# International Housewares Retail Company Limited

*(Incorporated in the Cayman Islands with limited liability)*

Stock code: 1373


# 2019

## Annual Report

隨時點 隨時買 隨時日本城

# Corporate Profile

## About International Housewares Retail Company Limited (stock code: 1373)

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 comprising 365 stores in Hong Kong, Singapore, Macau, East Malaysia, Cambodia, Australia and Vietnam under renowned brands including JHC (日本城), Japan Home (日本の家), 123 by ELLA, $mart (多來買) and City Life (生活提案). Leveraging 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. For more details about it, please visit the official websites: www.jhc.com.hk and www.jhceshop.com.

## Mission Statement

To provide value, good quality,variety products and convenient shopping environment to customers.



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

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# Highlights

The board of directors (the "**Board**" or "**Directors**") of International Housewares Retail Company Limited (the "**Company**" or "**we**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 30 April 2019 (the "**Year**") 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 financial year ended 30 April 2018 ("2017/18").

- Profit for the Year increased by 17.1% to HK$118,271,000 (2017/18: HK$100,992,000)[1].
- The Singapore business has turned around to a profit making position in the second half of the financial year from a loss in the first half of the financial year.
- The Group's revenue increased by 5.4% to HK$2,350,351,000 (2017/18: HK$2,230,102,000).
- The Group achieved satisfactory comparable store sales growth[2] both in Hong Kong of 4.8% (2017/18: 4.5%) and Singapore of 6.1% (2017/18: 9.2%).
- The Board has resolved to recommend payment of a final dividend of HK9.0 cents per share. Together with the interim dividend of HK5.3 cents per share already paid, the total dividend for the Year would be HK14.3 cents per share (2017/18: HK12.2 cents per share).

*Notes:*

1. Comparative figures for the financial year ended 30 April 2018 are shown as 2017/18 in brackets.
2. Comparable store sales growth represents a comparison between the store sales of those stores that were open throughout the years being compared.

# Five-Year Financial Summary

The results, assets, liabilities and key ratios of the Group for each of the last five financial years ended 30 April are as follows:

| | 2019<br>HK$'000 | 2018<br>HK$'000 | 2017<br>HK$'000 | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|---|---|---|
| Financial performance | | | | | |
| Revenue | **2,350,351** | 2,230,102 | 2,111,001 | 2,039,575 | 1,951,279 |
| Operating profit | **138,520** | 120,644 | 96,638 | 73,494 | 95,575 |
| Profit before income tax | **143,495** | 122,757 | 97,246 | 74,798 | 100,068 |
| Profit for the year | **118,271** | 100,992 | 76,496 | 54,156 | 79,239 |
| | | | | | |
| Financial position | | | | | |
| Cash and cash equivalents | **369,703** | 386,013 | 403,753 | 406,080 | 447,376 |
| Total assets | **1,031,900** | 1,015,907 | 966,670 | 970,090 | 1,034,584 |
| Total liabilities | **(281,927)** | (287,782) | (265,782) | (275,321) | (302,337) |
| Net assets | **749,973** | 728,125 | 700,888 | 694,769 | 732,247 |
| | | | | | |
| Key ratios | | | | | |
| Revenue growth | **5.4%** | 5.6% | 3.5% | 4.5% | 11.7% |
| Comparable store sales growth[2] in Hong Kong | **4.8%** | 4.5% | 3.0% | 5.3% | 8.2% |

# Awards and Recognition

Company has endorsed awards in the fields of enterprise achievement, services excellence and caring for society, which demonstrate our good reputations in the industry and our contributions to the society.




| | |
|---|---|
| Top 10 Quality E-shop | 2018 |
| World's Most Popular and Excellent Brands Award | 2018 |
| Outstanding QTS Merchant - Bronze Award | 2019<br>2017 |
| Most Favourable Brand by Chinese Customers - Golden Brand | 2017 - 2018<br>2008 |
| Hong Kong Top Service Brand Award | 2007 - 2019 |
| Q-Mark | 2006 - 2019 |
| No Fakes Pledge | 2006 - 2019 |
| Caring Company 15 Years consecutively | 2004 - 2019 |
| Quality Tourism Services Assoication Member | 2004 - 2019 |
| Quality Tourism Services | 2004 - 2019 |
| WWF (HK) - Silver Member | 2006 - 2017 |
| Octopus Usage Growth Award - Other Retail<br>Octopus Usage Award for New Retail Merchant | 2015<br>2014 |
| Hong Kong Jun-zi Corporation Award (Retail) — Corporate Award<br>Golden Award<br>Bronze Award | 2015<br>2013<br>2012 |
| HKIM Market Leadership Award - Market Leadership in Consumer Retail (Listed Company) | 2015 |
| Your Favourite MTR Shops - Variety Selection | 2015 |
| 3 Magazine, HK's Best Brands - The Best Housewares Centre | 2013 |
| Smilling Enterprise Award | 2012 |
| The Best for Home | 2008 - 2011 |
| 3 Magazine - Smart Living Brand | 2009 |
| Retail Asia-Pacific Top 500 | 2009<br>2005 |
| Certificate Award for the Best Brand Enterprise | 2007 |
| Superbrands | 2004 |
| Integrity Award | 2003 - 2004 |



# Corporate Social Responsibility



Donation boxes of various non – profit organizations including Hong Kong Seeing Eye Dog Services, Christian Action, Orbis and Heifer International (Hong Kong) are placed at specific retail stores.



The Group sponsored and participated in the Po Leung Kuk Charity Run.


The Group has been granted the "Caring Company honor" for consecutive 15 Years by The Hong Kong Council of Social Service.


The Group has sponsored for the "Care for the Elderly Charity Ticket" sales events.



The Group has joined "Fluorescent Lamp Recycling Programme" which is organized by Environmental Protection Department, collection boxes are placed at specific retail stores.


The Group participated in Orbis World Sight Day – "Darkness to Go" Campaign organized by Orbis.

# The Group's History

## 1991

The first store in North Point, Hong Kong, was opened by founders, Mr. LAU Pak Fai and Ms. NGAI Lai Ha

In 1993, the first "HK$10 store" was opened in Hong Kong

## 2000

Acquisition of the business of the major competitor, the Nippon Warehouse Limited

## 2001

Major strategic change of business model from a "HK $10 store" to a "housewares products specialist store"

## 2002

Exploration of overseas market through export sales and operating arrangements with local entities

Establishment of new stores under the new brand "City Life" (生活提案) (formerly known as "City Lifestyle") in Hong Kong. And, own private label products was launched


## 2005

Own private label products had been exported to more than 9 overseas jurisdictions through our export sales and overseas operating arrangements with local entities in certain overseas jurisdictions

## 2006

Participation in the "Hong Kong Q - Mark Services Scheme" and was certificated with the high services award

Awarded "No Fakes Pledge"

## 2007

Acquisition of the business of our competitor, the Quality Housewares, which operated around 19 stores at that time

Awarded "Hong Kong Top Service Brand" and "The Best Brand Enterprise Award 2007 (Greater China)"

## 2009

Exceeded 200 stores including "Japan Home Centre" and "City Life" in Hong Kong

Endorsed The 5 Consecutive Years "Caring Company" award

## 2010

Sweden Private Equity Fund EQT Greater China II became our strategic partner

## 2011

Sales exceed HK$1 billion

Acquisition of a leading housewares retail chain business in Singapore and formation of our joint venture arrangement in Singapore

## 2013

Acquisition of 100% interest in JHC (Macau) Single - Member Company Limited in Macau

International Housewares Retail Company Limited (Stock code: 1373) was successfully listed on the Mainboard of the Hong Kong Stock Exchange

## 2015

JHC eshop was launched

Successfully acquired and integrated the brand "ELLA"


## 2016

JHC Concept stores were opened

"123 by ELLA", the new retail brand was launched

## 2017

Exceed 500,000 members of J Fun

Awarded "Most Favourable Brand by Chinese Customers - Golden Brand"

## 2018

Forming JHC omni-channel retailing through full integration of retail shops, Easy Buy, eShop and J Fun app

## 2019

Direct import of branded snacks, personal care and household FMCG, available at all stores

Set clear direction to develop as convenience GMS (general merchandise store) chain

Launched new retail brand $mart offering snacks and FMCG to widen our scope of products offering

# Chairman's Statement

Dear Shareholders,

On behalf of International Housewares Retail Company Limited and its subsidiaries, I am pleased to present the Group's annual results for the year ended 30 April 2019. This has been a very transformational year for the Group. Facing the rising operating costs from rental, labour and logistics cost increments and the increasing number of e-commerce operators in the houseware product market during recent years, we believe the key to success is having the ability to flexibly respond to new market trends. On the back of our strong and extensive store network, we have been stepping up our e-platform development and continuing to widen our product categories with an aim to transform ourselves into an omnichannel general merchandise store (GMS) retailer focused on the convenient provision of houseware.

## Optimising O2O integration

Driven by changing customer behavior, the Group has prepared to take appropriate rapid actions to adapt in a timely manner so as to make the most of the opportunities presented. In this respect, we have completed our project of installing Easy Buy at all of our JHC stores and rolled out a cross-docking logistics solution. As for developing an e-platform, our JHC eshop is intended to attract both younger customers and online shoppers, while Easy Buy aims at enlarging our SKUs to satisfy the needs of our in-store traditional customer group, thereby encouraging growth for customers buying via our e-platform.

## Enhancing private label brands

Having built a large and strong global supplier network over the decades, the Group now has the capability to secure a wide variety of the retail branded products at competitive prices. Going forward, to complement the retail branded products which can generate immediate sales, one of the Group's merchandising strategies is to place a greater emphasis on private label brands such as "MATSUSHO" electrical appliances, "EZ COOK" cookware and "POLE BEAR" thermoses. By strengthening its product mix, improving the design and packaging of products as well as promotion advertising through e-media, we believe our private labels are able to help in improving our profit margin and presenting unique brand images and value in the long-run.

## Diversifying product mix – new categories of snacks and FMCG

Customer traffic is essential to the Group's retail business, and hence it has continuously endeavored to attract customers through the introduction of FMCG from global brand suppliers, increasing the customer traffic and thus serving as an effective same-store sales driver. We also wish to provide shopping convenience to and induce additional purchases by customers during their visits to our stores. In addition, seeing the opportunity from the new combined FMCG as well as personal care categories, we are in the process of extending this strategy to all of our stores. For these new categories, we have been taking steps to optimise our store layout in order to generate more in-store sales.

Furthermore, the Group has launched a new retail brand "$mart", which concentrates on serving FMCG global brands, snack and personal care needs at four stores in Hong Kong. Aside from opening separate $mart stores, we also set up "$mart" corners in selected JHC stores with suitable locations in order to attract traffic and to allow bulk purchases from our suppliers at better prices. The Group is confident that these new categories will become a revenue driver in the near future.

## Differentiating the "123 by ELLA" brand

To constantly evolve and refine during the on-going development and enhancement under the banner of "123 by ELLA", we have embarked on a new initiative under the name "ELLA3.0", focusing on trendy personal accessories and adding new global beauty product categories such as cosmetics and skin care items, for which we shall optimise the store layout and upgrade the shelving and display to accommodate these new products.

## Improving supply chain and human capital capacity

The Group continues to develop, improve and expand the operation capacity of its supply chain and human capital in line with business needs to underpin its mission of sustainable development and to seize new market opportunities in the future. The logistics and distribution centres, situated in Qianhai, Yiwu and Guangzhou warehouse sites, are intended to become a central processing base of the products merchandised in China in order to further enhance the accuracy and efficiency of product distribution. This facilitates just-in-time inventory replenishment of merchandise across its retail network. In addition, to meet the future business growth, the Group has embarked on the development of its office centre situated next to the Guangzhou South High Speed Train Station so as to provide more cost-effective back-room support.

### Overseas Markets

Thanks to the efforts of the management and staff team in Singapore, we have experienced an initial achievement of substantially narrowing the gap in this financial year. To drive the sales, we have set up a "shop-within-a-shop", "Must Buy Corner" offering snacks and FMCG; as well as pushing top-selling house brands, in particular electrical appliances, from Hong Kong to Singapore. We are confident that Singapore shall bring a positive financial contribution to the Group in the near term.

Macau has been operating with a profit through all these years. With the successful implementation of the FMCG strategy, the Group sees the potential there and is looking for the right locations for new store openings.

Looking ahead, we will continue to carefully control expenses and promote high-margin private label products so as to drive overall profit margin and differentiate for itself a unique brand image in the long run. Drawing on our strong brand recognition and extensive retail network built over the years and also our e-commerce development, we are confident of transforming into a general merchandise store and omni-channel retailer focusing on selling houseware and continue to maintain our leadership position as one of the largest houseware retail chains in Hong Kong.

## APPRECIATION

On behalf of the Board, I would like to thank our management team and staff for their hard work and contribution in the past year. My gratitude also goes to our customers, business partners and shareholders for their full support and trust. We look forward to having your continuous backing in the coming years.

By order of the Board
NGAI Lai Ha
*Chairman and Chief Executive Officer*

Hong Kong, 30 July 2019

# Management Discussion and Analysis

## CORPORATE PROFILE

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 comprising 365 stores in Hong Kong, Singapore, Macau, East Malaysia, Cambodia, Australia and Vietnam under renowned brands including JHC (日本城), Japan Home (日本の家), 123 by ELLA, $mart (多來買) and City Life (生活提案). Leveraging 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.

## FINANCIAL PERFORMANCE

The Group continued to expand product offerings and introduce new product categories from snacks as well as FMCG such as personal and home care items during the Year to capture additional market opportunities and enlarge its customer base. In addition, driven by the growth in overall comparable store sales, opening of new stores and the increase of foot traffic brought about by new product categories above mentioned, the Group's revenue rose by 5.4% to a historical high at HK$2,350,351,000 (2017/18: HK$2,230,102,000).

Profit for the Year increased by 17.1% to HK$118,271,000 (2017/18: HK$100,992,000), thanks mainly to the Group's continued efforts in expanding its product portfolio, while constantly monitoring purchase prices and the logistics costs of its sourcing activities, as well as prudently managing operating expenses. Furthermore, the Group closed some unprofitable retail stores in Singapore to minimise the negative impact of underperforming stores on the overall retail operation. As a result, the Singapore business has turned around to a profit making position in the second half of the financial year from a loss in the first half of the financial year.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 April 2019, the Group maintained a strong financial position with cash and cash equivalents of HK$369,703,000 (30 April 2018: HK$386,013,000), after considerations for acquisitions of certain property assets were paid. 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.

The Group implements a stable treasury management policy and does not engage in any highly leveraged or speculative derivative products. It places most of its surplus cash in Hong Kong dollar bank deposits with appropriate maturity period for meeting future funding requirements. The current ratio of the Group was 2.7 (30 April 2018: 2.6). Total borrowings amounted to HK$39,816,000 as at 30 April 2019 (30 April 2018: HK$33,009,000). The Group was in a net cash position as at 30 April 2019 and its gearing ratio as determined by total borrowings and loans from non-controlling shareholders divided by total equity was 5.6% (30 April 2018: 4.8%).

*Note:*

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

## OPERATING EFFICIENCIES

Although the operating environment was challenging, the Group achieved satisfactory comparable store sales growth[1] in Hong Kong of 4.8% (2017/18: 4.5%) during the Year.

With overall rental expenses in shopping malls and warehouses consistently climbing, the Group has completed its project of installing the in-store online shopping iPanel “Easy Buy” at all of our JHC stores, which enables sharing of inventory on- and off-line, more importantly, gives it greater flexibility in choosing retail spaces and controlling overall rental expenses. In addition, enjoying strong brand recognition and with its products popular among customers, the Group does not have to open new stores at prime locations, hence it is able to minimise the impact of rental hikes on its operation.

In addition, with salaries generally rising in recent years, the Group expects employee expenses to increase alongside inflation. To mitigate the effects of increasing employee expenses, the Group offers training programmes to employees to maximise their productivity and they are redeployed to different stores from time to time. As a result, the Group was able to maintain employee expenses at a stable level as a percentage of revenue for the Year.

Despite such difficulties, with a brand well-recognised and products well-appreciated by customers, the Group has achieved record high revenue for the Year. Moreover, through the above-mentioned efforts and prudence exercised in managing expenses, including closely monitoring store man-hour expenses, the Group was able to reduce operating expenses as a percentage of revenue during the Year to 40.8% (2017/18: 41.9%).

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

| For the Year Ended 30 April | 2019 | | 2018 | | |
|---|---|---|---|---|---|
| | HK$ | (%) of revenue | HK$ | (%) of revenue | Change (%) |
| Distribution and advertising expenses | 59,176,000 | 2.5% | 57,202,000 | 2.6% | 3.5% |
| Administrative and other operating expenses | 900,620,000 | 38.3% | 876,998,000 | 39.3% | 2.7% |
| Total operating expenses | 959,796,000 | 40.8% | 934,200,000 | 41.9% | 2.7% |

*Note:*

1. Comparable store sales growth represents a comparison between the store sales of those stores that were open throughout the years being compared.

## DISTRIBUTION NETWORK

The Group offers quality houseware, trendy and lifestyle personal products through an extensive retail network comprising 365 stores in Hong Kong, Singapore, Macau, East Malaysia, Cambodia, Australia and Vietnam under renowned brands including JHC (日本城), Japan Home (日本の家), 123 by ELLA, $mart (多來買) and City Life (生活提案). Supported by extensive sourcing channels and high-margin private label products, the Group is able to provide customers with a full range of merchandise at competitive prices, offering "one-stop" shopping convenience.

The Group believes that its extensive and steadily growing retail network, large global supplier network and stable and well-experienced staff and management team will contribute to the continuous development of its business with the strong brand reputation it has built over the years. The Group thus remains positive about its business prospects in the medium-to-long-term. At the same time, with the successful experience in the implementation of our FMCG strategy in Macau market, we see the potential there and are looking for right location for the new store openings. The following table sets forth the number of stores of the Group worldwide:

| | As at 30 April 2019 | As at 30 April 2018 | Net increase/ (decrease) |
|---|---|---|---|
| The Group's directly managed stores | | | |
| Hong Kong | 305 | 290 | 15 |
| Singapore | 44 | 48 | (4) |
| Macau | 7 | 8 | (1) |
| The Group's overseas licensed stores | 9 | 7 | 2 |
| Total | 365 | 353 | 12 |

## HUMAN RESOURCES

To ensure it is able to attract and retain staff capable of delivering outstanding performance, the Group will review its remuneration packages regularly and qualified employees will receive performance bonuses, and/or granted share options and share awards. In awarding annual discretionary bonuses to employees and share options and share awards to supervisory and managerial staff, the performance of the individual concerned will be taken into consideration. As at 30 April 2019, the Group had approximately 2,175 employees (30 April 2018: 2,145) and the total employee benefit expense for the Year was HK$338,563,000 (2017/18: HK$327,708,000).

## OPERATIONAL REVIEW BY BUSINESS SEGMENT

The Group operates retail, wholesale and licensing and others businesses. Revenue from retail business for the Year climbed by 5.6% to a new record high, and continued to be the primary sales driver of the Group. The increase was mainly due to growth in comparable store sales, opening of new stores and the increase of foot traffic. In addition, the Group continued to expand the variety of its merchandise by introducing new product categories from snacks as well as FMCG such as personal and home care items to capture additional market opportunities and enlarge its customer base. These efforts resulted in retail revenue in the amount of HK$2,338,140,000 (2017/18: HK$2,213,549,000) (which included consignment sales commission income), accounting for 99.5% (2017/18: 99.3%) of the Group's total revenue.

Revenue from wholesale business, licensing income and others as a whole decreased by 26.2% against the previous year to HK$12,211,000 (2017/18: HK$16,553,000).

# Management Discussion and Analysis *(Continued)*

## OPERATIONAL REVIEW BY GEOGRAPHICAL LOCATION

### Operations Review – Hong Kong and Macau

Hong Kong remained the key market of the Group, accounting for 88.2% (2017/18: 87.0%) of its total revenue. Revenue from Hong Kong for the Year surged to a new high totalling HK$2,071,443,000 (2017/18: HK$1,941,285,000), a 6.7% increase, while comparable store sales(1) managed a relatively favourable 4.8% growth (2017/18: 4.5%).

During the Year, the Group's Macau revenue increased by 3.0% to HK$41,193,000 (2017/18: HK$39,976,000) and comparable store sales growth(1) was at 17.7% (2017/18: negative 5.4%).

### Operations Review – Singapore

In keeping with a drop in retail store number to 44 at the end of this financial year from 48 at the end of the last financial year, revenue for the Year decreased by 4.5%, as expressed in Hong Kong dollars, to HK$237,715,000 (2017/18: HK$248,841,000) and comparable store sales grew(1) by 6.1% (2017/18: 9.2%).

At the same time, staff costs and other operating expenses declined during the Year, in line with a leaner workforce resulting from the Group streamlining organisational structure and closing unprofitable retail stores. The Group is pleased that, through the concerted effort of employees in Singapore, its business expenses in the market were well under control. Thanks to the above-mentioned efforts, the business turned around from loss in the first half of the financial year to profit in the second half of the financial year. Singapore remains a strategic market and the Group is hopeful that the market will resume continuous growth and profitability.

