019: 5.5 HK cents) per share, totaling HK\$64,500,000 (2019: HK\$39,310,000). The proposed dividend has not been recognised as a liability in this interim financial information but will be reflected as an appropriation of retained profits for the year ending 30 April 2021.

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

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

	Intangible Assets						
	Property, plant and equipment	Investment properties	Trademark	Goodwill	Computer software	Sub Total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 31 October 2020							
Net book value							
As at 1 May 2020	137,632	34,176	19,171	5,931	10,701	35,803	207,611
Additions	21,892	–	–	–	456	456	22,348
Disposals	(577)	–	–	–	–	–	(577)
Depreciation and amortisation	(14,005)	–	(307)	–	(2,231)	(2,538)	(16,543)
Exchange difference	610	1,897	544	–	–	544	3,051
As at 31 October 2020	145,552	36,073	19,408	5,931	8,926	34,265	215,890
Six months ended 31 October 2019							
Net book value							
As at 1 May 2019	143,004	38,532	20,627	5,931	–	26,558	208,094
Additions	17,774	1,825	–	–	–	–	19,599
Disposals	(467)	–	–	–	–	–	(467)
Reclassification to right-of use assets	(512)	–	–	–	–	–	(512)
Depreciation and amortisation	(13,475)	–	(312)	–	–	(312)	(13,787)
Exchange difference	(340)	(1,693)	(16)	–	–	(16)	(2,049)
As at 31 October 2019	145,984	38,664	20,299	5,931	–	26,230	210,878

The Group's investment properties were revaluated at 30 April 2020. No valuation was performed during the period as there was no indication of significant changes in the values since previous annual reporting date.

13 Leases

a) Amounts recognised in the condensed consolidated interim balance sheet

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

(i) Right-of-use assets

	As at	
	31 October 2020 HK\$'000	30 April 2020 HK\$'000
Properties	439,591	473,474
Vehicles	209	298
Land use rights	3,245	3,171
	443,045	476,943

Additions to the right-of-use assets during the period were HK\$135,591,000 (For the year ended 30 April 2020: HK\$313,160,000).

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

13 Leases *(Continued)*

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

(ii) Lease liabilities

	As at	
	31 October 2020 HK\$'000	30 April 2020 HK\$'000
Non-current	145,837	210,130
Current	316,846	288,342
	462,683	498,472

During the six months ended 31 October 2020, the Group received COVID-19-related rent concessions from landlords for certain leased properties which have been accounted for as negative variable lease payments and recognised in other income (Note 7) under the amendments to HKFRS 16 (Note 3(a)).

During the year ended 30 April 2020, the Group received rent concessions from landlords for certain leased properties for other reasons and these have been accounted for as lease modifications.

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

	Six months ended 31 October	
	2020 HK\$'000	2019 HK\$'000
Depreciation of right-of-use assets		
– Properties	169,876	179,223
– Vehicles	97	99
– Land use rights	99	99
Interest on lease liabilities	9,782	10,863
Expense relating to short-term leases	26,243	9,471

The total cash outflow for leases for the six months ended 31 October 2020 was HK\$186,124,000 (2019: HK\$201,687,000).

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

As a lessee

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

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

d) Extension and termination options

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

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

14 Trade and other receivables

	As at	
	31 October 2020 HK\$'000	30 April 2020 HK\$'000
Trade receivables	9,246	14,894
Less: provision for impairment of trade receivables	(2,463)	(2,463)
	6,783	12,431
Prepayments	27,161	11,961
Deposits and other receivables	126,674	126,907
	160,618	151,299
Less: non-current portion		
Deposits	(51,629)	(60,300)
Prepayment for purchase of property, plant and equipment	–	(920)
	(51,629)	(61,220)
Current portion	108,989	90,079

The Group conducts sales to customers on a cash-on-delivery basis for retail sales. The balance at period end represents credit card receivables and receivables from wholesales customers. At 31 October 2020 and 30 April 2020, the ageing analysis of trade receivables based on invoice date is as follows:

	As at	
	31 October 2020 HK\$'000	30 April 2020 HK\$'000
Up to 3 months	6,783	12,404
4 – 12 months	–	27
Over 12 months	2,463	2,463
	9,246	14,894
Less: provision for impairment of receivables	(2,463)	(2,463)
	6,783	12,431

15 Share capital and share premium

	Number of shares (thousands)	Share capital HK\$'000	Share premium HK\$'000	Total HK\$'000
As at 1 May 2020	722,092	72,209	513,541	585,750
Issue of shares (Note a)	1,437	144	2,413	2,557
Cancellation of shares (Note b)	(1,000)	(100)	(1,573)	(1,673)
As at 31 October 2020	722,529	72,253	514,381	586,634
As at 1 May 2019	721,641	72,164	512,959	585,123
Issue of shares (Note a)	451	45	582	627
As at 31 October 2019	722,092	72,209	513,541	585,750

Notes:

- During the six months ended 31 October 2020, 1,437,000 shares were issued and allotted upon the exercise of options by the options holders (2019: 451,000).
- During the year ended 30 April 2020, the Company acquired 1,000,000 of its own shares through purchases from the Hong Kong Stock Exchange on 20 March 2020. The total amount paid to acquire the shares was HK\$1,673,000. These shares have been cancelled and have been deducted from share capital and share premium on 24 July 2020.

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

16 Share award scheme

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

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

During the six months ended 31 October 2020, 1,020,000 shares were granted to selected participants pursuant to the Share Award Scheme (2019: 985,000). 4,063,000 treasury shares were distributed to the participants whose share awards have been vested during the six months ended 31 October 2020 (2019: 977,000). For the six months ended 31 October 2020, total expense recognised in the condensed consolidated interim statement of comprehensive income for Share Award Scheme is approximately HK\$2,197,000 (2019: HK\$1,397,000).

17 Trade and other payables and contract liabilities

	As at	
	31 October 2020 HK\$'000	30 April 2020 HK\$'000
Trade and other payables		
Trade payables	166,318	152,674
Other payables and accruals	57,295	48,243
Deposits received	25	27
Provision for employee benefits	9,550	9,238
	233,188	210,182
Contract liabilities		
Receipts in advance and cash coupons	7,566	2,477
Deferred revenue arising from customer loyalty programs	3,436	2,866
	11,002	5,343

- (a) The carrying values of trade and other payables approximate their fair values as at 31 October 2020 and 30 April 2020.
- (b) The ageing analysis of trade payables based on invoice date are as follows:

	As at	
	31 October 2020 HK\$'000	30 April 2020 HK\$'000
0 – 30 days	138,497	104,063
31 – 60 days	22,179	24,419
61 – 90 days	3,394	19,667
91 – 120 days	2,231	4,404
Over 120 days	17	121
	166,318	152,674

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

18 Borrowings

	As at	
	31 October 2020 HK\$'000	30 April 2020 HK\$'000
Current		
Trust receipt loans, secured and contain a repayment on demand clause	33,303	22,617

Interest expense on borrowings for the six months ended 31 October 2020 is approximately HK\$226,000 (31 October 2019: HK\$397,000).

The Group has the following undrawn banking facilities:

	As at	
	31 October 2020 HK\$'000	30 April 2020 HK\$'000
Floating rates		
– expiring within one year	169,917	178,528

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

19 Contingent liabilities

The Group's banks have given guarantees in lieu of deposits of approximately HK\$17,587,000 as at 31 October 2020 (30 April 2020: HK\$18,031,000) to the Group's landlords and utility providers. These guarantees are counter indemnified by corporate guarantees and pledged deposits provided by certain subsidiaries.

20 Significant related party transactions

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

Ms. Ngai Lai Ha is a director of the related companies of the Group in (a) and (b) below during the six months ended 31 October 2020 and 2019.