*Note:*

1. Comparable store sales growth represents a comparison between the store sales of those stores that were open throughout the years being compared.

# Report of the Directors

The directors of the Company (together the “Directors” and each a “Director”) present their report and the audited consolidated financial statements for the year ended 30 April 2019.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in the retail sales of housewares products. There were no significant changes in the nature of the Group’s principal activities during the Year.

## BUSINESS REVIEW

A review of the business of the Group during the Year and a discussion on the Group’s prospects are provided in the “Chairman’s Statement” and the “Management Discussion and Analysis” of the annual report. Description of financial risk factors that the Group is facing is provided in note 3 to the consolidated financial statements. An analysis of the Group’s performance during the Year using financial key performance indicators is provided in the “Five-Year Financial Summary” of the annual report. Discussions on the environmental policies and performance, disclosure of regulatory compliance by the Group with the relevant laws and regulations that have a significant impact on the Group and the account of the key relationships of the Group with its stakeholders are contained in the “Environmental, Social and Governance Report” of the annual report.

## RESULTS AND DIVIDENDS

The results of the Group for the Year are set out in the consolidated income statement. An interim dividend of HK5.3 cents per ordinary share (2017/18: interim dividend of HK5.2 cents), representing a total payout of approximately HK$37,928,000 was paid by the Company on 25 January 2019. The Board has resolved to recommend payment of a final dividend of HK9.0 cents per ordinary share to shareholders whose names appear on the register of members of the Company on Friday, 4 October 2019 which will be paid on or around Friday, 18 October 2019, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on Wednesday, 25 September 2019. Taking into account of the interim dividend payment, the total dividend for the Year would amount to HK14.3 cents per share (2017/18: HK12.2 cents per share), totaling approximately HK$102,251,000 for the Year.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company for the forthcoming annual general meeting of the Company to be held on Wednesday, 25 September 2019 will be closed from Wednesday, 18 September 2019 to Wednesday, 25 September 2019, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the forthcoming annual general meeting of the Company, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 17 September 2019.

Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on Wednesday, 25 September 2019, the proposed final dividend will be payable to the shareholders of the Company whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Friday, 4 October 2019 and the register of members of the Company will be closed from Wednesday, 2 October 2019 to Friday, 4 October 2019, (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents, accompanied by the relevant share certificates lodged with the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 30 September 2019.

## SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the five years ended 30 April 2015, 2016, 2017, 2018 and 2019 is set out in the five-year financial summary. This summary does not form part of the audited financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 15 to the consolidated financial statements.

## SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the Year are set out in note 22 to the consolidated financial statements.

## RESERVES

Movements in reserves during the Year are set out in note 24 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

## DIRECTORS

The Directors during the Year were:

**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)* | |
| Mr. Chong Siu Hong | (Resigned on 7 August 2018) |

**Non-executive Director:**

| | |
|---|---|
| Mr. Lau Chun Wah Davy | (Appointed as an independent non-executive Director on 1 May 2018 and redesignated as a non-executive Director on 21 December 2018) |

**Independent Non-executive Directors:**

| | |
|---|---|
| Mr. Mang Wing Ming Rene | |
| Mr. Yee Boon Yip | |
| Mr. Yeung Yiu Keung | (Appointed on 21 December 2018) |
| Mr. Neo Sei Lin Christopher | (Resigned on 1 May 2018) |

Pursuant to article 84(1) & (2) of the articles of association of the Company, Mr. Mang Wing Ming Rene and Mr. Yee Boon Yip shall retire from office by rotation at the forthcoming annual general meeting and shall be eligible for re-election. Pursuant to article 83(3) of the articles of association of the Company, Mr. Yeung Yiu Keung who was appointed by the Board as Directors, will retire from office at the forthcoming annual general meeting and will be eligible for re-election.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors have service contracts with the Company or any of its subsidiaries which are not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' REMUNERATION

The emoluments payable to the Directors will be decided by the board of directors on the recommendation of the Remuneration Committee, having regard to the Directors' duties, responsibilities and performance and the results of the Group. Particulars of the Directors' emoluments disclosed pursuant to Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange are set out in note 35(a) to the consolidated financial statements.

## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

Ms. NGAI Lai Ha, aged 47

Ms. Ngai is the co-founder of the Group and has been playing a key role in the continuing growth of the Group on different aspects since it opening the first store in Hong Kong back to year 1991. Ms. Ngai is currently the Chairman and Chief executive officer of the Company. She is also an executive Director, the Chairman of nomination committee, and a member of the remuneration committee of the Company. Ms. Ngai has dedicated most of her time and efforts to developing the business, and has contributed significantly to the success of the Group throughout the years.

Taking the helm of the business, Ms. Ngai has spearheaded the Group's strategic plan development and execution, exploring new business opportunities in the ever changing environment, enhancing the Group's all-round efficiency and effectiveness, improving the financial performance, consolidating the market and transforming "Japan Home Centre" into a major player in the Hong Kong housewares retail market. Leveraging the network and relationships that she has personally established since the founding of the Group, Ms. Ngai has helped set a solid foundation for the Group to further expand the business and to penetrate into new markets.

Ms. Ngai is currently a member of the Nanjing Committee of the Chinese People's Political Consultative Conference, a governing council member of the Quality Tourism Services Association, an executive vice president of the Professional Validation Centre of Hong Kong Business Sector, an honorary director of the University of Hong Kong Foundation, an honorary president of Nanjing (H.K.) Association Limited, an executive committee of the Guangdong Federation of Industry and Commerce, the district vice president of the Yau Tsim District, Scout Association of Hong Kong, and a vice chairman of the Women Affairs Committee of HKCPPCCMA. Ms. Ngai graduated from the Open University of Hong Kong with a Bachelor of Business Administration degree in December 2002. Ms. Ngai is also the Honorary Fellow of the Professional Validation Centre of Hong Kong Business Sector in 2015. Ms. Ngai was honored the "Excellent Businesswomen" of the year by the Hong Kong Commercial Daily in 2017.

Mr. LAU Pak Fai Peter, aged 61

Mr. Lau has been executive Director and Chairman of the Company since 18 April 2013, the date of incorporation of the Company until resigned as Chairman of the Board on 1 March 2017. On the same day, Mr. Lau was appointed as Honorary Chairman and re-designated as a member (previously Chairman) of the nomination committee. Mr. Lau resigned as a member of the nomination committee of the Company with effect from 11 August 2017 but has remained as an executive Director. Mr. Lau is the co-founder of the Group, and has been the managing director for the Group since 1991. Mr. Lau became the chief executive officer in 2010, after the Group entered into a strategic partnership with EQT Greater China II. Mr. Lau resigned from the position of the chief executive officer of the Company on 7 January 2016.

Mr. Lau was raised in Hong Kong and studied in Canada, where he earned his bachelor's degree in science from the Department of Applied Science of Queen's University at Kingston, Canada in May 1979. In 1981, Mr. Lau established a trading company in Hong Kong and was engaged in the housewares import and export business prior to opening the first Japan Home Centre store in 1991. Mr. Lau is primarily responsible for the Group's overall corporate strategies, management and business development.

Mr. Lau has guided the development and implementation of the business strategies, and has contributed significantly to the success of the Group throughout the years. He was among the first to introduce the "one price" store concept to Hong Kong, which established Japan Home Centre in a strong position in the Hong Kong housewares retail market. The Group continues to benefit from his years of experience and expertise in the housewares retail market. In 1998, the City Junior Chamber honoured Mr. Lau's leadership and vision by presenting him with the "Innovative Entrepreneur of the Year" award. He has also been a guest speaker at various business functions held by media groups and government organisations, including the Hong Kong Trade Development Council and Trade and Industry Department.

Mr. CHENG Sing Yuk, aged 60

Mr. Cheng was appointed as an executive Director with effect from 18 April 2013, the date of incorporation of the Company. Mr. Cheng is the chief financial officer of the Group and is responsible for the accounting and finance matters of the Group. Prior to rejoining the Group in December 2009, he worked in various industries which included retail, wholesale and telecommunication. Mr. Cheng has 25 years of accounting and finance experience.

Mr. Cheng has been a member of the Association of Chartered Certified Accountants since November 1998 and a member of the Hong Kong Institute of Certified Public Accountants since March 1999. He obtained a Master Degree in Accounting from Curtin University of Technology in September 2004.

**Independent non-executive Directors**

Mr. MANG Wing Ming Rene, aged 67

Mr. Mang was appointed as an independent non-executive Director with effect from 1 November 2014 and he is chairman of the audit committee and a member of the nomination committee and remuneration committee of the Company. He has been appointed as chairman of the remuneration committee of the Company with effect from 25 September 2015. Mr. Mang is currently the Managing Partner of Silversteps Limited, providing executive training and business consulting services to retailers in Asia.

Mr. Mang possesses over 35 years of business experience in wholesale and retail sector in Hong Kong, Mainland China, Canada and Asian countries. Mr. Mang has been the chief executive in various reputable retailers over 15 years, including Country President of Wal-Mart Korea Company Limited in Korea and Chief Operating Officer of Trust-Mart China Company Limited in China, both of which are wholly owned subsidiaries of Wal-Mart Stores Inc, the largest retailer in the world in terms of revenue in 2013. Besides, he was the chief executive officer of Hong Kong Seibu Enterprises Company Limited in Hong Kong and the Group chief executive officer of G2000 Apparels Group covering Hong Kong, Mainland China and Asia. From March 2010 until his resignation on 3 December 2014, Mr. Mang has been the Commissioner (equivalent to non-executive director in common law countries) of PT Matahari Department Store Tbk in Indonesia (Stock code LPPF.JK on Indonesia Stock Exchange), which operates over 100 department stores in Indonesia in October 2014.

Mr. Mang is a member of American Institute of Certified Public Accountants since 1996 and is a fellow member of The Hong Kong Institute of Directors since 1 October 2014. Mr. Mang graduated from the Chinese University of Hong Kong with a Bachelor of Business Administration degree in 1974.

Mr. YEE Boon Yip, aged 41

Mr. Yee was appointed as an independent non-executive Director and a member of the audit committee and nomination committee of the Company with effect from 25 September 2015 and has been appointed as a member of the remuneration committee of the Company with effect from 9 October 2015. He is currently a director at Moores Rowland in charge of assurance and financial risk management services. He is also a partner of MT & Partners LLP, a chartered and public accounting firm based in Singapore specialising in advisory, audit and assurance services. He is also one of the founders and the head of the enterprise risk management, audit and advisory unit. Prior to that, Mr. Yee worked in certified public accounting firms with international affiliation in Malaysia and Singapore during which, he was an auditor at Moores Rowland, UHY and Mazars for over 8 years from 2001. Thereafter, he joined a European multinational company as group financial controller with key roles in internal controls and financial reporting from 2009 to 2011.

Mr. Yee has over 15 years' experience in audit and assurance and financial reporting. He also gained valuable experience from his past involvement in other advisory services which include initial public offering, financial due diligence, corporate tax advisory and planning. Mr. Yee also has the experience in auditing companies reporting in other reporting jurisdictions which include US GAAP and Sarbanes-Oxley compliance services in his past experience as auditor of a company listed in AMEX. Mr. Yee is a member and chartered accountant registered with the Institute of Singapore Chartered Accountants from 2012. He is also a member of the Association of Chartered Certified Accountants from 2011.

Mr. YEUNG Yiu Keung, aged 56

Mr. Yeung was appointed as an independent non-executive Director and a member of the audit committee, nomination committee and remuneration committee of the Company with effect from 21 December 2018. Mr. Yeung previously was appointed as a non-executive director of the Company with effect from 18 April 2013, the date of incorporation of the Company and he was a member of the audit committee of the Company until his resignation on 26 September 2016.

Currently, Mr. Yeung is an industrial adviser contracted with EQT AB, serving as an adviser to certain general partners of the EQT branded funds in transactions and during EQT's ownership of portfolio companies. Mr. Yeung began his career at Price Waterhouse Hong Kong in 1986. He spent eight years with Price Waterhouse Hong Kong, Chicago and Los Angeles offices before his departure in 1994 as a tax manager. Mr. Yeung has over 20 years of experience in the consumer and retail industry. Between 1994 and 2007, he held various senior positions including the chief financial officer of PT Sarimelati Kencana, the franchisee of Pizza Hut in Indonesia. Pizza Hut Indonesia, the chief financial officer of Birdland Taiwan KFC and the managing director of Birdland (Hong Kong) Limited, a franchisee of Kentucky Fried Chicken for Hong Kong and Macau. He was the chief executive officer and principal operator of Birdland (Hong Kong) Limited until August 2007. Mr. Yeung was an independent non-executive director of China XiaoFeiYang Catering Chain Co., Ltd, from 2006 to 2007 and was the chief operating officer and an executive director of Little Sheep Group Limited from 2007 to 2009.

Mr. Yeung was a member of the American Institute of Certified Public Accountants. Mr. Yeung graduated from the College of Business Administration of the University of Oregon with a Bachelor of Science degree in March 1986. He obtained an Executive Master of Business Administration (Master of Management) degree jointly from the J.L. Kellogg Graduate School of Management of Northwestern University and the Hong Kong University of Science and Technology in November 2000.

**Non-executive Director**

Mr. LAU Chun Wah Davy, aged 64

Mr. Lau was appointed as an independent non-executive Director and a member of the audit committee, nomination committee and remuneration committee of the Company with effect from 1 May 2018. He was redesignated as a non-executive director of the Company with effect from 21 December 2018. Mr. Lau trilingual in Japanese, English and Mandarin, has significant track record in building and running multinational businesses in Asia Pacific for more than 30 years spanning across manufacturing, IT systems solutions and outsourcing, banking and real-time on-line information business as well as professional services.

Mr. Lau is currently the lead independent director and an independent non-executive director of the managers of Eagle Hospitality Trust since 16 April 2019, shares of which are listed on the Singapore Exchange as of 24 May 2019. Since June 2015, Mr. Lau has been serving as an independent director and the chairman of the nominating and remuneration committee of Manulife US Real Estate Management Pte. Ltd., the manager of the Manulife US Real Estate Investment Trust, which has been listed on the Singapore Exchange (stock code: BTOU) since 20 May 2016. Mr. Lau served as an independent non-executive director and a non-executive chairman of AL Group Limited, shares of which are listed on the Stock Exchange of Hong Kong Limited (stock code: 8360) between 15 June 2016 and 12 July 2017.

Mr. Lau is currently the chairman of DGL Group Inc, managing his private direct investments. Between March 1994 and February 2011, Mr. Lau was with Egon Zehnder International Pte. Ltd., a leading global executive search firm, recruiting senior executives, CEOs and board directors in the Asia Pacific region for various MNCs as well as Asian companies. He was elected Global Partner of the firm at the end of 1999 and was the managing partner of the Singapore practice between 2000 and 2009.

Mr. Lau started his career at Computervision Asia, Ltd., an early pioneer in the CAD/CAM systems business, in the early eighties; for six years between 1981 and 1987, he held various sales & marketing positions selling and implementing CAD/CAM systems, including some of the most significant CAD/CAM systems ever installed in China. He was Vice President of the Information Business Division at Citibank N.A., Tokyo Branch between February 1988 and May 1990, where he marketed real-time on-line financial information services to multi-national corporations as well as banks in Japan. Mr. Lau was the General Manager and Director, Far East Sales & Operations for GTECH Far East Pte. Ltd., an international gaming service provider, between August 1991 and February 1994, where he marketed and supported the on-going operations of various public gaming IT outsourcing projects in Asia.

In 2006, Mr. Lau co-founded The Mustard Seed Business Angel Fund LLP, the first business angel group recognised and supported by the Economic Development Board of Singapore under its Business Angel Scheme. He is currently a member of the resource panel of private equity fund, Credence Partners Pte. Ltd, as well as an advisor of Invitrocue Pte. Ltd. He sits on the boards of UWCSEA (United World College of Southeast Asia) and Hong Kong-ASEAN Economic Cooperation Foundation Limited. He was an advisor of ACA Investments Pte. Ltd. and a member on various public or private corporate boards, including NASDAQ listed HiSoft Technology International Limited, Strategic Investment Partners, Inc. (Japan) and eZoo School of Music and Fine Arts Pte. Ltd. (Singapore).

Mr. Lau was a recipient of the Japanese Government Scholarship for Undergraduate Students in 1974 and received a Bachelor of Arts degree in Japanese Language & Affairs from Tokyo University of Foreign Studies in 1979 as well as a Master degree in Economics from Hitotsubashi University in 1981.

**Senior Management**

Ms. HO Ka Yan, Kathryn, aged 52
*Deputy chief executive*

Kathryn is Deputy chief executive of the Group and she possesses more than 25 years of retail management experience in various sectors covering apparel, consumer electronics, personal and skin care, supermarkets and watches & accessories, with particularly intensive experience in buying and retail sales operations. She has been in management positions in various sizable chain stores, including Operations Director of Watsons the Chemist (HK & Macau), Business Development Director of ParknShop (China), VP, Optimisation of Sa Sa International Holdings Limited and Southeast Asia Director of City Chain. In addition, Kathryn had been a management consultant in PricewaterhouseCoopers Melbourne and Hong Kong offices, working on Strategic Planning and Process Improvement projects for retail clients.

Kathryn graduated from the Chinese University of Hong Kong with a Bachelor of Social Science degree and obtained a Master of Business Administration degree from Melbourne Business School in 2000.

Mr. NEO Sei Lin Christopher, aged 49
*Chief development officer*

Mr. Neo is the chief development officer of the Group overseeing enterprise capital cooperation development projects, investor relations, franchise projects and the development of private label brands to expand more development opportunities. He was an independent non-executive director of the Company until his resignation on 1 May 2018. He has over two decades of experience managing business units in the consumer goods and beauty industries. Mr. Neo started his career in 1994 in brand management with Procter & Gamble. In 1995, Mr. Neo joined the L'Oréal Group in Singapore. In 2002, Mr. Neo was relocated to Hong Kong as general manager for the L'Oréal's Consumer Products division, where he defined a compelling image for the L'Oréal consumer brands within the competitive city landscape. In 2008, Mr. Neo was relocated to Malaysia, initially as general manager for the L'Oréal Consumer Products division and subsequently served as general manager for the L'Oréal Consumer Products division for both Malaysia and Singapore. In 2009, Mr. Neo was made country manager and managing director for L'Oréal Singapore and was overall responsible for the L'Oréal Group's business in Singapore. As the country manager, besides running the profit and loss and overseeing business strategies, he was also responsible for the development of corporate reputation, innovation, new distribution, business communications, and talent development. In addition, Mr. Neo also helped set up and supported L'Oréal's regional organisations based in Singapore. In 2016, Mr. Neo was appointed as executive director of South China Media Management Limited, responsible for overall management of the South China Media Group women's titles, leading organisational change and revamping the group's overall business. In 2017, Mr. Neo was appointed as CEO of VUS (Vietnam USA Society English Centers – a joint-partnership entity between private equity firm and Vietnamese founder). Based in Vietnam, his role was to implement business strategy which includes expansion, branding and new product development as well as overhaul the information technology organisation.

Mr. Neo received a Bachelor of Business Administration degree from the National University of Singapore in July 1994. He was a former President of the Association of Perfume and Cosmetics Distributors (APCD) in Singapore.

# Report of the Directors *(Continued)*

Mr. YUEN Ka Ho, aged 52
*Chief operating officer*

Mr. Yuen is the chief operating officer of the Group overseeing the sales, marketing, sourcing, buying, store operations, store renovation and logistics in Hong Kong. He joined the Group in September 2014. Prior to that, Mr. Yuen possesses over 28 years of business experience in wholesale and retail sector in Hong Kong and Mainland China. He has been in management positions in various reputable retailers in the past 17 years, including merchandising director of Metro Jinjiang Cash and Carry Co., Ltd. and Wal-Mart (China) Investment Co. Ltd. in Mainland China.

Mr. Yuen graduated from the University of Bradford with a Master of Business Administration degree in 2013.

Mr. WONG Kin Man, aged 46
*Chief information officer*

Mr. Wong is chief information officer of the Group and oversees the information technology systems of the Group. Mr. Wong joined the Group in June 2005. Mr. Wong has over 20 years of experience in information technology management and system development and support. Prior to joining the Group in June 2005, Mr. Wong was a technical service administrator in Microware USA Limited from 1993 to 1995, assistant manager in ADL Computer System Limited from 1995 to 1996, assistant supervisor in the Macau Horse Racing Company Limited from 1996 to 1997, a customer service supervisor and a senior customer service supervisor in Acer Computer (Far East) Limited from 1997 to 2000, a system support manager in Infrasys (HK) Limited from 2000 to 2003 and the manager of the IT department in Winsor Hong Kong Limited from 2003 to 2005. Mr. Wong is a Fellow of The Professional Validation Centre of Hong Kong Business Sector in 2015.

Ms. TAM Siu Wan, aged 57
*General manager (Retail Operations)*

Ms. Tam is the general manager of retail operations of the Hong Kong retail store operations and has been responsible for the day to day operations of the stores in Hong Kong since 2002. Prior to joining the Group in December 2000, Ms. Tam had been a district manager at Nippon Warehouse Limited since 1997. She joined the Group in May 2000 when the Group acquired Nippon Warehouse Limited. Ms. Tam is a Fellow of The Professional Validation Centre of Hong Kong Business Sector in 2015.