(a) Sales of goods and services

		Six months ended	
		31 October 2020 HK\$'000	2019 HK\$'000
Management fee income:			
– JHC (Investment) Limited	(i)	10	–
– Mulan's Garden (HK) Limited	(i)	20	–
– Hong Sing Investment Limited	(i)	10	–

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

20 Significant related party transactions *(Continued)*

(b) Purchase of goods and services

	Note	Six months ended 31 October 2020 HK\$'000	2019 HK\$'000
(i) Short-term lease expenses in respect of retail shops to related companies:			
– Mulan's Garden (HK) Limited	(ii), (iii)	1,888	–
– JHC (Investment) Limited	(ii), (iii)	750	–
– Hong Sing Investment Limited	(ii), (iii)	9,025	–
– Charm Rainbow Limited	(ii), (iii)	972	–
– Beauty Delight Limited	(ii), (iii)	750	–
– Hugo Grand Limited	(ii), (iii)	3,094	–
(ii) Purchase of goods from a related company			
– Radha Exports Pte. Limited	(i), (iv)	28,280	3,575

Note:

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

	Six months ended 31 October	
	2020 HK\$'000	2019 HK\$'000
Short-term lease payments made in respect of retail shops to related companies:		
– Mulan's Garden (HK) Limited	2,177	3,411
– JHC (Investment) Limited	684	1,228
– Hong Sing Investment Limited	161	8,235
– Charm Rainbow Limited	–	972
– Beauty Delight limited	–	730
– Hugo Grand Limited	–	3,170
	3,022	17,746

- (iv) Pursuant to the acquisition of 25% equity interest in Japan Home (Retail) Pte. Limited by Radha Japan Pte. Limited on 14 October 2019, Radha Exports Pte Limited, a company under common control with Radha Japan Pte. Limited, has become a related company of the Group. The amount represents the purchase of goods for the six months ended 31 October 2020 (2019: for the period from 14 October 2019 to 31 October 2019).

(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	
	2020 HK\$'000	2019 HK\$'000
Short-term employee benefits	7,033	6,913
Post-employment benefits – defined contribution plans	90	90
Other long-term benefits	1,029	1,050
	8,152	8,053

21 Subsequent event

On 17 December 2020, a wholly-owned subsidiary of the Company, Japan Home Centre (Macau) Single-Member Company Limited, entered into a sale and purchase agreement with the landlord, an independent third party of the Group to acquire a property in Macau, for a consideration of HK\$41,500,000.

Other Information

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

As at 31 October 2020, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name and Category	Capacity/ Nature of Interest	Number of shares of the Company	Number of underlying shares of the Company – Share Option (Note 3)	Number of underlying shares of the Company – Share Award (Note 5)	Total interest (Note 1)	Approximate percentage of shareholding as at 31 October 2020*
Directors						
Mr. Lau Pak Fai Peter	Interest in a controlled corporation	324,000,000 (Note 2)	–	–	346,320,000	47.93%
	Personal interest	21,645,000	675,000	–		
Ms. Ngai Lai Ha	Interest in a controlled corporation	324,000,000 (Note 4)	–	–	358,226,000	49.58%
	Personal interest	33,101,000	325,000	800,000		
Mr. Cheng Sing Yuk	Personal interest	1,019,000	627,500	404,000	2,050,500	0.28%
Mr. Mang Wing Ming Rene	Personal interest	396,000	–	28,000	424,000	0.06%

* The percentage was calculated based on 722,529,000 shares in issue as at 31 October 2020.

Notes:

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

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 31 October 2020, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information *(Continued)*

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 31 October 2020, 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 2020*
Hiluleka Limited	Beneficial owner	324,000,000 (Note 2)	44.84%
FMR LLC	Interest of corporation controlled by the substantial shareholder	64,669,470 (Note 3)	8.95%
Pandanus Associates Inc.	Interest of corporation controlled by the substantial shareholder	43,091,170 (Note 3)	5.96%
FIL Limited	Interest of corporation controlled by the substantial shareholder	43,091,170 (Note 3)	5.96%
483A Bay Street Holdings LP	Interest of corporation controlled by the substantial shareholder	42,503,170 (Note 3)	5.88%
Webb David Michael	Beneficial owner/Interest of corporation controlled by the substantial shareholder	43,415,000	6.01%

* The percentage was calculated based on 722,529,000 shares in issue as at 31 October 2020.

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".
- According to the disclosure of interests forms, FMR LLC is deemed to have interests in 64,669,470 shares of the Company held by Fidelity (Canada) Asset Management ULC in 29,446,170 shares, Fidelity Management & Research (Hong Kong) Limited in 19,363,700 shares, Fidelity Management & Research Company LLC in 15,859,600 shares. Fidelity Management & Research (Hong Kong) Limited and Fidelity Management & Research Company LLC are wholly-owned subsidiaries of FMR LLC. Fidelity (Canada) Asset Management ULC is wholly-owned subsidiary of 483A Bay Street Holdings LP, Fidelity Canada Investors LLC is owned by certain employees and shareholders of FMR LLC. 483A Bay Street Holdings LP is owned by FIL Limited (82%) and Fidelity Canada Investors LLC (18%) and has indirect interest in 42,503,170 shares. FIL Limited is owned by Pandanus Partners L.P. (36.86%) which is wholly owned by Pandanus Associates Inc. and is deemed to have interests in 43,091,170 shares.

Save as disclosed above, as at 31 October 2020, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Other Information *(Continued)*

Share Option Scheme

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

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

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

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

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

Other Information *(Continued)*

Details of Options Granted by the Company

As at 31 October 2020, options to subscribe for an aggregate of 3,845,000 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 2020
				At 1 May 2020	Exercised/ granted during the Period	Forfeited during the Period	
Directors							
Mr. Lau Pak Fai Peter (Note 1)	28/02/2014	3.86	31/10/2014 to 27/02/2022 (Note 2)	325,000	-	-	325,000
	12/11/2014	1.93	31/10/2015 to 11/11/2022 (Notes 3(i),(v)&(vi))	350,000	-	-	350,000
				675,000	-	-	675,000
Ms. Ngai Lai Ha (Note 1)	28/02/2014	3.86	31/10/2014 to 27/02/2022 (Note 2)	325,000	-	-	325,000
				325,000	-	-	325,000
Mr. Cheng Sing Yuk	28/02/2014	3.86	31/10/2014 to 27/02/2022 (Note 2)	187,500	-	-	187,500
	12/11/2014	1.93	31/10/2015 to 11/11/2022 (Notes 3(ii),(v)&(vi))	220,000	-	-	220,000
	21/01/2016	1.08	31/10/2016 to 20/01/2024 (Notes 4(ii),(v)&(vi))	220,000	-	-	220,000
				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)	-	-
				100,000	(100,000)	-	-
Sub-total				1,727,500	(100,000)	-	1,627,500
Employees							
In aggregate	28/02/2014	3.86	31/10/2014 to 27/02/2022 (Note 2)	937,500	-	-	937,500
	12/11/2014	1.93	31/10/2015 to 11/11/2022 (Notes 3(iv)&(vi))	1,460,000	(240,000)	-	1,220,000
	21/01/2016	1.08	31/10/2016 to 20/01/2024 (Notes 4(iv)&(vi))	240,000	(180,000)	-	60,000
Sub-total				2,637,500	(420,000)	-	2,217,500
Total				4,365,000	(520,000)	-	3,845,000

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 2,071,875 share options granted, 837,500 share options were granted to the Directors. The grant of the share options to the Directors was approved by all the independent non-executive Directors; and
 - 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 total 2,960,000 share options granted, 1,020,000 share options were granted to the Directors. The grant of the share options to the Directors was approved by all the independent non-executive Directors of the Company, and the Independent non-executive Director has abstained from voting on the resolution in respect of the grant of options to himself.
 - (vi) Closing price of the shares of the Company immediately before the date on which the options were granted was HK\$1.03 per share.