Mr. CHEUNG Wai Hung, aged 48
*Category general manager*

Mr. Cheung is the category general manager of the Group and is responsible for the sourcing and buying for the stores in Hong Kong and Singapore. He joined the Group in May 1997. Mr. Cheung had been the merchandising manager of the Group from 1997 to 2002 and senior merchandising manager since 2002. Mr. Cheung is a Fellow of The Professional Validation Centre of Hong Kong Business Sector in 2015.

Ms. MAN Siu Ling, aged 62
*Sourcing general manager*

Ms. Man is the sourcing general manager of the Group and is responsible for the international sourcing and buying for the stores. She joined the Group in June 2004. Ms. Man has over 20 years of sourcing and buying experience. Prior to joining the Group in June 2004, Ms. Man worked at UNY (HK) Co., Ltd. in the roles of assistant buyer of gift section, buyer of gift section, chief buyer of housewares section, assistant department manager of housewares daily necessity department and department manager of household division from 1986 to 2004.

Ms. YIP Yee Fan Sandra, aged 45
*Senior manager (Business development division)*

Ms. Yip is the senior manager of the business development division of the Group and oversees the franchise and export operations of the Group. Ms. Yip joined the Group in March 2003. Prior to joining the Group in March 2003, Ms. Yip was an administrative officer in Pacific Rim Consulting Group from 1995 to 1996, a sales and administrative officer in Bold Gold International Co., Ltd. from 1996 to 1998 and an import and export executive in Heng Tat Furniture (China) Co., Ltd from 1998 to 2003. Ms. Yip obtained a Bachelors of Arts degree in humanities from the Hong Kong Baptist University in November 1995.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 April 2019, the interests and 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 (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

| Name of Directors | Capacity/ Nature of Interest | Number of shares of the Company | Number of underlying shares of the Company – Share Option | Number of underlying shares of the Company – Share Award | Total interest *(Note 1)* | Approximate percentage of shareholding as at 30 Aprill 2019* |
|---|---|---|---|---|---|---|
| Mr. LAU Pak Fai Peter | Interest in a controlled corporation | 324,000,000 *(Note 2)* | | | 346,320,000 | 47.99% |
| | Personal interest | 21,645,000 | 675,000 *(Note 3)* | – | | |
| Ms. NGAI Lai Ha | Interest in a controlled corporation | 324,000,000 *(Note 4)* | | | 346,137,000 | 47.97% |
| | Personal interest | 21,012,000 | 325,000 *(Note 3)* | 800,000 *(Note 6)* | | |
| Mr. CHENG Sing Yuk | Personal interest | 557,000 | 1,491,500 *(Note 5)* | 660,000 *(Note 6)* | 2,708,500 | 0.38% |
| Mr. LAU Chun Wah Davy | Personal interest | – | – | 56,000 *(Note 6)* | 56,000 | 0.01% |
| Mr. MANG Wing Ming Rene | Personal interest | 212,000 | 100,000 *(Note 3)* | 56,000 *(Note 6)* | 368,000 | 0.05% |

* The percentage was calculated based on 721,640,820 shares in issue as at 30 April 2019

*Notes:*

1. All the above shares and underlying shares are long position.

2. Mr. LAU Pak Fai Peter is deemed to be interested in 324,000,000 shares beneficially owned by Hiluleka Limited, by virtue of his controlling shareholding (i.e. 50%) in Hiluleka Limited.

3. 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 Schemes" of this report).

4. Ms. NGAI Lai Ha is deemed to be interested in 324,000,000 shares beneficially owned by Hiluleka Limited, by virtue of her controlling shareholding (i.e. 50%) in Hiluleka Limited.

5. 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) 864,000 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).

6. These represent the shares in issue by the Company granted under the Share Award Scheme (as defined in the section headed "Share Award Schemes" of this report).

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 April 2019, 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 30 April 2019, the 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 were required 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 30 April 2019* |
|---|---|---|---|
| Hiluleka Limited | Beneficial owner | 324,000,000 *(Note 2)* | 44.90% |
| FMR LLC | Interest of corporation controlled by the substantial shareholder | 100,511,298 *(Note 3)* | 13.93% |
| Pandanus Associates Inc. | Interest of corporation controlled by the substantial shareholder | 79,329,670 *(Note 3)* | 10.99% |
| 483A Bay Street Holdings Management LLC | Interest of corporation controlled by the substantial shareholder | 50,402,670 *(Note 3)* | 6.98% |
| 483A Bay Street Holdings LP | Interest of corporation controlled by the substantial shareholder | 50,402,670 *(Note 3)* | 6.98% |
| Fidelity Canada Investors LLC | Interest of corporation controlled by the substantial shareholder | 50,402,670 *(Note 3)* | 6.98% |
| Fidelity Investment Trust | Beneficial owner | 36,643,100 | 5.08% |
| Fidelity Capital Structure Corp. | Beneficial owner | 36,185,400 | 5.01% |
| Webb David Michael | Beneficial owner/Interest of corporation controlled by the substantial shareholder | 36,131,000 | 5.01% |

* The percentage was calculated based on 721,640,820 shares in issue as at 30 April 2019.

*Notes:*

1. All the above shares are long position.

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

3. FMR LLC is deemed to have interests in 100,511,298 shares of the Company held by Fidelity (Canada) Asset Management ULC in 33,103,170 shares, Fidelity Management & Research (Hong Kong) Limited in 48,697,000 shares and FMR CO., INC in 18,299,100 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 483A Bay Street Holdings LP, Fidelity Canada Investors LLC is owned by certain employees and shareholders of FMR LLC.. According to the disclosure of interests forms, 483A Bay Street Holdings LP is owned by Fidelity Canada Investors LLC (18%) and FIL Limited (51%), and also wholly controlled by 483A Bay Street Holdings Management LLC. It has indirect interest in 50,402,670 shares. FIL Limited is also deemed to have interest in 29,704,000 shares of the Company held by its wholly-owned subsidiary FIL Investment Management (Singapore) Limited. FIL Limited is owned by Pandanus Partners L.P. (37.51%) which is wholly owned by Pandanus Associates Inc.

Save as disclosed above, as at 30 April 2019, 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 were required 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.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the Year was the Company, its parent company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## 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 as 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. At the date of this report, the total number of shares available for issue under the Share Option Scheme is 69,210,000 shares, representing approximately 9.59% 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 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.

## DETAILS OF OPTIONS GRANTED BY THE COMPANY

As at 30 April 2019, options to subscribe for an aggregate of 4,365,000 shares of the Company granted to Directors and certain employees pursuant to the Share Option Scheme remained outstanding, details of which were as follows:

| Name and Category of participants | Date of grant | Exercise prices of share options HK$ per share | Exercise periods of share options | Number of shares options (*Note 5*) At 1 May 2018 | Exercised during the Year (*Note 4(vii)*) | Forfeited during the Year | At 30 April 2019 |
|---|---|---|---|---|---|---|---|
| Directors | | | | | | | |
| Mr. LAU Pak Fai Peter | 28/02/2014 | 3.86 | 31/10/2014 to 27/02/2022 *(Note 2)* | 325,000 | – | – | 325,000 |
| *(Note 1)* | 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 | (350,000) | – | 675,000 |
| Ms. NGAI Lai Ha | 28/02/2014 | 3.86 | 31/10/2014 to 27/02/2022 *(Note 2)* | 325,000 | – | – | 325,000 |
| *(Note 1)* | 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 | (700,000) | – | 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 | | | | 2,777,500 | (1,050,000) | – | 1,727,500 |
| 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))* | 1,520,000 | (60,000) | – | 1,460,000 |
| | 21/01/2016 | 1.08 | 31/10/2016 to 20/01/2024 *(Notes 4(iv) &(vi))* | 858,000 | (618,000) | – | 240,000 |
| Sub-total | | | | 3,315,500 | (678,000) | – | 2,637,500 |
| Total | | | | 6,093,000 | (1,728,000) | – | 4,365,000 |

*Notes:*

1. Mr. LAU Pak Fai Peter and Ms. NGAI Lai Ha are substantial shareholders of the Company.

2. The options, granted on 28 February 2014, are exercisable from 31 October 2014 to 27 February 2022 (both days inclusive) in the following manner:

   (i) up to 33% of the total number of options granted under the Share Option Scheme commencing 31 October 2014;

   (ii) up to 66% of the total number of options granted under the Share Option Scheme commencing 31 October 2015;

   (iii) up to 100% of the total number of options granted under the Share Option Scheme commencing 31 October 2016;

   (iv) Out of the above 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

   (v) Closing price of the shares of the Company immediately before the date on which the options were granted was HK$3.80 per share.

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 above 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 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$1.89 per share.

   (vii) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$ 2.11 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.

   (vii) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$1.65 per share.

5. No option granted under the Share Option Scheme during the Year.

## 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 30 April 2019, options to subscribe for an aggregate of 2,268,900 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 Year:

| | | | Number of Shares options *(Note 1)* | | | |
|---|---|---|---|---|---|---|
| Name and Category of participants | Exercise prices of share options HK$ per share | Exercise periods of share options | At 1 May 2018 | Exercised during the Year *(Note2)* | Forfeited during the Year | At 30 April 2019 |
| Director | | | | | | |
| Mr. CHENG Sing Yuk | 1.04 | 25/09/2013–11/10/2018 | 178,200 | (178,200) | – | – |
| | | 12/10/2013–11/10/2018 | 91,800 | (91,800) | – | – |
| | 1.39 | 25/09/2013–11/10/2019 | 142,560 | – | – | 142,560 |
| | | 12/10/2013–11/10/2019 | 142,560 | – | – | 142,560 |
| | | 12/10/2014–11/10/2019 | 146,880 | – | – | 146,880 |
| | 1.86 | 16/10/2013–15/10/2020 | 142,560 | – | – | 142,560 |
| | | 16/10/2014–15/10/2020 | 142,560 | – | – | 142,560 |
| | | 16/10/2015–15/10/2020 | 146,880 | – | – | 146,880 |
| Sub-total | | | 1,134,000 | (270,000) | – | 864,000 |
| Employees | 1.04 | 25/09/2013–11/10/2018 | 178,200 | (178,200) | – | – |
| In aggregate | | 12/10/2013–11/10/2018 | 183,600 | (183,600) | – | – |
| | 1.39 | 25/09/2013–11/10/2019 | 89,100 | – | – | 89,100 |
| | | 12/10/2013–11/10/2019 | 178,200 | – | – | 178,200 |
| | | 12/10/2014–11/10/2019 | 183,600 | – | – | 183,600 |
| | 1.86 | 16/10/2013–15/10/2020 | 178,200 | – | – | 178,200 |
| | | 16/10/2014–15/10/2020 | 178,200 | – | – | 178,200 |
| | | 16/10/2015–15/10/2020 | 862,920 | (265,320) | – | 597,600 |
| Sub-total | | | 2,032,020 | (627,120) | – | 1,404,900 |
| Total | | | 3,166,020 | (897,120) | – | 2,268,900 |

*Notes:*

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

2. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$ 1.98 per share.

## 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.

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 5,977,000 shares of the Company at a total consideration of about HK$10.9 million during the Year. The following table discloses movements of the awarded shares of the Company held by the Company's Directors or employees during the Year:

| | | | Number of awarded shares | | | | |
|---|---|---|---|---|---|---|---|
| Name and Category of participants | Date of grant | Vesting period | Unvested as at 1 May 2018 | Granted during the Year | Forfeited during the Year | Vested during the Year | Unvested as at 30 April 2019 |
| 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 | 06/10/2016 | 05/10/2017 to 05/10/2018 | 60,000 | – | – | (60,000) | – |
| | 20/12/2017 | 06/10/2018 to 06/10/2019 | 107,000 | – | – | (54,000) | 53,000 |
| | 04/10/2018 | 04/10/2019 to 04/10/2020 | – | 107,000 | – | – | 107,000 |
| | 21/12/2018 | 31/10/2021 to 31/10/2021 | – | 500,000 | – | – | 500,000 |
| | | | 167,000 | 607,000 | – | (114,000) | 660,000 |
| Mr. MANG Wing Ming Rene | 20/12/2017 | 06/10/2018 to 06/10/2018 | 56,000 | – | – | (56,000) | – |
| | 04/10/2018 | 06/10/2019 to 06/10/2019 | – | 56,000 | – | – | 56,000 |
| | | | 56,000 | 56,000 | – | (56,000) | 56,000 |
| Mr. LAU Chun Wah Davy | 04/10/2018 | 06/10/2019 to 06/10/2019 | – | 56,000 | – | – | 56,000 |
| | | | – | 56,000 | – | – | 56,000 |
| Former Director | 08/08/2016 | 01/01/2017 to 01/01/2019 | 520,000 | – | (520,000) | – | – |
| | 20/12/2017 | 06/10/2018 to 06/10/2019 | 107,000 | – | (107,000) | – | – |
| | | | 627,000 | – | (627,000) | – | – |
| Employees– | | | | | | | |
| In aggregate | 06/10/2016 | 05/10/2017 to 05/10/2018 | 286,000 | – | – | (286,000) | – |
| | 20/12/2017 | 06/10/2018 to 06/10/2019 | 638,000 | – | – | (343,000) | 295,000 |
| | 04/10/2018 | 04/10/2019 to 04/10/2020 | – | 698,000 | – | – | 698,000 |
| | 19/12/2018 | 31/10/2021 to 31/10/2021 | – | 5,860,000 | – | – | 5,860,000 |
| | 15/02/2019 | 31/10/2021 to 31/10/2021 | – | 150,000 | – | – | 150,000 |
| | 23/04/2019 | 31/10/2021 to 31/10/2021 | – | 500,000 | – | – | 500,000 |
| | | | 924,000 | 7,208,000 | – | (629,000) | 7,503,000 |
| Total | | | 1,774,000 | 8,727,000 | (627,000) | (799,000) | 9,075,000 |

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which any of the Company's subsidiaries, fellow subsidiaries or parent companies was a party and in which a Director or the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

## CONTINUING CONNECTED TRANSACTIONS

The following transactions of the Group constituted non-exempt continuing connected transactions ("Continuing Connected Transactions") for the Company during the financial year ended 30 April 2019 under the Listing Rules. Save as disclosed below, the related party transactions were set out in note 33 to the consolidated financial statements. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of these connected transactions. Details of these transactions were as follows:

1. **First Batch Tenancy Framework Agreement**

   The Group has entered into tenancy agreements with certain companies wholly-owned by Ms. Ngai Lai Ha ("**Ms. Ngai**") to lease the premises in accordance with the respective terms of the relevant tenancy agreements (the "**First Batch Tenancy Agreements**"). In order to ensure that all tenancy transactions between (A) Ms. Ngai and/or her associates (as defined in the Listing Rules, which include companies directly or indirectly wholly-owned by Ms. Ngai), but excluding members of the LN Group (as defined below) (collectively, the "**Ms. Ngai Group**") and (B) members of the Group, comply with the Listing Rules, the Company entered into a tenancy framework agreement with Ms. Ngai (the "**First Batch Tenancy Framework Agreement**") on 27 August 2013.

   Since Ms. Ngai is a Director and controlling shareholder of the Company, and that each member of the Ms. Ngai Group is an entity wholly-owned by Ms. Ngai, each member of the Ms. Ngai Group became connected persons of the Company under the Listing Rules. As such, the transactions contemplated under the First Batch Tenancy Framework Agreement (including the First Batch Tenancy Agreements) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

   For the year ended 30 April 2019, a total of approximately HK$30,646,000 was received/receivable pursuant to the First Batch Tenancy Framework Agreement.

   **Annual caps**

   As disclosed in the announcement of the Company dated 20 February 2019, the Company has set annual caps for the maximum aggregate rental amount payable under the tenancy transactions between members of the Ms. Ngai Group and members of the Group pursuant to the First Batch Tenancy Framework Agreement for the years ended/ending 30 April 2019, 2020, 2021 and 2022 are HK$35,000,000, HK$38,000,000, HK$40,000,000 and HK$42,000,000 respectively.

2. **Second Batch Tenancy Framework Agreement**

   The Group has entered into tenancy agreements with certain companies owned by Mr. Lau Pak Fai, Peter ("**Mr. Lau**") and Ms. Ngai to lease the premises in accordance with the respective terms of the relevant tenancy agreements (the "**Second Batch Tenancy Agreements**"). In order to ensure that all tenancy transactions between (A) any company being (i) an associate of both Mr. Lau and Ms. Ngai and/or (ii) an associate of either Mr. Lau or Ms. Ngai in the equity capital of which both Mr. Lau (and/or his associates) and Ms. Ngai (and/or her associates) have a direct or indirect interest (collectively, the "**LN Group**") and (B) members of the Group, comply with the Listing Rules, the Company entered into a tenancy framework agreement with Mr. Lau and Ms. Ngai (the "**Second Batch Tenancy Framework Agreement**") on 27 August 2013.

   Since Mr. Lau and Ms. Ngai are Directors and controlling shareholders of the Company, and that each member of the LN Group is an associate of Mr. Lau and/or Ms. Ngai, each member of the LN Group became connected persons of the Company under the Listing Rules. As such, the transactions contemplated under the Second Batch Tenancy Framework Agreement (including the Second Batch Tenancy Agreements) will constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

For the year ended 30 April 2019, a total of approximately HK$798,000 was received/receivable pursuant to the Second Batch Tenancy Framework Agreement.

**Annual caps**

As disclosed in the announcement of the Company dated 20 February 2019, the Company has set annual cap for the maximum aggregate rental amount payable under the tenancy transactions between members of the LN Group and members of the Group pursuant to the Second Batch Tenancy Framework Agreement for the year ended 30 April 2019 is HK$2,000,000.

As disclosed in the announcement of the Company dated 20 February 2019, Mr. Lau transferred all of his equity interests in LN Group to Ms. Ngai Group. The First Batch and the Second Batch Tenancy Framework Agreements expired on 30 April 2019 and renewed automatically for another three years up to 30 April 2022, subject to compliance with the then applicable provisions of the Listing Rules.

The annual caps stated above have been estimated with reference to the historical figures, potential increase in rentals at the time of renewing existing leases, and the estimated rentals of new leases in future. The Directors (including the independent non-executive Directors) consider that the First Batch and the Second Batch Tenancy Framework Agreements (including the First Batch and the Second Batch Tenancy Agreements) were entered into in the ordinary and usual course of business of the Group and are on normal commercial terms which are fair and reasonable and in the interests of the Company and the shareholders as a whole. The Directors (including the independent non-executive Directors) also consider that the relevant annual caps in respect of the Continuing Connected Transactions set out above are and will be fair and reasonable and in the interests of the Company and the shareholders as a whole.

All the Continuing Connected Transactions above have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to practice notice 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Group in this annual report in accordance with the Listing Rules. A copy of the auditor's letter has been provided to the Stock Exchange.

## USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the listing of the Company of approximately HK$460 million (after deducting underwriting fees and related expenses) were utilised in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 12 September 2013. The Group held the unutilised net proceeds in deposits with licensed institutions in Hong Kong.

## 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 5,977,000 shares of the Company at a total consideration of about HK$10.9 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 Year.

## PERMITTED INDEMNITY PROVISION

The Articles of association of the Company provides that the Directors for the time being of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. The Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the Directors of the Company.

## EQUITY-LINKED AGREEMENTS

Details of the share option schemes and share award scheme are set out in this report and notes 22 and 23 to the consolidated financial statements respectively. Save as disclosed above, no equity-linked agreements were entered into during the Year or subsisted at the end of the year.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as of the date of this report.

## MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## MAJOR CUSTOMERS AND SUPPLIERS

The Group is principally involved in retail business. The five largest customers and the five largest suppliers of the Group accounted for less than 30% of the Group's turnover and purchases respectively during the Year.

## AUDITOR

The consolidated financial statements for the year have been audited by PricewaterhouseCoopers Certified Public Accountants, who will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

By order of the Board of
International Housewares Retail Company Limited
NGAI Lai Ha
*Chairman and Chief Executive Officer*

Hong Kong, 30 July 2019

# Corporate Governance Report

## 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.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 during the year ended 30 April 2019.

## BOARD OF DIRECTORS

### Board Composition

Our Board of Directors currently consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. More than one-third of the Board is represented by independent non-executive Directors with at least one of whom possessing appropriate professional qualifications, or accounting or related financial management expertise. The Directors are of the opinion that the present structure of the Board can ensure the independence and objectivity of the Board and provide a system of checks and balances to safeguard the interests of the shareholders and the Company. The composition of the Board is set out as follows:

| | |
|---|---|
| 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)* | |
| Mr. Chong Siu Hong | (Resigned on 7 August 2018) |
| | |
| Non-executive Director: | |
| Mr. Lau Chun Wah Davy | (Appointed as an independent non-executive Director on 1 May 2018 and redesignated as a non-executive Director on 21 December 2018) |
| | |
| Independent Non-executive Directors: | |
| Mr. Mang Wing Ming Rene | |
| Mr. Yee Boon Yip | |
| Mr. Yeung Yiu Keung | (Appointed on 21 December 2018) |
| Mr. Neo Sei Lin Christopher | (Resigned on 1 May 2018) |

The independence of the independent non-executive Directors is assessed according to the relevant rules and requirements under the Listing Rules. The Company has received written confirmation of independence from each of the independent non-executive Directors and the Company is of the view that all independent non-executive Directors meet the independence guidelines as set out in Rule 3.13 of the Listing Rules and are therefore independent.

The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board controls the business but delegates day-to-day responsibility to the senior management. The Board sets the Company's strategic aims, values and standards and ensures that its obligations to its shareholders and others are understood and met. Certain matters are the subject of recommendations by the Audit Committee, Nomination Committee or Remuneration Committee. The senior management is responsible for the daily operations and administration function of the Company.

Our Board is composed of members from a diverse background. Gender, age, cultural, educational background and professional experience of our Board Members are set out in the "Profile of Directors and senior management" to this annual report. The Board members do not have any family, financial or business relationship with each other.

## BOARD MEETINGS AND DIRECTORS' ATTENDANCE

The Board held 4 meetings during the year ended 30 April 2019. The table below shows each Director's attendance at meetings of the Board held while he or she was a Director during the Year.

| Directors | *Note* | Meetings attended | Meetings eligible to attend |
|---|---|---|---|
| Ms. Ngai Lai Ha *(Chairman)* | | 4 | 4 |
| Mr. Lau Pak Fai Peter *(Honorary Chairman)* | | 4 | 4 |
| Mr. Cheng Sing Yuk | | 4 | 4 |
| Mr. Mang Wing Ming Rene | | 4 | 4 |
| Mr. Yee Boon Yip | | 4 | 4 |
| Mr. Lau Chun Wah Davy | 1 | 4 | 4 |
| Mr. Yeung Yiu Keung | 2 | 1 | 1 |
| Mr. Neo Sei Lin Christopher | 3 | 0 | 0 |
| Mr. Chong Siu Hong | 4 | 1 | 1 |

*Notes:*

1. Appointed as a Director on 1 May 2018.
2. Appointed as a Director on 21 December 2018
3. Resigned as a Director on 1 May 2018.
4. Resigned as a Director on 7 August 2018.

The Board is responsible for performing the corporate governance duties set out in paragraph D.3.1 of the Corporate Governance Code, and in this regard the duties of the Board shall include:

(1) to develop and review the Company's policies and practices on corporate governance;

(2) to review and monitor the training and continuous professional development of directors and the senior management;

(3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(5) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

## DELEGATION BY THE BOARD

Executive Directors are in charge of different businesses and functional divisions in accordance with their respective areas of expertise. For matters or transactions of a material nature, the same will be referred to the Board for approval. For matters or transactions of a magnitude requiring disclosure under the Listing Rules or other applicable rules or regulations, appropriate disclosure will be made and where necessary, circular will be prepared and shareholders' approval will be obtained in accordance with the requirements of the applicable rules and regulations.

The Board, led by the Chairman, is responsible for the Group's future development directions; overall strategies and policies; evaluation of the performance of the Group and the senior management; and approval of matters that are of a material or substantial nature. Senior management is responsible for the day-to-day operations of the Group.

Formal letters of appointment have been issued to all Directors setting out the key terms and conditions of their respective appointment. Each newly appointed Director will also be issued with a letter of appointment.

## CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

To ensure compliance and enhance their awareness of good corporate governance practices, induction package covering the statutory and regulatory obligations of a director of a listed company will be provided to each newly appointed Director. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills, and updates all Directors on any regulatory requirements as necessary. All Directors have received professional training programs during the Year including the attending briefings, seminars, conferences or forums and reading updates on relevant topics.

## CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

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.

## APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a term of three years and all of the non-executive Director and independent non-executive Directors are appointed for a term of one year. The appointments are renewable from time to time. All newly appointed Directors shall hold office until the next annual general meetings and shall then be eligible for re-election. At each annual general meeting, at least one-third of the Directors for the time being, shall retire from office by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

## BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference to assist the Board in discharging its responsibilities.

The terms of reference of the committees are available for inspection on the Company's website and the Stock Exchange's website.

### 1) Audit Committee

The Company has established an Audit Committee with the following of its primary duties:

(1) make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(2) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(3) review the Company's financial controls, internal control and risk management systems;

(4) review the Group's financial and accounting policies and practices; and

(5) discuss the risk management and internal control systems with management of the Company to ensure that management has performed its duty to have an effective systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

For the year ended 30 April 2019, the Audit Committee held two meetings. The work performed by the Audit Committee included but not limited to review of the Group's interim and annual financial statements and the interim and annual reports, with a recommendation to the Board for approval; and recommend to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, PricewaterhouseCoopers be re-appointed as the Company's external auditor and also review the Group's risk management, internal controls and whistleblowing system. The Audit Committee has reviewed and was satisfied with the effectiveness of the risk management and internal control systems.

The table below shows each Director's attendance at meetings held while he was a member during the Year.

| Members | *Notes* | Meetings attended | Meetings eligible to attend |
|---|---|---|---|
| Mr. Mang Wing Ming Rene *(Chairman)* | | 2 | 2 |
| Mr. Yee Boon Yip | | 2 | 2 |
| Mr. Lau Chun Wah Davy | 1 | 2 | 2 |
| Mr. Yeung Yiu Keung | 2 | 0 | 0 |
| Mr. Neo Sei Lin Christopher | 3 | 0 | 0 |

*Notes:*

1. Appointed as a member of the Committee on 1 May 2018.

2. Appointed as a member of the Committee on 21 December 2018

3. Resigned as a member of the Committee on 1 May 2018.

### 2) Remuneration Committee

The Company has established a Remuneration Committee with the following of its primary duties:

(1) make recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(2) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(3) either: (i) determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management, or (ii) make recommendations to the Board on the remuneration packages of individual executive directors and senior management (This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment);

(4) make recommendations to the Board regarding the remuneration of non-executive directors;

(5) advise the Company's shareholders on how to vote with respect to any service contracts of directors, which is for a duration that may exceed 3 years or which, in order to entitle the Company to terminate the contract, expressly requires the Company to give a period of notice of more than one year or to pay compensation or make other payments equivalent to more than one year's emoluments that require shareholders' approval under the Listing Rules;

(6) consider the granting of share options to directors pursuant to any share option scheme adopted by the Company;

(7) ensure due compliance with any relevant disclosure requirements in respect of the remuneration of directors as well as other remuneration related matters under the Listing Rules (including without limitation, Appendix 16), the Companies Ordinance and any other statutory requirements; and

(8) review and make recommendations to the Board regarding the pension arrangements for directors and senior management.

For the year ended 30 April 2019, the Remuneration Committee held three meetings. The work performed by the Remuneration Committee included but not limited to consideration of Directors' emoluments for the next year, with a recommendation to the Board for approval, and making of recommendation to the Board regarding the remuneration packages of the newly appointed Director and granting of awarded shares to Directors pursuant to the share award scheme of the Company.

The table below shows each Director's attendance at meetings held while he or she was a member during the Year.

| Members | *Notes* | Meetings attended | Meetings eligible to attend |
|---|---|---|---|
| Mr. Mang Wing Ming Rene *(Chairman)* | | 3 | 3 |
| Ms. Ngai Lai Ha | | 3 | 3 |
| Mr. Yee Boon Yip | | 3 | 3 |
| Mr. Lau Chun Wah Davy | 1 | 3 | 3 |
| Mr. Yeung Yiu Keung | 2 | 0 | 0 |
| Mr. Neo Sei Lin Christopher | 3 | 0 | 0 |

*Notes:*

1. Appointed as a member of the Committee on 1 May 2018.

2. Appointed as a member of the Committee on 21 December 2018.

3. Resigned as a member of the Committee on 1 May 2018.

Particulars of the Director's emoluments disclosed pursuant to Appendix 16 of the Listing Rules are set out in note 35(a) to the consolidated financial statement. The remuneration of the members of the senior management by band is set out below:

| | Number of individuals 2019 |
|---|---|
| Emolument bands | |
| HK$ Nil to HK$2,500,000 | 8 |
| Total | 8 |

**3) Nomination Committee**

The Company has established a Nomination Committee with the following of its primary duties:

(1) formulate nomination policy for consideration by the Board and implement the nomination policy approved by the Board;

(2) without prejudice to the generality of the foregoing:

i. consider the selection criteria of directors, develop procedures for the sourcing and selection of candidates to stand for election by shareholders of the Company;

ii. identify suitably qualified candidates to become Board members, select or make recommendations to the Board on the selection of individuals nominated for directorships or to fill casual vacancies of directors for the Board's approval;

iii. review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

iv. assess the independence of independent non-executive directors;

v. make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman of the Board and the chief executive;

vi. review the Board Diversity Policy, as appropriate; and review the measureable objectives for implementing diversity on the Board and recommend them to the Board for adoption; and report on the Board's composition under diversified perspectives in the corporate governance report of the Company annually;

vii. do any such things to enable the Nomination Committee to discharge its powers and functions conferred on it by the Board; and

viii. conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the articles of association of the Company (as amended from time to time) or imposed by law or in accordance with the Listing Rules.

The Company recognises and embraces the benefits of having diversity in the composition of the Board. A diverse Board will bring different ideas and perspectives to its decision-making and formulation of policies for the Company. All Board appointments will be based on meritocracy, and candidates will be considered against the selection criteria, having regard for the benefits of diversity on the Board.

**Nomination Procedures**

i. The Committee shall call a meeting of the Committee, and invite nominations of candidates from Board members if any, for consideration by the Committee prior to its meeting. The Committee may also put forward candidates who are not nominated by Board members.

ii. For filling a casual vacancy or appointing an additional director to the Board, the Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election or re-election at a general meeting, the Committee shall make nominations to the Board for its consideration and recommendation.

iii. Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election or re-election at the general meeting.

iv. In order to provide information of the candidates appointed by the Board or nominated by the Board to stand for election or re-election at a general meeting, an announcement will be published or a circular will be sent to shareholders. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the announcement or circular to shareholders.

v. A shareholder of the Company can propose a resolution to elect a person as a Director. Detailed procedures are set out in the section headed "Procedures for Shareholders to Propose a Person for Election as a Director" of this annual report.

vi. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election or re-election at any general meeting.

Selection of candidates to the Board will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service. The ultimate decision will be based on merit and the contribution that the selected candidates will bring to the Board, taking into account the business model and specific needs of the Group. The committee has, from time to time, reviewed and monitored the implementation of the policy to ensure its effectiveness. It will at appropriate time set measurable objectives for achieving diversity on the Board.

For the year ended 30 April 2019, the Nomination Committee held two meetings. The work performed by the Nomination Committee included but not limited to review of the existing structure, size and composition of the Board and making of recommendation to the Board on appointment of new Director.

The table below shows each Director's attendance at meetings held while he or she was a member during the Year.

| Members | *Notes* | Meetings attended | Meetings eligible to attend |
|---|---|---|---|
| Ms. Ngai Lai Ha *(Chairman)* | | 2 | 2 |
| Mr. Mang Wing Ming Rene | | 2 | 2 |
| Mr. Yee Boon Yip | | 2 | 2 |
| Mr. Lau Chun Wah Davy | 1 | 2 | 2 |
| Mr. Yeung Yiu Keung | 2 | 0 | 0 |
| Mr. Neo Sei Lin Christopher | 3 | 0 | 0 |

*Notes:*

1. Appointed as a member of the Committee on 1 May 2018.
2. Appointed as a member of the Committee on 21 December 2018.
3. Resigned as a member of the Committee on 1 May 2018.

### Dividend Policy

Under the Companies Law of Cayman Islands and the memorandum and articles of association of the Company, dividends may be paid out of the profits of the Company, or subject to solvency of the Company, out of sums standing to the credit of the share premium account of the Company. However, no dividend shall exceed the amount recommended by Directors.

Declaration and recommendation of payment of dividends of the Company is subject to the approval of the Directors, depending on results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which the Directors may consider relevant from time to time. Any future declaration, recommendation and payment of dividends of the Company may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of the Directors. The Company does not have any predetermined dividend payout ratio.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors acknowledged their responsibility for preparing the financial statements of each financial period, which give a true and fair view of the state of affairs of the Group as at the end of the financial period and of the result and cash flows of the Group for the Year. In the Company's interim and annual reports which are issued within the time limits stipulated by the Listing Rules, the Board presents a balanced, clear and comprehensive assessment of the Company's performance, position and prospects. The published financial statements adopt, and consistently apply, suitable accounting policies complying with Hong Kong Financial Reporting Standards.

The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the external auditors of the Company acknowledging their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" contained in this annual report.

The report from the auditor of the Company regarding their responsibilities and opinion on the financial statements of the Group for the year ended 30 April 2019 is set out in the "Independent Auditor's Report" to this annual report. The Board has taken steps to ensure the continued objectivity and independence of the external auditor. For the year ended 30 April 2019, the remunerations to external auditors of the Company were approximately HK$2,305,000 and HK$459,000 in respect of audit and non-audit services provided to the Group respectively. Non-audit services primarily comprise review service provided to the Group.

## DEED OF NON-COMPETITION

Each of Mr. Lau Pak Fai Peter, Ms. Ngai Lai Ha and Hiluleka Limited, the controlling shareholder, has entered into a deed of non-competition dated 10 September 2013 in favour of the Company pursuant to which each of them severally, irrevocably and unconditionally has agreed and undertaken to the Company that each of them shall not and shall procure that none of his/her/its associates (other than the members of the Group), except through his/her/its/their interests in the Company, shall directly or indirectly, carry on, participate in, engage, acquire or hold any right or interest in or otherwise be interested, involved or engaged in or concerned with, any business which is in any respect in competition with or similar to or likely to be in competition, directly or indirectly, with the existing business activity of any member of the Group and any business activities undertaken by the Group from time to time within Hong Kong, Mainland China, Macau, Taiwan, Singapore, Malaysia and such other parts of the world where any member of the Group carries on business from time to time. Details of the noncompetition undertakings have been set out in the section headed "Relationship with our Controlling Shareholders" in the Company's prospectus dated 12 September 2013. The Company has received the confirmation from the controlling shareholders of the Company in respect of their compliance with the terms of the non-competition undertakings for the year ended 30 April 2019. The independent non-executive Directors had reviewed the compliance with and enforcement of the terms of the non-competition undertakings by the controlling shareholders for the year ended 30 April 2019.

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for overseeing the Group's risk management and internal control systems and reviewing their effectiveness at least annually through the Audit Committee. The Audit Committee assists the Board in fulfilling its oversight roles over the Group's financial, operational, compliance, risk management and internal controls activities, while senior management designs, implements and monitors the risk management and internal control systems, and reports to the Board and the Audit Committee on the effectiveness of these systems. Systems and internal controls can only provide reasonable but not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve the Group's business objectives.

### Risk Management

The Company has established a formal risk assessment system, including risk assessment criteria for the Group. Senior management identifies the risks that potentially impact the key business processes of their operations on an annual basis. Risks are scored based on their likelihood of occurring and the impact on business should they occur. Senior management assesses the effectiveness of existing controls and develop risk mitigating activities accordingly. Results of the annual risk assessment are reported to the Audit Committee, including the significant risks of the Group and the control activities to mitigate or transfer the identified risks.

### Internal Control

The Company has established defined levels of responsibilities and reporting procedures. Controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are identified and assessed.

The internal audit department is led by the senior internal audit manager, who reports directly to the Audit Committee. The Internal Audit Department is primarily responsible for performing independent reviews of key business operations of the Group and assisting in the continual development of internal control policies and procedures. During the year, the Company has engaged an external consultant to conduct a review of the Group's risk management and internal control systems. Results of the review were communicated to the Audit Committee. Issues identified are followed up for proper implementation and the progress will be reported to the Audit Committee periodically.

### Review of Risk Management and Internal Control Systems

The Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control system of the Group covering all material controls, including financial, operational and compliance as well as risk management. The Board expects that a review of the risk management and internal control systems will be performed annually. For the year ended 30 April 2019, the Board considers that the Group's risk management and internal control are adequate and effective. The Audit Committee has also reviewed and is satisfied with the adequacy of resources, qualifications and experience, training programmes and budget of the Group's internal audit, accounting and financial reporting functions.

### Procedures and controls over handling and dissemination of inside information

The Company has developed a monitoring system for inside information to ensure prompt identification, evaluation and submission of material information to the Board to determine whether such information constitutes as inside information and requires disclosure. The Company strictly complies with the Inside Information Provisions and disclosure requirements set out in the relevant sections of the Securities and Futures Ordinance and Listing Rules.

## COMPANY SECRETARY

The Company engages an external service provider to provide secretarial services and has appointed Ms. Koo Ching Fan as its Company Secretary. Ms. Koo is not an employee of the Group and Mr. Cheng Sing Yuk, the executive Director, is the person whom Ms. Koo can contact for the purpose of code provision F.1.1 of the CG Code. Ms. Koo undertook over 15 hours of professional training during the Year.

## SHAREHOLDERS' RIGHTS

### Procedures for Shareholders to Convene an Extraordinary General Meeting

In accordance with article 58 of the articles of association of the Company, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### Procedures for Shareholders to Propose a Person for Election as a Director

Article 85 of the articles of association of the Company provides that no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such notices are given, shall be at least 7 days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notices shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

Accordingly, if a shareholder of the Company wishes to propose a person other than a Director for election as a Director at the general meeting (the "**Proposal**"), he/she should lodge at the head office of the Company at 20th Floor, Tower B, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong (i) a written notice setting out the Proposal; and (ii) a written notice signed by the person to be proposed of his willingness to be elected.

### Shareholders' Enquiries

Enquiries by shareholders to be put to the Board can be sent in writing to the Company's principal place of business in Hong Kong at 20th Floor, Tower B, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong. For share registration related matters, such as share transfer and registration, change of name or address, loss of share certificates or dividend warrants, the Company's registered shareholders can contact the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited. If the shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the securities of the Company, they are advised to consult an expert.

### Constitutional Document

For the year ended 30 April 2019, there was no change in the memorandum and articles of association of the Company. An up-to date version of the articles of association of the Company is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the articles of association of the Company for further details of the rights of shareholders.

## INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company recognises the importance of maintaining on-going communications with its shareholders and Investor. The Company has engaged a professional public relations consultancy company to organise various investor relations programs aiming at increasing the transparency of the Company, enhancing communication with shareholders and investors, increasing their understanding of and confidence in the Group's businesses and promoting market recognition of and support to the Company.

In addition, the Company also maintains a corporate website on which comprehensive information about the Group is made available. Regular meetings are also held with institutional investors and research analysts to provide them with timely updates on the Group's latest business developments which are not inside information in nature. These activities keep the public informed of the Group's activities and foster effective communications.

## ANNUAL GENERAL MEETING

The Chairman of the Board, the then Chairman of the Audit Committee and Chairman of the Remuneration Committee attended the annual general meeting of the Company on 26 September 2018 and were available to answer questions. All Directors of the Company at that time attended the annual general meeting. The Company's external auditor attended the annual general meeting and was available to answer questions.

# Environmental, Social and Governance Report

Unless otherwise specified, this report focuses on the environmental and social impacts of the Group's operations activities in Hong Kong (the "Reporting Market"), which represent the core of all our operations, contributing approximately 88% of the Group's revenue for the Year. The Group will extend the scope of disclosures and will ultimately cover all its operations when the data collection system is better established.

To standardize environmental key performance indicators (the "KPIs") for this reporting, the Group conducts emissions assessment for the financial year beginning on 1 May 2017. This report complies with the "comply or explain" provisions set out in the "Environmental, Social and Governance Reporting Guide" under Appendix 27 of the Listing Rules.

## SUBJECT AREAS A. ENVIRONMENTAL

***Aspect A1: Emissions***

The Group does not emit a large amount of air pollutants. The Group strives to reduce greenhouse gas emissions and has implemented various measures. For details of which these efforts please see "Use of Resources" below. The Group's greenhouse gas emissions can be classified into three scopes, and relevant activities and environmental KPIs are presented in the next three paragraphs.

"Scope 1" covers direct emissions from operations of the Reporting Market. The main source of direct emission is from gasoline and diesel consumed by the external vehicle fleets to deliver the goods, that are not owned or controlled by the Group and so the retrieval of the relevant data is not feasible and currently does not meaningfully capture the information in this report. Nevertheless, the Group undertakes regular reviews of fleet operations to optimise the efficiency of its logistics network, for example, reducing the number of miles driven and hours spent, so that its business may remain economically competitive and environmentally friendly;

"Scope 2" covers energy indirect emissions resulting from the generation of purchased electricity consumed within the Reporting Market (excluding electricity consumed in some retail stores in shopping malls where its discharge is controlled by the building management so the retrieval of the relevant data is not feasible). Due to our business nature, the significant emissions of the Reporting Market are the greenhouse gas emissions, arising mainly from the use of electricity and fuels derived from fossil fuels. For the financial year ended 30 April 2019, our greenhouse gas emissions intensity resulted from our daily operations in the Reporting Market was 4.8 tonnes of carbon dioxide equivalent per 1 million sales in Hong Kong dollars (2017/18: 4.83 tonnes). Greenhouse gas emissions data is presented in carbon dioxide equivalent (in tonnes) and is computed with reference to the data published in 2018 sustainability reports of the Hong Kong Electric Company Ltd, and the China Light and Power Company Ltd; and

"Scope 3" covers business air travel by employees of the Reporting Market. To minimise exhaust gas emissions, employees are encouraged to reduce the number of overseas business trips by allowing much longer duration of stay or, if possible, to replace overseas business trips with video and telephone conferences. These measures reduce exhaust gas and greenhouse gas emissions generated from planes. At the same time, physical business trips are insignificant, and accordingly such relevant data are not produced in this report.