Other Information *(Continued)*

Pre-IPO Share Option Scheme

The Company adopted a pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) on 4 September 2013, 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 2020	Exercised during the Period	Lapsed during the Period	At 31 October 2020
Director						
Mr. Cheng Sing Yuk	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			432,000	–	(432,000)	–
Employees						
In aggregate	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	597,600	(560,880)	(36,720)	–
Sub-total			954,000	(917,280)	(36,720)	–
Total			1,386,000	(917,280)	(468,720)	–

Note:

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

Share Award Scheme

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

Other Information *(Continued)*

For the six months ended 31 October 2020, the trustee of the Share Award Scheme, pursuant to the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 1,850,000 shares of the Company at a total consideration of about HK\$4,008,000. The following table discloses movements of the awarded shares of the Company held by the Company's Director or employees during the Period:

Name and Category of participants	Date of grant	Vesting period	Number of awarded shares				
			Unvested as at 1 May 2020	Granted during the Year	Forfeited during the Year	Vested during the Year	Unvested as at 31 October 2020
Directors							
Ms. NGAI Lai Ha	21/12/2018	31/10/2021 to 31/10/2021	800,000	-	-	-	800,000
			800,000	-	-	-	800,000
Mr. CHENG Sing Yuk	04/10/2018	04/10/2019 to 04/10/2020	53,000	-	-	(53,000)	-
	21/12/2018	07/08/2020 to 31/10/2021	500,000	-	-	(250,000)	250,000
	23/12/2019	06/10/2020 to 09/10/2021	103,000	-	-	(52,000)	51,000
	20/10/2020	08/10/2021 to 08/10/2022	-	103,000	-	-	103,000
			656,000	103,000	-	(355,000)	404,000
Mr. MANG Wing Ming Rene	24/12/2019	06/10/2020 to 06/10/2020	28,000	-	-	(28,000)	-
	20/10/2020	08/10/2021 to 08/10/2021	-	28,000	-	-	28,000
			28,000	28,000	-	(28,000)	28,000
Employees							
In aggregate	04/10/2018	04/10/2019 to 04/10/2020	296,000	-	-	(296,000)	-
	19/12/2018	07/08/2020 to 31/10/2021	5,760,000	-	-	(2,755,000)	3,005,000
	15/02/2019	07/08/2020 to 31/10/2021	150,000	-	-	(50,000)	100,000
	23/04/2019	07/08/2020 to 31/10/2021	500,000	-	-	(166,000)	334,000
	03/10/2019	06/10/2020 to 06/10/2021	739,000	-	-	(413,000)	326,000
	22/09/2020	31/10/2021 to 31/10/2022	-	130,000	-	-	130,000
	08/10/2020	08/10/2021 to 08/10/2022	-	759,000	-	-	759,000
			7,445,000	889,000	-	(3,680,000)	4,654,000
Total			8,929,000	1,020,000	-	(4,063,000)	5,886,000

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

Other Information *(Continued)*

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.

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

The share award scheme of the Company was adopted by the Board on 24 July 2015 (the “**Share Award Scheme**”). The trustee of the Share Award Scheme, pursuant to the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 1,850,000 shares of the Company at a total consideration of about HK\$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 9.0 HK cents per share (2019/20: interim dividend of 5.5 HK cents per share), representing a total payout of approximately HK\$64,500,000 (2019/20: approximately HK\$39,310,000). Shareholders whose names appear on the register of members of the Company on Friday, 15 January 2021 will be entitled to the interim dividend which will be paid on or around Monday, 25 January 2021.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 12 January 2021 to Friday, 15 January 2021, (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 Monday, 11 January 2021.

Appreciation

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

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

Hong Kong, 21 December 2020