***Aspect A2: Use of Resources***

The Group launched the service of "orders online and self -pickup offline" by the online platforms "JHC eshop" and "Easy Buy". The stores have become a fast service station for online orders, which enhanced customers' shopping experiences and the sense of security, as well as reduced the logistics and distribution costs and energy consumption. In addition, we signed the "Charter on External Lighting" launched by the Environmental Bureau of Hong Kong, committing to switching off lighting installations for decorative, promotional or advertising purposes after 11 p.m. to avoid causing light pollution to the surrounding environment.

In additional to the above mentioned efforts, the Group has proactively adopted measures to minimise the environmental impacts of its business operation. For example:

- Air-conditioning systems are cleaned and air filters are replaced regularly in order to improve the operational efficiency; and room temperatures are maintained at energy efficient levels;

- Use of energy saving lights and LED lights in office and store lighting (when feasible);

- Complied with the product eco-responsibility ordinance in respect of plastic shopping bag charging;
- Billboard and exterior lighting at street level stores are controlled by timer; and
- Recorded the usage of paper for printing by each department to reduce the use of paper.

The following tables show the figures of resources consumption in the Reporting Market for the financial year ended 30 April 2018 and 2019:

| Resources consumption | For the financial year ended 30 April 2019 *Unit* | For the financial year ended 30 April 2018 *Unit* |
|---|---|---|
| Electricity consumption | 16,809,148 kWh | 16,639,426 kWh |
| The number of plastic shopping bags consumed in the retail stores | 1,333,396 pieces | 1,163,657 pieces |
| The amount of paper used (excluding those of paper shopping bags and packaging material) | 38.00 tonnes | 36.30 tonnes |

The operation of the Reporting Market does not involve high water consumption, while water usage of the Group is mainly arising from drinking water and for personal hygiene purposes, and so is not significant and accordingly such relevant data are not produced in this report.

***Aspect A3: The Environment and Natural Resources***

The Group has issued an internal environmental pledge for environmental sustainability, an effort of the Group in fulfilling its role as a responsible corporate citizen. For example, the Group bans shark fins and other endangered species from its corporate annual dinner menu. Furthermore, The Group also supports environmental awareness organisations such as WWF-Hong Kong, of which the Group is a silver member based on its regular donations. In addition, certain of the Group's stores serve as collection points for the "fluorescent lamp recycling programme" where customers can drop off used fluorescent lamps for safe and environmentally-friendly disposal.

All construction wastes generated by renovation and closure of retail stores were disposed in accordance with the waste disposal ordinance (Chapter 354, Laws of Hong Kong) and the relevant regulations, which minimise the impact of such waste on the environment. The Group also participates in the "office paper recycling campaign" programme organised by the Eco Association. Paper recycling bins are located throughout the office to facilitate the reusing and recycling of paper, reducing the waste paper we generate and ending up in landfills.

In view of our business nature, the Group is not aware of any significant generation of hazardous waste, and so do not currently capture this in our reporting. The Group does not have direct significant impact on the environment and natural resources beyond the use of resources and emissions issues discussed above.

## SUBJECT AREAS B. SOCIAL EMPLOYMENT AND LABOUR PRACTICES

***Aspect B1: Employment***

As key enablers in helping the Group achieve its economic, environmental and social objectives, our employees are among our most valuable assets. The Group respects every employee and strives to establish an inclusive workplace. The Group is committed to providing equal opportunities in recruitment and promotion, regardless of age, gender, race, skin color, religion, nationality, marital status, disability or sexual orientation. The Group makes every effort to ensure that there is no harassment, including sexual harassment, in the workplace.

The Group believes that hiring and retaining qualified employees is a crucial part of its success. Hence, it regularly reviews its remuneration policy to ensure it matches market standard. The Group also carries out staff evaluations to assess performance of all employees on a yearly basis. Employees are recognised and rewarded according to their individual performance, working experience, respective responsibilities, merit, qualifications, competence and time commitments. The Group observes relevant ordinances and statutory requirements, such as the Employment Ordinance, Employees' Compensation Ordinance and the Mandatory Provident Fund Schemes Ordinance of Hong Kong. The Group had not identified any material non-compliance case regarding violations of relevant laws and regulations on employment during the Year.

***Aspect B2: Health and Safety***

The Group believes that the operational efficiency of an enterprise and the maintenance of a healthy and safe working environment for all employees are closely related. The Group is committed to maintaining a healthy and safe working environment for its employees. The Group not only complies with The Occupational Safety and Health Ordinance in all relevant requirements, but also provides work safety rules for its employees to follow.

There has been no high-risk or safety-sensitive type of work identified in the Group's workplace. However, all workplace accidents are handled in accordance with the Employees' Compensation Ordinance. Work injuries are immediately reported internally to the human resources department. The Group values employees' safety and health and has included additional elements as part of the employee benefits scheme, such as complementary regular health check-ups and other medical subsidies. The Group had not identified any material non-compliance case regarding violations of relevant laws and regulations on occupational health and safety during the Year.

***Aspect B3: Development and Training***

Staff development is an important aspect of the Group's human resources strategy. The Group fosters a strong sense of community in a motivating environment for employees to enhance their loyalty and dedication. We strive to motivate our employees with a clear career path which provides them with opportunities to improve their skills. We provide mandatory training to employees upon hiring and tailored subsequent training programmes for them on an on-going basis as appropriate for their assigned duties. This training includes sales and customer service skills for retail operations employees.

***Aspect B4: Labour Standards***

The Group is fully aware that child labour and forced labour violate fundamental human rights, International Labour Conventions and Recommendations and pose a threat to sustainable social and economic development. Therefore, the Group strictly complies with relevant laws and regulations. The Group prohibites the use of child labour by reviewing the actual age of interviewees during recruitment, including examination of their identity documents and detailed records. The Group only carries out the requirements of standard labour contract and does not use any means to unfairly restrict the employment relationship between employee and the enterprise by, for example, withholding a deposit or identity documents. The Group had not identified any material non-compliance case regarding violations of relevant laws and regulations on child labour and forced labour during the Year,.

### Operating Practices

***Aspect B5: Supply Chain Management***

The Group is aware of the social and environmental risks of its supply chain. To foster long term business benefits, we maintain sound relationships with our key suppliers so as to meet business challenges and regulatory requirements. With long-standing relationships with a number of suppliers, we also share our commitment to quality and business ethics with them.

***Aspect B6: Product Responsibility***

In today's competitive market environment, the Group takes appropriate action to protect intellectual property rights, which gives the business competitive edge. A specific department is responsible for registration of the Company's self-created trademarks and patents, enabling the Group to sustain a strong brand and image, and to continue to offer high quality products in the future.

Keeping customer information safe is essential for maintaining good corporate governance and building long-term trust with the Group's customers. Thus, the Group adheres to the Personal Data (Privacy) Ordinance of Hong Kong Ordinance, ensuring that customer information we receive is only used for specific intended purposes and we require in our terms of employment strict adherence to the Group's data privacy and confidentiality policies. The Group had not identified any material non-compliance case regarding violations of relevant laws and regulations on product responsibility and data privacy during the Year.

***Aspect B7: Anti-corruption***

The Group believes integrity is fundamental to the competitiveness and sustainability of a business and also in the carry out of corporate social responsibility. The Group is committed to the highest possible standards of openness, probity and accountability. It adopts a policy of zero tolerance towards corruption. All employees must fully comply with relevant local laws and regulations as well as the Group's own corruption prevention policies. Employees are required to report receipt and subsequent disposal of gifts from any person that does business with the Group. Employees are given training and information on their expected conduct upon the identification of potential incidences of corruption or bribery in the workplace.

All employees have a responsibility to report any suspected violations to a supervisor or senior management. To demonstrate our commitment to the highest standards of openness, accountability and probity, the Group has established a written whistle-blowing policy and reporting procedures under which any suspected misconduct or malpractice of the senior management members can be directly reported to its independent non-executive Directors. The Group had not identified any material non-compliance case regarding violations of relevant laws and regulations on anti-corruption during the Year.

#### Community

***Aspect B8: Community Investment***

The Group works hard for the sustainable development of the community by assessing and managing the social impacts of its operations on the marketplace and by supporting initiatives that create effective and lasting benefits to communities where it operates. The Group responds positively to the cause with charitable programmes and volunteering services. For example, the Group has sponsored activities organised by the Care for the Elderly Association, as well as other community groups which focus on aid to the elderly or impoverished. The Group has also partnered with Oxfam, an international association combating poverty and injustice, ORBIS, a non-profit organisation dedicated to fighting preventable blindness, and Heifer International, an organisation combating world hunger, to set up donation boxes at certain of the Group's stores. Over the years, the Group has contributed to care for the community, employees and the environment. In honour of its efforts, the Hong Kong Council of Social Service awarded the "15 Years Plus Caring Company "logo to the Group in 2019. In the future, we will engage in more meaningful charitable campaigns in areas covering social welfare services and assistance to the needy in Hong Kong.

## RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group believes its stakeholders stand with it on the road to sustainability. Stable relationships and effective communication with stakeholders and balancing interests of different stakeholders are key to the Group's business success and sustainability.

## RELATIONSHIPS WITH CUSTOMERS

The Group is committed to providing the highest standard products and services to its customers. The Group has made customer satisfaction its highest priority and developed a loyalty card programme that offers a wide range of membership privileges and special offers. We have a telephone hotline which customers may call to raise complaints or concerns. We believe that our return policy, which generally allows customers to return defective products within seven days of purchase with the receipt for a product exchange or cash refund, also helps attract customers to our stores.

## COMPLIANCE WITH LAWS AND REGULATIONS

The Group fully complies with relevant laws and regulations that have significant impact on its operations, including but not limited to laws in relation to the environment, employment and occupational safety, customer data protection, listing rules compliance and tax rules applicable in the various regions where it operates. The Group is not aware of any incidence of material non-compliance during the Year and up to the date of this annual report.

# Independent Auditor's Report

羅兵咸永道

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

## Opinion

What we have audited

The consolidated financial statements of International Housewares Retail Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 49 to 109, which comprise:

- the consolidated balance sheet as at 30 April 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 April 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong*
*T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

羅兵咸永道

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| Impairment of trademark of the Singapore operation<br><br>Refer to Note 17 to the consolidated financial statements.<br><br>In 2011, the Group acquired a Singapore housewares retail business, which includes a trademark "日本之家".<br><br>Impairment indicator on the trademark of the Singapore housewares retail operation existed due to the challenging business environment in Singapore. An impairment assessment was performed by management and the recoverable amount was derived from the discounted cash flow forecast of the Singapore housewares retail operation using value in use calculation. Certain key assumption such as sales growth rates, gross profit margin, net profit margin and discount rates were used in discounted cash flow forecast. Management considered impairment on trademark is not necessary based on the impairment assessment.<br><br>We focused on this area because the impairment assessment involves significant management's judgements on the key assumptions used. | We understood, evaluated and validated management's controls over management's budgetary process and the controls over the preparation, monitoring and approval of the impairment assessment.<br><br>We obtained management's future cash flow forecasts, tested the mathematical accuracy of the underlying value-in-use calculations and agreed the input data used in the discounted cash flow forecast to the approved financial budget and evaluated the consistency with management's business plan.<br><br>We also assessed the reasonableness of key assumptions used in the calculations, comprising sales growth rates, gross profit margin, net profit margin and discount rates. When assessing these key assumptions in relation to the sales growth rates, gross profit margin and net profit margin, we discussed with management to understand management's basis for adopting the assumptions, and compared them to the recent financial performance trend of the market and the actual results of the Group's Singapore operation subsequent to the year end. We also compared the discount rate used to the weighted average cost of capital of the Group and other market participants.<br><br>We obtained and tested management's sensitivity analysis around the key assumptions, to ascertain the degree to which the key assumptions would need to change before resulting in a material impairment.<br><br>Based on the procedures performed above key assumptions adopted by management in the impairment assessment were supported by the evidence available. |

羅兵咸永道

## Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Hiu Tung.

PricewaterhouseCoopers
*Certified Public Accountants*

Hong Kong, 30 July 2019

# Consolidated Income Statement

For the Year Ended 30 April 2019

| | Note | Year ended 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| Revenue | 5 | 2,350,351 | 2,230,102 |
| Cost of sales | 8 | (1,269,697) | (1,187,063) |
| Gross profit | | 1,080,654 | 1,043,039 |
| Other income | 6 | 15,432 | 13,429 |
| Other gains/(losses) – net | 7 | 2,230 | (1,624) |
| Distribution and advertising expenses | 8 | (59,176) | (57,202) |
| Administrative and other operating expenses | 8 | (900,620) | (876,998) |
| Operating profit | | 138,520 | 120,644 |
| Finance income | 10 | 5,801 | 2,940 |
| Finance expenses | 10 | (826) | (827) |
| Finance income – net | 10 | 4,975 | 2,113 |
| Profit before income tax | | 143,495 | 122,757 |
| Income tax expense | 11 | (25,224) | (21,765) |
| Profit for the year | | 118,271 | 100,992 |
| Profit/(loss) attributable to: | | | |
| Owners of the Company | | 119,052 | 104,845 |
| Non-controlling interests | | (781) | (3,853) |
| | | 118,271 | 100,992 |
| Earnings per share attributable to the owners of the Company for the year (expressed in HK cents per share) | | | |
| Basic earnings per share | 12 | HK 16.6 cents | HK 14.6 cents |
| Diluted earnings per share | 12 | HK 16.5 cents | HK 14.6 cents |

The above consolidated income statement should be read in conjunction with the accompanying notes.

# Consolidated Statement of Comprehensive Income

For the Year Ended 30 April 2019

| | Year ended 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Profit for the year | 118,271 | 100,992 |
| Other comprehensive (loss)/income | | |
| *Items that may be reclassified to profit or loss* | | |
| Currency translation differences | (2,019) | 2,145 |
| Other comprehensive (loss)/income for the year, net of tax | (2,019) | 2,145 |
| Total comprehensive income for the year | 116,252 | 103,137 |
| Attributable to: | | |
| Owners of the Company | 117,000 | 106,664 |
| Non-controlling interests | (748) | (3,527) |
| Total comprehensive income for the year | 116,252 | 103,137 |

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

# Consolidated Balance Sheet

As at 30 April 2019

| | Note | As at 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Land use rights | 14 | **3,470** | – |
| Property, plant and equipment | 15 | **143,004** | 134,097 |
| Investment properties | 16 | **38,532** | 10,534 |
| Intangible assets | 17 | **26,558** | 27,724 |
| Deferred income tax assets | 25 | **6,466** | 7,186 |
| Non-current prepayment and deposits | 19 | **63,655** | 98,668 |
| | | **281,685** | 278,209 |
| Current assets | | | |
| Inventories | 20 | **288,303** | 275,747 |
| Trade and other receivables | 19 | **91,817** | 73,423 |
| Amounts due from shareholders | 33(d) | **–** | 726 |
| Income tax recoverable | | **–** | 1,397 |
| Bank deposits with initial terms of over three months | 21 | **392** | 392 |
| Cash and cash equivalents | 21 | **369,703** | 386,013 |
| | | **750,215** | 737,698 |
| Total assets | | **1,031,900** | 1,015,907 |
| EQUITY | | | |
| Capital and reserves attributable to the owners of the Company | | | |
| Share capital and share premium | 22 | **585,123** | 581,758 |
| Reserves | 24 | **165,298** | 146,067 |
| | | **750,421** | 727,825 |
| Non-controlling interests | | **(448)** | 300 |
| Total equity | | **749,973** | 728,125 |

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

# Consolidated Balance Sheet *(Continued)*

As at 30 April 2019

| | Note | As at 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred income tax liabilities | 25 | 1,289 | 3,016 |
| Loan due to a non-controlling shareholder of a subsidiary | 33(d) | 605 | 285 |
| Provision for reinstatement cost | 26 | 3,210 | 2,905 |
| Borrowings | 27 | 419 | 618 |
| | | 5,523 | 6,824 |
| Current liabilities | | | |
| Trade and other payables | 26 | 204,611 | 221,983 |
| Contract liabilities | 5, 26 | 7,164 | – |
| Amount due to a non-controlling shareholder of a subsidiary | 33(d) | 268 | 276 |
| Loans due to non-controlling shareholders of subsidiaries | 33(d) | 1,549 | 1,813 |
| Borrowings | 27 | 39,397 | 32,391 |
| Current income tax liabilities | | 23,415 | 24,495 |
| | | 276,404 | 280,958 |
| Total liabilities | | 281,927 | 287,782 |
| Total equity and liabilities | | 1,031,900 | 1,015,907 |

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

The financial statements on pages 56 to 109 were approved by the Board of Directors on 30 July 2019 and were signed on its behalf.

NGAI Lai Ha
*Director*

LAU Pak Fai, Peter
*Director*

# Consolidated Statement of Changes in Equity

For the year ended 30 April 2019

| | | Attributable to owners of the Company | | | | |
|---|---|---|---|---|---|---|
| | Note | Share capital and share premium (Note 22) HK$'000 | Reserves (Note 24) HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| Balance at 1 May 2018 | | 581,758 | 146,067 | 727,825 | 300 | 728,125 |
| Comprehensive income: | | | | | | |
| Profit for the year | | – | 119,052 | 119,052 | (781) | 118,271 |
| Other comprehensive (loss)/income: | | | | | | |
| Currency translation differences | | – | (2,052) | (2,052) | 33 | (2,019) |
| Total other comprehensive (loss)/income | | – | (2,052) | (2,052) | 33 | (2,019) |
| Total comprehensive income/(loss) | | – | 117,000 | 117,000 | (748) | 116,252 |
| Total contributions by and distributions to owners of the Company recognised directly in equity: | | | | | | |
| Purchase of own shares for share award scheme | 23 | – | (10,882) | (10,882) | – | (10,882) |
| Employee share option and share award scheme: | | | | | | |
| – value of services provided | 9 | – | 1,293 | 1,293 | – | 1,293 |
| – exercise of options | | 3,365 | – | 3,365 | – | 3,365 |
| Dividend paid relating to 2018 | 32 | – | (50,252) | (50,252) | – | (50,252) |
| Dividend paid relating to 2019 | 32 | – | (37,928) | (37,928) | – | (37,928) |
| Total transaction with owners, recognised directly in equity | | 3,365 | (97,769) | (94,404) | – | (94,404) |
| Balance at 30 April 2019 | | 585,123 | 165,298 | 750,421 | (448) | 749,973 |

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

# Consolidated Statement of Changes in Equity *(Continued)*

For the year ended 30 April 2019

| | | Attributable to owners of the Company | | | | |
|---|---|---|---|---|---|---|
| | Note | Share capital and share premium (Note 22) HK$'000 | Reserves (Note 24) HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| Balance at 1 May 2017 | | 581,565 | 125,960 | 707,525 | (6,637) | 700,888 |
| Comprehensive income: | | | | | | |
| Profit for the year | | – | 104,845 | 104,845 | (3,853) | 100,992 |
| Other comprehensive income: | | | | | | |
| Currency translation differences | | – | 1,819 | 1,819 | 326 | 2,145 |
| Total other comprehensive income | | – | 1,819 | 1,819 | 326 | 2,145 |
| Total comprehensive income/(loss) | | – | 106,664 | 106,664 | (3,527) | 103,137 |
| Total contributions by and distributions to owners of the Company recognised directly in equity: | | | | | | |
| Buy back of shares for cancellation | | (440) | – | (440) | – | (440) |
| Waiver of loan due to non-controlling shareholders of subsidiaries | | – | – | – | 409 | 409 |
| Change in equity interests in a subsidiary without change of control | 31 | – | (10,055) | (10,055) | 10,055 | – |
| Purchase of own shares for share award scheme | 23 | – | (1,633) | (1,633) | – | (1,633) |
| Employee share option and share award scheme: | | | | | | |
| – value of services provided | 9 | – | 2,505 | 2,505 | – | 2,505 |
| – exercise of options | | 633 | – | 633 | – | 633 |
| Dividend paid relating to 2017 | 32 | – | (40,077) | (40,077) | – | (40,077) |
| Dividend paid relating to 2018 | 32 | – | (37,297) | (37,297) | – | (37,297) |
| Total transaction with owners, recognised directly in equity | | 193 | (86,557) | (86,364) | 10,464 | (75,900) |
| Balance at 30 April 2018 | | 581,758 | 146,067 | 727,825 | 300 | 728,125 |

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

# Consolidated Statement of Cash Flows

For the year ended 30 April 2019

| | Note | Year ended 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 28(a) | 127,987 | 136,087 |
| Income tax paid | | (25,870) | (21,991) |
| Net cash generated from operating activities | | 102,117 | 114,096 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (31,253) | (52,135) |
| Prepayment for purchase of property, plant and equipment | | – | (25,135) |
| Prepayment for purchase of intangible asset | | (9,025) | – |
| Proceeds from disposal of property, plant and equipment | 28(b) | 502 | 6 |
| Proceeds from disposal of investment properties | | – | 3,920 |
| Interest received | | 5,801 | 2,940 |
| Decrease in bank deposits with initial terms of over three months | | – | (3) |
| Net cash used in investing activities | | (33,975) | (70,407) |
| **Cash flows from financing activities** | | | |
| Proceeds from exercise of share options | | 3,365 | 633 |
| Repurchase of ordinary shares for cancellation | | – | (440) |
| Purchase of own shares for share award schemes | | (10,882) | (1,633) |
| Decrease in pledged bank deposits | | – | 6,067 |
| Increase in trust receipt loans | | 7,039 | 10,421 |
| Proceeds from loans due to non-controlling shareholders | | – | 2,244 |
| Repayment to loans due to non-controlling shareholders | | – | (921) |
| Interest paid | | (743) | (759) |
| Dividend paid | | (88,180) | (77,374) |
| Payment of capital element of finance lease liabilities | | (182) | (183) |
| Decrease in amount due from shareholders | | 5,397 | – |
| Net cash used in financing activities | | (84,186) | (61,945) |
| **Net decrease in cash and cash equivalents** | | (16,044) | (18,256) |
| Cash and cash equivalents at beginning of the year | | 386,013 | 403,753 |
| Exchange differences on cash and cash equivalents | | (266) | 516 |
| **Cash and cash equivalents at end of the year** | 21 | 369,703 | 386,013 |

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

# Notes to the Consolidated Financial Statements

## 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 housewares products, licencing of franchise rights and provision of management services.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY 1-1111, 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.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 30 July 2019.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and the requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, except for investment properties which were measured at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

*(i) New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 May 2018.

| | |
|---|---|
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS4 Insurance Contracts |
| HKFRS 9 | Financial instruments |
| HKFRS 15 | Revenue from Contracts with Customers |
| Amendments to HKFRS 15 | Clarifications to HKFRS 15 |
| Amendments to HKAS 40 | Transfers of Investment Property |
| HK(IFRIC)-Int 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to Annual Improvements Project | Annual Improvements 2014-2016 Cycle |

The adoption of these amended standards did not result in substantial changes to the Group's accounting policies nor have any material impact on the consolidated financial statements.

## 2 Summary of significant accounting policies *(Continued)*

### 2.1 Basis of preparation *(Continued)*

*(ii) New and amended standards and interpretations not yet adopted*

The following new and amended standards that are not effective for periods commencing on or after 1 May 2018 and have not been early adopted by the Group:

| | | Effective for annual periods beginning on or after |
|---|---|---|
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation | 1 January 2019 |
| HKFRS 16 | Leases | 1 January 2019 |
| HKFRS 17 | Insurance Contracts | 1 January 2021 |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement | 1 January 2019 |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures | 1 January 2019 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments | 1 January 2019 |
| Amendments to Annual Improvements Project | Annual Improvements 2015-2017 Cycle | 1 January 2019 |
| Conceptual Framework for Financial Reporting 2018 | Revised Conceptual Framework for Financial Reporting | 1 January 2020 |

The Group is currently assessing the impact of the adoption of the above new standards, amendments to standards and interpretations that have been issued but are not effective for annual periods beginning on 1 May 2018.

*HKFRS 16, 'Leases'*

HKFRS 16 will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

HKFRS 16 provides new provisions for the accounting treatment of leases and will no longer allow lessees to recognise certain leases outside the consolidated balance sheet in the future. Instead, when the Group is the lessee, almost all leases must be recognised in the form of an asset (for the right-of-use) and a financial liability (for the payment obligation). The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheet to the Group upon initial adoption. As for the financial impact in the consolidated income statement, rental expenses will be replaced with straight-line depreciation expense on the right-of-use asset and interest expenses on the lease liability. The combination of the straightline depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the consolidated income statement in the initial years of the lease, and a lower total charge during the latter part of the lease term.

The accounting for lessors will not significantly change.

As at reporting date, the Group has non-cancellable operating lease commitments of HK$595,947,000.

The new standard is mandatory for the Group for financial years commencing on or after 1 May 2019. The Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

## 2 Summary of significant accounting policies *(Continued)*

### 2.2 Changes in accounting policies

*(a) HKFRS 9, 'Financial instruments'*

*Classification and measurement*
On 1 May 2018 (the date of initial adoption of the new HKFRSs), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate categories of the new HKFRSs.

*Trade receivables*
The Group applies the new HKFRSs simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Trade receivables from customers are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

The Group has assessed the expected credit loss model applied to the trade receivables as at 1 May 2018 and the change in impairment methodologies has no significant impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

*Other financial assets at amortised cost*
Other financial assets at amortised cost include other receivables. The Group has assessed the expected credit loss model apply to the other receivables as at 1 May 2018 and the change in impairment methodologies has no significant impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

*(b) HKFRS 15, 'Revenue from contracts with customers'*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11 Construction contracts, which specified the accounting for construction contracts.

The adoption of HKFRS 15 have resulted in changes in accounting policies and presentation of contract liabilities. In accordance with the transition provision in HKFRS 15, the Group elected to use a modified retrospective approach which allows the Group to recognise the accumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings as at 1 May 2018. Thus, the comparative figures has not been restated.

The impacts of the adoption of HKFRS 15 are as follows:

Presentation of contract liabilities
The receipts in advance and cash coupons and provision for customer loyalty programs of HK$8,360,000 as at 1 May 2018 was reclassified to contract liabilities.

Timing of revenue recognition
The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sale of goods.

## 2 Summary of significant accounting policies *(Continued)*

### 2.3 Subsidiaries

*2.3.1 Consolidation*

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Except for the Reorganisation, subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

*(a) Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

## 2 Summary of significant accounting policies *(Continued)*

### 2.3 Subsidiaries *(Continued)*

*2.3.1 Consolidation (Continued)*

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

*2.3.2 Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### 2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

### 2.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars (HK$), which is the Company's functional and the Group's presentational currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

## 2 Summary of significant accounting policies *(Continued)*

### 2.6 Property, plant and equipment

Land and buildings comprise of properties for the Group's own use. Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of replaced part is derecognised. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

Depreciation of leasehold improvements is calculated to write off their cost less accumulated impairment losses over the unexpired periods of the leases or their expected useful lives of 5 years to the Group, whichever is shorter.

Depreciation of land and buildings is calculated using the straight-line method to allocate its costs to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| – Land portion | Remaining lease term of the land |
| – Building portion | 25 years |

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| Furniture, fixtures and equipment | 5 years |
| Computer equipment | 5 years |
| Motor vehicles | $3\ ^{1}/_{3}$ years |
| Moulds | 5 years |
| Machinery and equipment | 5 years |

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the consolidated income statement.

### 2.7 Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of 'other gains/(losses) – net'.

## 2 Summary of significant accounting policies *(Continued)*

### 2.8 Intangible assets

*(i) Goodwill*

Goodwill arises on the acquisition of subsidiaries/businesses represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

*(ii) Trademark*

Separately acquired trademark is shown at historical cost. Trademark acquired in a business combination is recognised at fair value at the acquisition date. Trademark has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademark over their estimated useful life of 40 years.

### 2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, comprising purchases and other incidental costs, are determined using the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 2.11 Investments and other financial assets

*2.11.1 Classification*

From 1 May 2018, the Group classifies its financial assets and liabilities to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and liabilities and the contractual terms of the cash flows. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

*2.11.2 Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

## 2 Summary of significant accounting policies *(Continued)*

### 2.11 Investments and other financial assets *(Continued)*

*2.11.3 Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

*2.11.4 Impairment*

From 1 May 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 19 for further details.

*2.11.5 Accounting policies applied until 30 April 2018*

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

*Classification*
Until 30 April 2018, the Group classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', and 'cash and cash equivalents' in the consolidated balance sheet.

*Recognition and measurement*
Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

*Impairment*
(a) Assets carried at amortised cost
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## 2 Summary of significant accounting policies *(Continued)*

### 2.11 Investments and other financial assets *(Continued)*

*2.11.5 Accounting policies applied until 30 April 2018 (Continued)*

*Impairment (Continued)*

(a) Assets carried at amortised cost *(Continued)*

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

### 2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### 2.13 Trade and other receivables

Trade receivables are amounts due from franchisees and customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 19 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

### 2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

### 2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## 2 Summary of significant accounting policies *(Continued)*

### 2.17 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

### 2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

*(a) Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

*(b) Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## 2 Summary of significant accounting policies *(Continued)*

### 2.19 Employee benefits

*(a) Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

*(b) Bonus plans*

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

*(c) Pension obligations*

The Group has established a mandatory provident fund scheme ("MPF Scheme") in Hong Kong. The assets of the MPF Scheme are held in separate trustee-administered funds. Both the Group and the employees are required to contribute based on a fixed percentage of the employee's relevant income up to a maximum of HK$1,500 per employee per month.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

*(d) Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring plan that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

### 2.20 Share-based payments

*(a) Equity-settled share-based payment transactions*

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price), if any;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

## 2 Summary of significant accounting policies *(Continued)*

### 2.20 Share-based payments *(Continued)*

*(a) Equity-settled share-based payment transactions (Continued)*

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

*(b) Share-based payment transactions among group entities*

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

### 2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

### 2.22 Revenue recognition

*(i) Sale of goods – wholesale*

Wholesales sales of goods are recognised when control of the products has transferred, being when the Group has delivered products to the wholesaler, collectability of the related receivables is reasonably assured, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped.

*(ii) Sale of goods – retail*

Retail sales of goods are recognised when the Group sells a product to the customer. Retail sales are usually in cash or by credit card.

*(iii) Sale of goods – customer loyalty programme*

The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discount on future purchases. Revenue from the award points is recognised when the points are redeemed or when they expire.

Contract liabilities are recognised until the points are redeemed or expire.

## 2 Summary of significant accounting policies *(Continued)*

### 2.22 Revenue recognition *(Continued)*

*(iv) Licencing fees*

Licencing fees are recognised when the performance obligations under the relevant agreements have been accomplished.

*(v) Consignment sales commission*

Consignment sales commission is recognised in the accounting period in which the relevant services are rendered.

### 2.23 Leases (as the lessee)

*(i) Operating lease*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The Group leases certain leasehold land which is classified as operating leases. The minimum lease payments are allocated to the leasehold land based on their relative fair values.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Land use rights under operating lease, which comprised self-use buildings, are stated at cost and subsequently amortised in the consolidated income statement on a straight-line basis over the operating lease periods, less accumulated impairment provision.

*(ii) Finance lease*

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the financial balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is expensed in the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

### 2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

### 2.25 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements, if any. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

## 2 Summary of significant accounting policies *(Continued)*

### 2.26 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. Such financial guarantees are given by certain subsidiaries to banks on behalf of fellow subsidiaries to secure loans, overdrafts and other banking facilities. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 'Financial Instruments' and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 'Revenue from Contracts with Customers'.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to banking facilities among subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment of the Group, unless the amount is immaterial.

### 2.27 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated income statement.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see note 10 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

## 3 Financial risk management

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

*(a) Market risk*

*(i) Foreign currency risk*

The Group mainly operates in Hong Kong and Singapore and is exposed to foreign currency exchange fluctuations from exposures arising in the normal course of its business, primarily with respect to United States dollars, Renminbi and Japanese Yen. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Management has a policy to require group companies to manage their foreign exchange risks against their respective functional currencies. It mainly includes managing the exposures arisen from sales and purchases made by relevant group companies in currencies other than their own functional currencies. The Group also manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure. The Group has not used any hedging arrangement to hedge its foreign risk exposure.

## 3 Financial risk management *(Continued)*

### 3.1 Financial risk factors *(Continued)*

*(a) Market risk (Continued)*

*(i) Foreign currency risk (Continued)*

Since Hong Kong dollar is pegged to United States dollars, management considers that there is no significant foreign currency risk between these two currencies to the Group.

At 30 April 2019, if Hong Kong dollar had weakened/strengthened by 5% against Renminbi and Japanese Yen with all other variables held constant, post-tax profit for the year would have been HK$425,000 (2018: HK$10,000) lower/higher and HK$233,000 (2018: HK$293,000) lower/higher respectively, mainly as a result of foreign exchange losses/gains on translation of Renminbi-denominated and Japanese Yen-denominated cash and cash equivalents, trade and other receivable, trade and other payables and trust receipt loans.

The remaining assets and liabilities of each company within the Group are mainly denominated in the respective functional currencies. The directors are of the opinion that the volatility of the Group's profits against changes in exchange rates of foreign currencies would not be significant. Accordingly, no sensitivity analysis is performed.

*(ii) Cash flow and fair value interest rate risk*

Other than the bank balances and borrowings which carry interest at prevailing market interest rates, the Group has no other significant interest-bearing assets or liabilities. Therefore, the interest rate risk mainly arises from interest-bearing bank deposits and borrowings.

However, the interest income and expenses derived therefrom are relatively insignificant to the Group's operations. Therefore, the Group's income and operating cash flows are substantially independent of changes in market interest rates. Accordingly, the directors are of the opinion that the Group does not have significant cash flow and fair value interest rate risk and no sensitivity analysis is performed.

*(b) Credit risk*

Credit risk includes risks resulting from counter party default and risks of concentration. The Group has no significant credit risk as the retail sales are made in cash or by credit cards. In respect of trade receivables, the credit risk is considered to be low as most sales are made to franchisees and customers with long business relationships and with no history of default. In the opinion of the directors, the default risk is considered to be low.

The Group has concentration of credit risk as receivables from several wholesales customers represented all of the Group's trade receivables at the balance sheet date. However, the Group has policies in place for the control and monitoring of relevant credit risks. These credit evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The directors are of the opinion that the Group does not have significant credit risks because the Group mainly trades with customers who have established trading history with the Group. The exposure to credit risk is closely monitored on an ongoing basis.

The credit risks on rental deposits are considered to be low as they can be recovered by offsetting against the rental payments.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

## 3 Financial risk management *(Continued)*

### 3.1 Financial risk factors *(Continued)*

#### (b) *Credit risk (Continued)*

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables, and
- other financial assets at amortised costs.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, no impairment loss was identified.

*Trade receivables*

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The Group maintains frequent communications with the counterparties and monitors closely the credit qualities and the collectability of these receivables. The Group reviews the recoverable amount of each individual trade receivables to ensure that adequate impairment loss is made for irrecoverable amounts.

Based on assessment by the management, majority of the trade receivables were settled shortly when they are due, hence, the Group considers the expected credit loss is immaterial.

For trade receivables relating to accounts in which there are objective evidence that the debtor faces significant financial difficulties or enter liquidation, they are assessed individually for impairment allowance. Accordingly, specific loss allowance of HK$2,463,000 was made as at 30 April 2019.

*Other financial assets at amortised costs*

For other financial assets at amortised costs, the Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

Management makes periodic collective assessments as well as individual assessment on the recoverability of the balances based on historical settlement records, past experience and forward-looking information.

To assess whether there is a significant increase in credit risk, the Group compares the risk of default as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtors' ability to meet its obligations
- actual or expected significant changes in the operating results of debtors
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the expected performance and behaviour of debtors, including changes in the payment status of the debtor in the Group and changes in the operating results of the debtor

Other financial assets at amortised cost have low risk of default and it is not expected that any losses from non-performance by the counterparties would arise. As at 30 April 2019, the Group assessed that there is no significant increase in credit risk for these balances from initial recognition and the expected credit loss rate for these financial assets is immaterial under the 12 months expected credit losses model.

The impact of the loss allowance for other financial assets at amortised costs on transition to HKFRS 9 as a result of applying the expected credit risk model was immaterial.

## 3 Financial risk management *(Continued)*

### 3.1 Financial risk factors *(Continued)*

*(c) Liquidity Risk*

Prudent liquidity risk management implies maintaining sufficient cash and bank balances. The Group's liquidity risk is further mitigated through the availability of financing through its own cash resources and the availability of banking facilities to meet its financial commitments. In the opinion of the directors, the Group does not have any significant liquidity risk.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | On demand HK$'000 | Less than 1 year HK$'000 | Over 1 year HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 30 April 2019 | | | | |
| Trust receipt loans subject to a repayment on demand clause | 39,215 | – | – | 39,215 |
| Trade and other payable | – | 197,179 | – | 197,179 |
| Finance lease liabilities | – | 215 | 498 | 713 |
| Loans due to non-controlling shareholders of subsidiaries | – | 1,560 | 630 | 2,190 |
| Amount due to a non-controlling shareholder of a subsidiary | 268 | – | – | 268 |
| | 39,483 | 198,954 | 1,128 | 239,565 |
| At 30 April 2018 | | | | |
| Trust receipt loans subject to a repayment on demand clause | 32,205 | – | – | 32,205 |
| Trade and other payable | – | 206,470 | – | 206,470 |
| Finance lease liabilities | – | 221 | 732 | 953 |
| Loans due to non-controlling shareholders of subsidiaries | – | 1,813 | 350 | 2,163 |
| Amount due to a non-controlling shareholder of a subsidiary | 276 | – | – | 276 |
| | 32,481 | 208,504 | 1,082 | 242,067 |

### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings and loans from non-controlling shareholders divided by total equity.

## 3 Financial risk management *(Continued)*

### 3.2 Capital risk management *(Continued)*

The gearing ratios at 30 April 2019 and 2018 were as follows:

| | As at 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Total borrowings and loans from non-controlling shareholders | 41,970 | 35,107 |
| Total equity | 749,973 | 728,125 |
| Gearing ratio | 5.6% | 4.8% |

### 3.3 Fair value estimation

The carrying amounts of the Group's financial assets including trade and other receivables, amounts due from shareholders, bank deposits with initial terms of over three months and cash and cash equivalents; and financial liabilities including trade and other payables, amount due to a non-controlling shareholder of a subsidiary, loans due to non-controlling shareholders of subsidiaries and borrowings approximate their fair values due to their short maturities. The fair values of investment properties that are not traded in an active market are determined by using valuation techniques.

The disclosure of the investment properties that are measured at fair value is set out in Note 16.

The method by which the fair values of investment properties are established are categorised as follows:

(i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices).

(iii) Level 3: inputs for the asset or liability that are not based on observable market data.

## 4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting estimate will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### (a) Estimated impairment of goodwill, property, plant and equipment and trademarks

The Group test annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of cash-generating units are determined based on value-in-use calculations or fair value less costs to sell calculations. These calculations require the use of estimates.

The Group tests where the property, plant and equipment and trademarks have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the accounting policy stated in Note 2.8. The recoverable amount of property, plant and equipment and trademarks has been determined as the higher of its value in use and its fair value less costs to sell.

The recoverable amount of the trademark is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management. Key assumptions used in the financial budgets include gross profit margin, net profit margin, sales growth rate and discount rate. As a result of the impairment assessment, no impairment charge was necessary in respect of the trademark as the recoverable amount calculated based on value-in-use exceeds its carrying value.

If the sales growth rate is reduced by 0.5%, the recoverable amount of the trademark based on the value-in-use calculation will remain higher than the carrying amount of the trademark.

## 4 Critical accounting estimates and judgements *(Continued)*

### (b) Useful lives of property, plant and equipment and trademarks

The Group makes estimates and assumptions over the useful lives of property, plant and equipment and trademarks. At each balance sheet date, both internal and external sources of information are considered to assess whether the estimate useful lives of property, plant and equipment and trademarks is appropriate and relevant. If there has been a significant change in the expected pattern of economic benefits for these property, plant and equipment and trademarks, the depreciation/amortisation method should be changed to reflect the changed pattern and such change should be accounted for as a change in accounting estimate and the depreciation/amortisation charge for the current and future periods should be adjusted.

### (c) Fair value of investment properties

Fair value of investment properties are determined by an independent professional valuer by using the direct comparison approach, assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. Judgment is required to determine the principal valuation assumptions to determine the fair value of the investment properties. The higher the average recent market price of similar properties, the higher the fair value of the investment properties held by the Group. Details of the judgment and assumptions have been disclosed in Notes 15.

### (d) Write-downs of inventories

Inventories are written down to net realisable value based on an assessment of their realisability. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the period in which such estimate is changed.

### (e) Income tax

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of the potential tax liability due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

### (f) Deferred income tax

Deferred income tax asset in relation to the Group's decelerated tax depreciation has been recognised in the consolidated balance sheet. The realisability of the deferred income tax asset mainly depends on whether sufficient profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred income tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a reversal takes place.

### (g) Share-based payment

The Group is required to expense its employees' share-based compensation awards in accordance with HKFRS 2 "Share-based payment". The Group measures share-based compensation cost based on the fair value on the grant date of each award. This cost is recognised over the period during which an employee is required to provide service in exchange for the award or the requisite service period, usually the vesting period, and is adjusted for actual forfeitures that occur before vesting. In order to assess the fair value of share-based compensation, the Group is required to use certain assumptions, including the probability of reaching the market performance, if any, and financial results targets, the forfeitures and the service period of each employee. The use of different assumptions and estimates could produce materially different estimated fair values for the share-based compensation awards and related expenses.

## 5 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 has 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 year ended 30 April 2019 is as follows:

| | Retail | | | | |
|---|---|---|---|---|---|
| | Hong Kong and Macau HK$'000 | Singapore HK$'000 | Wholesales HK$'000 | Licencing and others HK$'000 | Total HK$'000 |
| Segment revenue (all from external customers) | 2,100,425 | 237,715 | 12,051 | 160 | 2,350,351 |
| Cost of sales | (1,127,163) | (132,816) | (9,718) | – | (1,269,697) |
| Segment results | 973,262 | 104,899 | 2,333 | 160 | 1,080,654 |
| Gross profit %** | 46.34% | 44.13% | 19.36% | – | 45.98% |
| Other income | | | | | 15,432 |
| Other gains – net | | | | | 2,230 |
| Distribution and advertising expenses | | | | | (59,176) |
| Administrative and other operating expenses | | | | | (900,620) |
| Operating profit | | | | | 138,520 |
| Finance income | | | | | 5,801 |
| Finance expenses | | | | | (826) |
| Profit before income tax | | | | | 143,495 |
| Income tax expense | | | | | (25,224) |
| Profit for the year | | | | | 118,271 |

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

## 5 Segment information *(Continued)*

The segment information provided to the executive directors for the reportable segments for the year ended 30 April 2018 is as follows:

| | Retail Hong Kong and Macau HK$'000 | Singapore HK$'000 | Wholesales HK$'000 | Licencing and others HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Segment revenue (all from external customers) | 1,964,708 | 248,841 | 16,378 | 175 | 2,230,102 |
| Cost of sales | (1,032,358) | (140,885) | (13,820) | – | (1,187,063) |
| Segment results | 932,350 | 107,956 | 2,558 | 175 | 1,043,039 |
| Gross profit %** | 47.45% | 43.38% | 15.62% | – | 46.77% |
| Other income | | | | | 13,429 |
| Other losses – net | | | | | (1,624) |
| Distribution and advertising expenses | | | | | (57,202) |
| Administrative and other operating expenses | | | | | (876,998) |
| Operating profit | | | | | 120,644 |
| Finance income | | | | | 2,940 |
| Finance expenses | | | | | (827) |
| Profit before income tax | | | | | 122,757 |
| Income tax expense | | | | | (21,765) |
| Profit for the year | | | | | 100,992 |

** 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 year ended 30 April 2019 and 2018. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Revenues include sales of goods of HK$2,343,026,000 (2018: HK$2,214,318,000), revenue arising from customer loyalty programme of HK$5,484,000 (2018: HK$4,810,000) and consignment sales commission of HK$1,841,000 (2018: HK$10,974,000).

The revenue from the Group's largest customer accounted for less than 10% of the Group's total revenue for each of the years ended 30 April 2019 and 2018.

All of the Group's revenues are recognised at a point in time for the year ended 30 April 2019 and 2018.

Contract liabilities represents advanced payments received from customers for goods that have not been transferred to the customers and cash coupons and provision for customer loyalty programs. The contract liabilities as at 1 May 2018 amounted to HK$8,360,000. During the year ended 30 April 2019, all brought-forward contract liabilities at the beginning of the financial year were fully recognised as revenue.

## 5 Segment information *(Continued)*

The following tables present segment assets and liabilities as at 30 April 2019 and 30 April 2018 respectively.

| | As at 30 April 2019 | | | | |
|---|---|---|---|---|---|
| | Retail | | | | |
| | Hong Kong and Macau HK$'000 | Singapore HK$'000 | Wholesales HK$'000 | Licencing and others HK$'000 | Total HK$'000 |
| Segment assets | 531,235 | 73,496 | 3,047 | 4 | 607,782 |
| Segment liabilities | 223,055 | 25,695 | 5,705 | 346 | 254,801 |

| | As at 30 April 2018 | | | | |
|---|---|---|---|---|---|
| | Retail | | | | |
| | Hong Kong and Macau HK$'000 | Singapore HK$'000 | Wholesales HK$'000 | Licencing and others HK$'000 | Total HK$'000 |
| Segment assets | 482,503 | 84,440 | 5,186 | 4 | 572,133 |
| Segment liabilities | 226,528 | 26,223 | 4,800 | 346 | 257,897 |

Segment assets include intangible assets, land use rights, property, plant and equipment, trade and other receivables and inventories. Segment liabilities include provision for reinstatement cost, borrowings, trade and other payables and contract liabilities.

The following tables present segment assets and liabilities as at 30 April 2019 and 30 April 2018 respectively.

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

| | As at 30 April 2019 HK$'000 | 30 April 2018 HK$'000 |
|---|---|---|
| Segment assets | 607,782 | 572,133 |
| Investment properties | 38,532 | 10,534 |
| Prepayment for purchase of property, plant and equipment | – | 37,526 |
| Prepayment for purchase of intangible asset | 9,025 | – |
| Deferred income tax assets | 6,466 | 7,186 |
| Amounts due from shareholders | – | 726 |
| Income tax recoverable | – | 1,397 |
| Bank deposits with initial terms of over three months | 392 | 392 |
| Cash and cash equivalents | 369,703 | 386,013 |
| Total assets | 1,031,900 | 1,015,907 |

## 5 Segment information *(Continued)*

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

| | As at 30 April 2019 HK$'000 | 30 April 2018 HK$'000 |
|---|---|---|
| Segment liabilities | 254,801 | 257,897 |
| Deferred income tax liabilities | 1,289 | 3,016 |
| Loan due to a non-controlling shareholder of a subsidiary | 605 | 285 |
| Amount due to a non-controlling shareholder of a subsidiary | 268 | 276 |
| Loans due to non-controlling shareholders of subsidiaries | 1,549 | 1,813 |
| Current income tax liabilities | 23,415 | 24,495 |
| Total liabilities | 281,927 | 287,782 |

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

| | Year ended 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Hong Kong | 2,071,443 | 1,941,285 |
| Singapore | 237,715 | 248,841 |
| Macau | 41,193 | 39,976 |
| | 2,350,351 | 2,230,102 |

The total of non-current assets, other than intangible assets and deferred income tax assets of the Group as at 30 April 2019 and 2018 are as follows:

| | Year ended 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Hong Kong | 184,275 | 174,723 |
| Mainland China | 49,296 | 48,060 |
| Singapore | 13,974 | 18,932 |
| Macau | 1,116 | 1,584 |
| | 248,661 | 243,299 |

These assets are allocated based on the operations of the segment and the physical location of the assets.

## 6 Other income

| | Year ended 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Advertising and promotion income | 8,892 | 10,034 |
| Sub-leasing rental income | 899 | 1,542 |
| Tax indemnity from shareholders | 4,671 | 261 |
| Sundry income | 970 | 1,592 |
| | 15,432 | 13,429 |

## 7 Other gains/(losses) – net

| | Year ended 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Fair value gain on investment property (Note 16) | 2,469 | 356 |
| Loss on disposal of property, plant and equipment, net (Note 28(b)) | (239) | (1,980) |
| | 2,230 | (1,624) |

## 8 Expenses by nature

| | Year ended 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Auditors' remuneration | | |
| – Audit services | 2,305 | 2,104 |
| – Non-audit services | 459 | 1,818 |
| Air conditioning expenses | 15,553 | 14,504 |
| Advertising and promotion expenses | 13,261 | 16,498 |
| Amortisation of trademark (Note 17) | 629 | 633 |
| Amortisation of land use rights (Note 14) | 34 | – |
| Building management fees | 37,645 | 35,278 |
| Cost of inventories sold | 1,269,697 | 1,187,063 |
| Delivery charges | 44,076 | 38,636 |
| Depreciation expense (Note 15) | | |
| – owned property, plant and equipment | 28,778 | 29,336 |
| Employee benefit expenses (including directors' emoluments) (Note 9) | 338,563 | 327,708 |
| Government rates | 12,120 | 12,901 |
| Legal and professional fee | 2,355 | 2,470 |
| Operating lease rental | 385,908 | 379,685 |
| Repair and maintenance | 11,445 | 14,433 |
| Utility expenses | 24,783 | 24,631 |
| Net exchange gains | (4,136) | (4,590) |
| Others | 46,018 | 38,155 |
| Total cost of sales, distribution and advertising expenses, and administrative and other operating expenses | 2,229,493 | 2,121,263 |

## 9 Employee benefit expenses

| | Year ended 30 April | |
|---|---|---|
| | 2019 | 2018 |
| | HK$'000 | HK$'000 |
| Salaries and bonuses | 317,360 | 305,836 |
| Pension costs – defined contribution plans | 15,511 | 15,201 |
| Other employee benefits | 4,399 | 4,166 |
| Share-based compensation | 1,293 | 2,505 |
| | 338,563 | 327,708 |

**(a) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year include three (2018: three) directors whose emoluments are reflected in the analysis presented in Note 35. The emoluments payable to the remaining two (2018: two) individuals during the year are as follows:

| | Year ended 30 April | |
|---|---|---|
| | 2019 | 2018 |
| | HK$'000 | HK$'000 |
| Salaries and bonuses | 3,398 | 2,841 |
| Pension cost – defined contribution plans | 36 | 36 |
| | 3,434 | 2,877 |

The emoluments fell within the following bands:

| | Number of individuals | |
|---|---|---|
| | Year ended 30 April | |
| | 2019 | 2018 |
| Emolument bands | | |
| HK$1,000,001 – HK$1,500,000 | 1 | 1 |
| HK$1,500,001 – HK$2,000,000 | – | 1 |
| HK$2,000,001 – HK$2,500,000 | 1 | – |
| | 2 | 2 |

(b) During the year ended 30 April 2019, no emoluments were paid by the Company to any of directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil).

## 10 Finance income and expenses

| | Year ended 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Finance income: | | |
| Interest income on short-term bank deposits | 5,801 | 2,940 |
| Finance expenses: | | |
| – trust receipt loans and bank overdrafts | (710) | (726) |
| – loans due to non-controlling shareholders of subsidiaries | (83) | (68) |
| – finance lease | (33) | (33) |
| | (826) | (827) |
| Finance income – net | 4,975 | 2,113 |

## 11 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

| | Year ended 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Current income tax | | |
| – Hong Kong profits tax | 22,234 | 21,819 |
| – Overseas taxation | 620 | 342 |
| | 22,854 | 22,161 |
| Under/(over) provision in prior years | | |
| – Hong Kong profits tax | 3,525 | (57) |
| – Overseas taxation | (227) | 53 |
| | 3,298 | (4) |
| Deferred income tax (Note 25) | (928) | (392) |
| | 25,224 | 21,765 |

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

| | Year ended 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Profit before income tax | 143,495 | 122,757 |
| Tax calculated at domestic tax rates applicable to profits in the respective countries | 23,689 | 20,187 |
| Tax effects of: | | |
| – Income not subject to tax | (1,003) | (629) |
| – Expenses not deductible for tax purposes | 999 | 768 |
| – Tax losses for which no deferred income tax asset was recognised | 286 | 2,109 |
| – Utilisation of tax losses previously not recognised | – | (372) |
| – Recognition of temporary difference previously not recognised | (1,482) | – |
| – Utilisation of temporary difference previously not recognised | (221) | – |
| – Tax deduction in respect of the share based payment expenses | – | (542) |
| – Withholding tax on dividends of the overseas subsidiary | – | 47 |
| – Others | (177) | 201 |
| Over/(under) provisions in prior years | 3,298 | (4) |
| Tax concession | (165) | – |
| Income tax expense | 25,224 | 21,765 |

The weighted average applicable tax rate was 16.5% (2018: 16.4%).

## 11 Income tax expense *(Continued)*

Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department of Hong Kong ("IRD") from the year of assessment 2018/19 onwards, the Group's first HK$2 million of assessable profits under Hong Kong profits tax during the year ended 30 April 2019 is subject to tax rate of 8.25%. The Group's remaining assessable profits above HK$2 million will continue to be subject to a tax rate of 16.5%.

IRD conducted a field audit on three subsidiaries of the Group and issued additional assessments for the years of assessment 2003/04 to 2011/12 to the three subsidiaries, demanding tax totalling HK$23,945,000. These assessments were protective assessments issued before the expiry of the statutory time-barred period pending the result of the field audit. A provision of HK$2,374,000 had been made in prior years. During the year ended 30 April 2019, the Group has concluded the final amount of additional tax, penalty surcharge and interest with the IRD, thus, an additional tax and penalty charge of HK$3,968,000 and interest of HK$818,000 was settled during the year.

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 for the years of assessment before September 2013. Tax indemnity income of HK$4,671,000 has been recognised as other income during the year.

## 12 Earnings per share

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

| | Year ended 30 April | |
|---|---|---|
| | 2019<br>HK$'000 | 2018<br>HK$'000 |
| Profit attributable to owners of the Company | **119,052** | 104,845 |
| Weighted average number of ordinary shares in issue (in thousands) (Note (i)) | **716,708** | 716,704 |
| Basic earnings per share attributable to owners of the Company (HK cents per share) | **16.6** | 14.6 |

Note (i):

Weighted average number of ordinary shares in issue are adjusted by the treasury shares held for share award scheme as such shares are not available in the market.

### (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 number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

| | Year ended 30 April | |
|---|---|---|
| | 2019<br>HK$'000 | 2018<br>HK$'000 |
| Profit attributable to owners of the Company | **119,052** | 104,845 |
| Weighted average number of ordinary shares in issue (in thousands) | **716,708** | 716,704 |
| Adjustments for: | | |
| – Share options and share awards (in thousands) | **4,554** | 2,750 |
| Weighted average number of ordinary shares for diluted earnings per share (in thousands) | **721,262** | 719,454 |
| Diluted earnings per share attributable to owners of the Company (HK cents per share) | **16.5** | 14.6 |

## 13 Subsidiaries

The following is a list of the principal subsidiaries at year end:

| Name | Place of incorporation and kind of legal entity | Principal activities and place of operation | Particulars of issued/ registered share capital | As at 30 April 2019 Interest held | As at 30 April 2018 Interest held |
|---|---|---|---|---|---|
| Matusadona Investment Limited* | British Virgin Islands, limited company | Investment holding in Hong Kong | United States dollars 100 | 100% | 100% |
| Japan Home Centre (H.K.) Limited# | Hong Kong, limited company | Retail sales of housewares products in Hong Kong | HK$1,000,000 | 100% | 100% |
| JHC (International) Limited# | Hong Kong, limited company | Export of housewares products and provision of management services in Hong Kong | HK$10,000 | 100% | 100% |
| Japan Home Centre (Management) Limited# | Hong Kong, limited company | Licencing of franchise rights and provision of management services in Hong Kong | HK$10,000 | 100% | 100% |
| JHC (Plastics) Limited# | Hong Kong, limited company | Manufacturing of housewares products in Hong Kong | HK$1,375,000 | 60% | 60% |
| JHC (Mirror) Limited# | Hong Kong, limited company | Inactive | HK$866,666 | 100% | 100% |
| JHC (Taiwan) Limited# | Taiwan, limited liability company | Trading of housewares products in Taiwan | New Taiwan dollars 1,000,000 | 100% | 100% |
| Japan Home (Retail) Pte. Ltd.# | Singapore, limited liability company | Retail sales of housewares products in Singapore | Singapore dollars 7,708,333 | 60% | 60% |
| JHC Retail (M) Sdn. Bhd# | Malaysia, limited liability company | Inactive | Malaysian Ringgit 17,539,524 | 100% | 100% |
| Familj (China) Limited# | Hong Kong limited liability company | Investment holding in Hong Kong | HK$292,000 | 100% | 100% |
| JHC Advertising (H.K) Limited# | Hong Kong, limited liability company | Inactive | HK$100 | 100% | 100% |
| 泛美家貿易（深圳）有限公司# | Mainland China, limited liability company | Inactive | HK$1,000,000 | 100% | 100% |
| 易生活（南京）百貨有限公司# | Mainland China, limited liability company | Investment of properties in Nanjing, Mainland China | Renminbi 27,443,321 | 100% | 100% |
| Japan Home Centre (Macau) Single-Member Company Limited# | Macau, limited company | Retail sales of housewares products in Macau | Macau Patacas 100,000 | 100% | 100% |

## 13 Subsidiaries *(Continued)*

| Name | Place of incorporation and kind of legal entity | Principal activities and place of operation | Particulars of issued/ registered share capital | As at 30 April 2019 Interest held | 2018 Interest held |
|---|---|---|---|---|---|
| JHC Ella Limited# | Hong Kong, limited company | Retail sales of gifts and accessories products in Hong Kong | HK$14,753,333 | 77.5% | 77.5% |
| Conpark International Investment Limited# | Hong Kong, limited company | Investment of properties in Hong Kong | HK$100 | 100% | 100% |
| Delight Fame Investment Limited# | Hong Kong, limited company | Investment of properties in Hong Kong | HK$1 | 100% | 100% |
| Pako Investment Development Limited# | Hong Kong, limited company | Investment holding in Hong Kong | HK$10,000 | 100% | 100% |
| 廣州市栢資投資諮詢有限公司# | Mainland China, limited liability company | Investment of properties in Guangzhou, Mainland China | Renminbi 19,950,000 | 100% | 100% |
| 泛美家貿易（廣州）有限公司# | Mainland China, limited liability company | Trading of housewares products in Mainland China | Renminbi 1,020,690 | 100% | N/A |
| Matsusho Appliances Tokyo Company Limited# | Hong Kong, limited company | Inactive | HK$10,000 | 100% | N/A |

* Equity interest directly held by the Company.
# Equity interest indirectly held by the Company.

(a) **Material non-controlling interests**

The total non-controlling interest as at 30 April 2019 is HK$(448,000) (2018: HK$300,000) attributable to Japan Home (Retail) Pte. Ltd., JHC (Plastic) Limited and JHC Ella Limited. The non-controlling interests in respect of these companies are not material.

## 14 Land use rights

The Group's interests in land use rights represent prepaid operating lease payments and their movements during the year are as follows:

| | As at 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Opening balance at 1 May | – | – |
| Additions | 3,504 | – |
| Amortisation (Note 8) | (34) | – |
| Closing balance at 30 April | 3,470 | – |

| | As at 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| In China: | | |
| Land use rights of between 10 to 50 years | 3,470 | – |

## 15 Property, plant and equipment

| | Land and buildings HK$'000 | Leasehold improvements HK$'000 | Furniture, fixtures and equipment HK$'000 | Computer equipment HK$'000 | Motor vehicles HK$'000 | Moulds HK$'000 | Machinery and equipment HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **At 1 May 2017** | | | | | | | | |
| Cost | 42,975 | 147,747 | 124,454 | 21,394 | 6,456 | 4,125 | 3,741 | 350,892 |
| Accumulated depreciation | (917) | (113,462) | (100,723) | (18,213) | (4,987) | (4,125) | (3,320) | (245,747) |
| Net book amount | 42,058 | 34,285 | 23,731 | 3,181 | 1,469 | – | 421 | 105,145 |
| **Year ended 30 April 2018** | | | | | | | | |
| Opening net book amount | 42,058 | 34,285 | 23,731 | 3,181 | 1,469 | – | 421 | 105,145 |
| Additions | 36,889 | 15,715 | 5,536 | 1,295 | – | – | – | 59,435 |
| Disposals (Note 28(b)) | – | (1,983) | (3) | – | – | – | – | (1,986) |
| Depreciation (Note 8) | (1,184) | (14,628) | (11,144) | (1,515) | (685) | – | (180) | (29,336) |
| Currency translation differences | – | 202 | 494 | 94 | 49 | – | – | 839 |
| **Closing net book amount** | 77,763 | 33,591 | 18,614 | 3,055 | 833 | – | 241 | 134,097 |
| **At 30 April 2018** | | | | | | | | |
| Cost | 79,864 | 156,175 | 129,975 | 22,535 | 6,236 | 4,125 | 3,741 | 402,651 |
| Accumulated depreciation | (2,101) | (122,584) | (111,361) | (19,480) | (5,403) | (4,125) | (3,500) | (268,554) |
| Net book amount | 77,763 | 33,591 | 18,614 | 3,055 | 833 | – | 241 | 134,097 |
| **Year ended 30 April 2019** | | | | | | | | |
| Opening net book amount | 77,763 | 33,591 | 18,614 | 3,055 | 833 | – | 241 | 134,097 |
| Additions | 7,511 | 20,915 | 6,935 | 2,081 | 1,292 | – | – | 38,734 |
| Disposals (Note 28(b)) | – | (736) | (5) | – | – | – | – | (741) |
| Depreciation (Note 8) | (1,274) | (15,704) | (9,502) | (1,800) | (370) | – | (128) | (28,778) |
| Currency translation differences | – | (79) | (171) | (38) | (20) | – | – | (308) |
| **Closing net book amount** | 84,000 | 37,987 | 15,871 | 3,298 | 1,735 | – | 113 | 143,004 |
| **At 30 April 2019** | | | | | | | | |
| Cost | 87,375 | 171,121 | 135,993 | 24,616 | 5,885 | 4,125 | 3,741 | 432,856 |
| Accumulated depreciation | (3,375) | (133,134) | (120,122) | (21,318) | (4,150) | (4,125) | (3,628) | (289,852) |
| Net book amount | 84,000 | 37,987 | 15,871 | 3,298 | 1,735 | – | 113 | 143,004 |

Depreciation expense of HK$28,778,000 (2018: HK$29,336,000) has been charged in administrative and other operating expenses (Note 8).

Vehicles includes the following amounts where the Group is a lessee under finance leases:

| | As at 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Cost – capitalised finance leases | 1,000 | 1,028 |
| Accumulated depreciation | (488) | (296) |
| Net book amount | 512 | 732 |

The Group leases various vehicles under non-cancellable finance lease agreements. The lease terms are between 5 and 7 years, and ownership of the assets lies within the Group.

## 16 Investment properties

| | As at 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| At fair value | | |
| Opening balance at 1 May | 10,534 | 12,980 |
| Additions | 26,082 | – |
| Disposals | – | (3,920) |
| Net gain from fair value adjustment (Note 7) | 2,469 | 356 |
| Currency translation differences | (553) | 1,118 |
| Closing balance at 30 April | 38,532 | 10,534 |

As at 30 April 2019, the Group had no unprovided contractual obligations for further repairs and maintenance (2018: Nil).

The investment properties are situated in Mainland China and held on lease of between 10 to 50 years.

The investment properties were revalued as at 30 April 2019 and 2018 by Dudley Surveyors (Hong Kong) Ltd., a member of the Hong Kong Institute of Surveyors. The valuation was derived using the direct comparison approach, assuming sale of the property interest in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

The fair value measurement of the Group's investment properties is categorised into level 3 in the fair value hierarchy based on the inputs to valuation techniques used.

The gain for the year included in the consolidated income statement for investment properties categorised into level 3 held at the end of the year under 'Other gains/(losses) – net' is HK$2,469,000 (2018: HK$356,000).

The Group's policy is to recognise transfers into/out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers among levels 1, 2 and 3 during the year.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

| | Significant unobservable inputs | Price | Relationship of unobservable inputs to fair value |
|---|---|---|---|
| As at 30 April 2019 | | | |
| Land and buildings in Nanjing, Mainland China | Market unit sale price (per square meter) | RMB24,723 | The higher the market unit sales price, the higher the fair value |
| Land and buildings in Guangzhou, Mainland China | Market unit sale price (per square meter) | RMB27,736 | The higher the market unit sales price, the higher the fair value |
| As at 30 April 2018 | | | |
| Land and buildings in Nanjing, Mainland China | Market unit sale price (per square meter) | RMB24,723 | The higher the market unit sales price, the higher the fair value |

## 17 Intangible assets

| | Goodwill HK$'000 | Trademark HK$'000 | Total HK$'000 |
|---|---|---|---|
| **As at 1 May 2017** | | | |
| Cost | 6,658 | 26,609 | 33,267 |
| Accumulated amortisation | – | (3,396) | (3,396) |
| Accumulated impairment | (727) | – | (727) |
| Currency translation differences | – | (1,915) | (1,915) |
| Net book amount | 5,931 | 21,298 | 27,229 |
| **Year ended 30 April 2018** | | | |
| Opening net book amount | 5,931 | 21,298 | 27,229 |
| Currency translation differences | – | 1,128 | 1,128 |
| Amortisation charge (Note 8) | – | (633) | (633) |
| Closing net book amount | 5,931 | 21,793 | 27,724 |
| **As at 30 April 2018** | | | |
| Cost | 6,658 | 26,609 | 33,267 |
| Accumulated amortisation | – | (4,029) | (4,029) |
| Accumulated impairment | (727) | – | (727) |
| Currency translation differences | – | (787) | (787) |
| Net book amount | 5,931 | 21,793 | 27,724 |
| **Year ended 30 April 2019** | | | |
| Opening net book amount | 5,931 | 21,793 | 27,724 |
| Currency translation differences | – | (537) | (537) |
| Amortisation charge (Note 8) | – | (629) | (629) |
| Closing net book amount | 5,931 | 20,627 | 26,558 |
| **As at 30 April 2019** | | | |
| Cost | 6,658 | 26,609 | 33,267 |
| Accumulated amortisation | – | (4,658) | (4,658) |
| Accumulated impairment | (727) | – | (727) |
| Currency translation differences | – | (1,324) | (1,324) |
| Net book amount | 5,931 | 20,627 | 26,558 |

Amortisation expense of HK$629,000 (2018: HK$633,000) is included in administrative and other operating expenses (Note 8).

Goodwill was allocated to the Group's retail businesses in Macau, which was considered as a separate cash generating unit.

For the purpose of impairment test on goodwill, the recoverable amounts of the retail business units in Macau are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period and a pre-tax discount rate of 7.16%, which reflects the specific risks relating to the housewares retail businesses in Macau. The cash flows beyond the five year period are extrapolated using a 1% growth rate. This growth rate does not exceed the average growth rate for retail industry in which the Group operates.

Management does not foresee any significant change in the key assumptions used in the value-in-use calculations that will cause the recoverable amount of goodwill to be less than its carrying amount.

## 17 Intangible assets *(Continued)*

For the purpose of impairment test on trademark in Singapore, the recoverable amounts of the retail business units in Singapore are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period and a pre-tax discount rate of 10.09%, which reflects the specific risks relating to the housewares retail businesses in Singapore.

Management does not foresee any significant change in the key assumptions used in the value-in-use calculations that will cause the recoverable amount of trademark to be less than its carrying amount.

## 18 Financial instruments by category

| | Financial assets at amortised cost | Loans and receivables |
|---|---|---|
| | As at 30 April | |
| | 2019 | 2018 |
| | HK$'000 | HK$'000 |
| Assets as per consolidated balance sheet | | |
| Trade and other receivables | 128,124 | 128,947 |
| Amounts due from shareholders | – | 726 |
| Bank deposits with initial terms of over three months | 392 | 392 |
| Cash and cash equivalents | 369,703 | 386,013 |
| Total | 498,219 | 516,078 |

| | Financial liabilities at amortised cost | |
|---|---|---|
| | As at 30 April | |
| | 2019 | 2018 |
| | HK$'000 | HK$'000 |
| Liabilities as per consolidated balance sheet | | |
| Trade and other payables | 197,179 | 206,470 |
| Amount due to a non-controlling shareholder of a subsidiary | 268 | 276 |
| Loans due to non-controlling shareholders of subsidiaries | 2,154 | 2,098 |
| Trust receipt loans subject to a repayable on demand clause | 39,215 | 32,205 |
| Finance lease liabilities | 601 | 804 |
| Total | 239,417 | 241,853 |

## 19 Trade and other receivables

| | As at 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Trade receivables | 11,176 | 9,096 |
| Less: provision for impairment of trade receivables | (2,463) | (2,463) |
| | 8,713 | 6,633 |
| Prepayments | 27,348 | 43,144 |
| Deposits and other receivables | 119,411 | 122,314 |
| | 155,472 | 172,091 |
| Less non-current portion: | | |
| Deposits | (54,630) | (61,142) |
| Prepayment for purchase of property, plant and equipment | – | (37,526) |
| Prepayment for purchase of intangible asset | (9,025) | – |
| | (63,655) | (98,668) |
| Current portion | 91,817 | 73,423 |

All non-current receivables are due within five years from the end of the year.

The Group normally make sales to customers on a cash-on-delivery basis. The ageing analysis of trade receivables based on invoice dates is as follows:

| | As at 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Up to 3 months | 8,713 | 6,633 |
| 3 to 6 months | – | – |
| 6 to 12 months | 2,463 | 2,463 |
| | 11,176 | 9,096 |
| Less: provision for impairment of receivables | (2,463) | (2,463) |
| | 8,713 | 6,633 |

Movement of provision for impairment of trade receivables are as follows:

| | As at 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| At beginning of the year | 2,463 | 2,463 |
| Provision for impairment receivables | – | – |
| At end of the year | 2,463 | 2,463 |

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Note 3.1(b) provides for details of the allowance. The creation and release of provision for impaired receivables has been included in "Administrative and other operating expenses" in the consolidated income statement (Note 8). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The Group does not hold any collateral as security.

The carrying amounts of trade and other receivables approximated their fair values.

## 19 Trade and other receivables *(Continued)*

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

| | As at 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Euro | 2,073 | – |
| United States dollars | 9,665 | 1,891 |
| Hong Kong dollars | 116,977 | 110,150 |
| Singapore dollars | 20,539 | 18,787 |
| Renminbi | 2,670 | 39,270 |
| New Taiwan Dollar | 316 | 353 |
| Macau Patacas | 1,306 | 1,640 |
| South Korean Won | 338 | – |
| Japanese Yen | 1,588 | – |
| | 155,472 | 172,091 |

## 20 Inventories

| | As at 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Merchandise | 288,303 | 275,747 |

The cost of inventories recognised as an expense and included in cost of sales amounted to HK$1,269,697,000 (2018: HK$1,187,063,000) (Note 8).

## 21 Cash and bank balances

| | As at 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Cash at bank and on hand | 152,298 | 174,842 |
| Short-term bank deposits | 217,797 | 211,563 |
| | 370,095 | 386,405 |
| Less: bank deposits with initial terms of over three months | (392) | (392) |
| Cash and cash equivalents | 369,703 | 386,013 |
| Maximum exposure to credit risk | 363,502 | 382,047 |

The carrying values of bank deposits with initial terms of over three months and cash and cash equivalents are denominated in the following currencies:

| | As at 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| United States dollars | 4,550 | 12,449 |
| Hong Kong dollars | 335,290 | 351,110 |
| Macau Patacas | 8,570 | 8,153 |
| Renminbi | 6,280 | 10,057 |
| Singapore dollars | 12,717 | 1,896 |
| Others | 2,688 | 2,740 |
| | 370,095 | 386,405 |

## 22 Share capital and share premium

| | Number of shares (thousands) | Share capital HK$'000 | Share premium HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 May 2017 | 718,730 | 71,873 | 509,692 | 581,565 |
| Buy back of shares (Note (a)) | (300) | (30) | (410) | (440) |
| Issue of shares (Note (b)) | 586 | 59 | 574 | 633 |
| At 30 April 2018 | 719,016 | 71,902 | 509,856 | 581,758 |
| Issue of shares (Note (c)) | 2,625 | 262 | 3,103 | 3,365 |
| At 30 April 2019 | 721,641 | 72,164 | 512,959 | 585,123 |

*Notes:*

(a) During the year ended 30 April 2018, the Company acquired 300,000 of its own shares through purchases from the Hong Kong Stock Exchange on 7 August 2017. The total amount paid to acquire the shares was HK$440,000. These shares have been cancelled and have been deducted from share capital and share premium.

(b) During the year ended 30 April 2018, 586,000 shares were issued and allotted upon the exercise of options by the options holders.

(c) During the year ended 30 April 2019, 2,625,000 shares were issued and allotted upon the exercise of options by the options holders.

**Share options**

The Company operates two share option schemes as described below:

*(i) Pre-IPO Share Option Scheme*

A share option scheme was adopted in 2010 by Matusadona Investments Limited (the "2010 Scheme") with the aim to incentivise the Group's employees. Immediately prior to the completion of listing, Matusadona Investments Limited terminated the 2010 Scheme and all participants were transferred to the Pre-IPO share options scheme which has substantially the same terms as the 2010 Scheme. Upon listing, the Company granted 8,424,000 options under the Pre-IPO share option scheme to replace all the share options granted under the 2010 Scheme.

These options will expire from 11 October 2018 to 15 October 2020 and has subscription prices range from HK$1.04 to HK$1.86 per share, which are terms that continue from the options of the 2010 Scheme. The Group has no legal or constructive obligation to repurchase or settle these options in cash. No additional options can be granted under the Pre-IPO share option scheme. The 2010 Scheme is deemed to have been replaced by the Pre-IPO share option scheme since 1 May 2012.

## 22 Share capital and share premium *(Continued)*

**Share options** *(Continued)*

*(ii) Share Option Scheme*

The Company has adopted a share option scheme, which will remain in force for 10 years up to 2023. Share options may be granted to any directors, any senior managers or any employees (whether full-time or part- time) of each member of our Group. The subscription price is determined by the Board and shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer, which must be a business day (ii) the average closing price of the shares as stated in the daily quotation sheets for the 5 business days immediately preceding the date of offer. The Group has no legal or constructive obligation to repurchase or settle these options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

| | Average exercise price in HK$ per share | Options (thousands) |
|---|---|---|
| At 1 May 2017 | 1.96 | 9,845 |
| Exercised | 1.08 | (586) |
| At 30 April 2018 | 2.01 | 9,259 |
| At 1 May 2018 | 2.01 | 9,259 |
| Exercised | 1.28 | (2,625) |
| At 30 April 2019 | 2.30 | 6,634 |

Out of the 6,634 thousand outstanding share options (2018: 9,259 thousand), 6,634 thousand options (2018: 8,327 thousand) were exercisable. Options exercised in 2019 resulted in 2,625 thousand shares (2018: 586 thousand shares) being issued at a weighted average price of HK$1.28 (2018: HK$1.08).

Share options outstanding at the end of the year have the following expiry date and exercise prices:

| Expiry date | Exercise price in HK$ per share option | Options (thousands) 2019 | 2018 |
|---|---|---|---|
| 11 October 2018 | 1.04 | – | 632 |
| 11 October 2019 | 1.39 | **883** | 883 |
| 15 October 2020 | 1.86 | **1,386** | 1,651 |
| 27 February 2022 | 3.86 | **1,775** | 1,775 |
| 11 November 2022 | 1.93 | **2,130** | 2,540 |
| 20 January 2024 | 1.08 | **460** | 1,778 |
| At 30 April | | **6,634** | 9,259 |

The total expense recognised in the consolidated income statement for the year ended 30 April 2019 for share options granted to directors and employees in previous years amounted to HK$30,000 (2018: HK$157,000).

## 23 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 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 from time to time.

During the year ended 30 April 2019, 8,727,000 shares were granted to selected participants pursuant to the Share Award Scheme (2018: 1,296,000 shares). The trustee of the Share Award Scheme has purchased 5,977,000 shares of the Company on the Stock Exchange (2018: 1,120,000 shares). The total amount paid to acquire the shares was HK$10,882,000 (2018: HK$1,633,000) and has been deducted from shareholders' equity. 799,000 treasury shares were distributed to the participants whose share awards have been vested (2018: 1,490,000 treasury shares). Treasury shares held uncancelled are accounted for as a deduction of shareholders' equity. As at 30 April 2019, 6,939,000 treasury shares were held by the Group (2018: 1,761,000 treasury shares).

For the year ended 30 April 2019, total expense recognised in the consolidated income statement for share award granted is approximately HK$1,263,000 (2018: HK$2,348,000).

The weighted average fair value of shares granted on 19 December 2018, 21 December 2018, 15 February 2019 and 23 April 2019 determined using the Binomial Option Pricing Model was HK$0.54 per share. The significant inputs into the model were as following.

| | |
|---|---|
| Risk-free rate | 1.42% – 1.86% |
| Volatility (Note a) | 24.8% – 29.5% |
| Dividend yield | 6.68% |
| Forfeit ratio | 5.4% |
| Close prices of the underlying shares at respective grant dates | HK$1.79 – HK$2.07 |

Note:

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

## 24 Reserves

| | Merger reserve HK$'000 | Share-based compensation reserve HK$'000 | Capital reserve HK$'000 | Translation reserve HK$'000 | Retained earnings HK$'000 | Shares held for share award scheme HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1 May 2017** | (106,347) | 6,414 | (610) | (3,975) | 233,628 | (3,150) | 125,960 |
| Profit for the year | – | – | – | – | 104,845 | – | 104,845 |
| Currency translation differences | – | – | – | 1,819 | – | – | 1,819 |
| Change in equity interests in a subsidiary without change of control | – | – | (10,055) | – | – | – | (10,055) |
| Purchase of own shares for share award scheme (Note 23) | – | – | – | – | – | (1,633) | (1,633) |
| Employees share option and share award scheme: – Value of employee services (Note 9) | – | 2,505 | – | – | – | – | 2,505 |
| Vesting of share awards | – | (2,192) | – | – | – | 2,192 | – |
| Dividend related to 2017 (Note 32) | – | – | – | – | (40,077) | – | (40,077) |
| Dividend related to 2018 (Note 32) | – | – | – | – | (37,297) | – | (37,297) |
| **Balance at 30 April 2018** | (106,347) | 6,727 | (10,665) | (2,156) | 261,099 | (2,591) | 146,067 |
| **Balance at 1 May 2018** | (106,347) | 6,727 | (10,665) | (2,156) | 261,099 | (2,591) | 146,067 |
| Profit for the year | – | – | – | – | 119,052 | – | 119,052 |
| Currency translation differences | – | – | – | (2,052) | – | – | (2,052) |
| Purchase of own shares for share award scheme (Note 23) | – | – | – | – | – | (10,882) | (10,882) |
| Employees share option and share award scheme: – Value of employee services (Note 9) | – | 1,293 | – | – | – | – | 1,293 |
| Vesting of share awards | – | (1,181) | – | – | – | 1,181 | – |
| Dividend related to 2018 (Note 32) | – | – | – | – | (50,252) | – | (50,252) |
| Dividend related to 2019 (Note 32) | – | – | – | – | (37,928) | – | (37,928) |
| **Balance at 30 April 2019** | (106,347) | 6,839 | (10,665) | (4,208) | 291,971 | (12,292) | 165,298 |

## 25 Deferred income tax

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

| | As at 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Deferred income tax assets: | | |
| – To be recovered after more than 12 months | 6,068 | 6,668 |
| – To be recovered within 12 months | 398 | 518 |
| | 6,466 | 7,186 |
| Deferred income tax liabilities: | | |
| – To be settled after more than 12 months | (1,289) | (3,016) |
| – To be settled within 12 months | – | – |
| | (1,289) | (3,016) |
| Deferred income tax assets, net | 5,177 | 4,170 |

The gross movement on the deferred income tax account is as follows:

| | HK$'000 |
|---|---|
| At 1 May 2017 | 3,937 |
| Credited to consolidated income statement (Note 11) | 392 |
| Currency translation differences | (159) |
| At 30 April 2018 | 4,170 |
| Credited to consolidated income statement (Note 11) | 928 |
| Currency translation differences | 79 |
| At 30 April 2019 | 5,177 |

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

| | Decelerated tax depreciation HK$'000 | Unrealised profit HK$'000 | Total HK$'000 |
|---|---|---|---|
| Deferred income tax assets | | | |
| At 1 May 2017 | 6,225 | 453 | 6,678 |
| Credited to the consolidated income statement | 443 | 65 | 508 |
| At 30 April 2018 | 6,668 | 518 | 7,186 |
| Charged to the consolidated income statement | (600) | (120) | (720) |
| At 30 April 2019 | 6,068 | 398 | 6,466 |

## 25 Deferred income tax *(Continued)*

| | Accelerated tax depreciation HK$'000 | Fair value gain HK$'000 | Total HK$'000 |
|---|---|---|---|
| Deferred income tax liabilities | | | |
| At 1 May 2017 | 2,430 | 311 | 2,741 |
| Charged/(credited) to the consolidated income statement | 207 | (91) | 116 |
| Currency translation differences | 133 | 26 | 159 |
| At 30 April 2018 | 2,770 | 246 | 3,016 |
| (Credited)/charged to the consolidated income statement | (2,265) | 617 | (1,648) |
| Currency translation differences | (64) | (15) | (79) |
| At 30 April 2019 | 441 | 848 | 1,289 |

Deferred income tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related tax benefit through future taxable profit is probable. The Group did not recognise deferred income tax assets of approximately HK$22,668,000 (2018: HK$25,653,000) in respect of losses amounting to approximately HK$109,926,000 (2018: HK$125,287,000) that can be carried forward against future taxable income.

| | As at 30 April | |
|---|---|---|
| | 2019 HK$'000 | 2018 HK$'000 |
| With no expiry date | **91,124** | 101,895 |
| Expiry in 2018 | **–** | 4,880 |
| Expiry in 2019 | **6,295** | 6,295 |
| Expiry in 2020 | **11,694** | 11,694 |
| Expiry in 2021 | **523** | 523 |
| Expiry in 2022 | **–** | – |
| Expiry in 2023 | **290** | – |
| | **109,926** | 125,287 |

## 26 Trade and other payables, provision for reinstatement cost and contract liabilities

| | As at 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Current | | |
| Trade payables | 155,937 | 166,434 |
| Other payables and accruals | 41,242 | 40,036 |
| Deposit received | 389 | 149 |
| Receipts in advance and cash coupons | – | 3,894 |
| Provision for customer loyalty programs | – | 4,466 |
| Provision for employee benefits | 7,043 | 7,004 |
| | 204,611 | 221,983 |
| Non-current | | |
| Provision for reinstatement cost | 3,210 | 2,905 |
| | 207,821 | 224,888 |
| Contract liabilities | | |
| Receipts in advance and cash coupons | 3,359 | – |
| Deferred revenue arising from customer loyalty programs | 3,805 | – |
| | 7,164 | – |

The ageing analysis of trade payables based on invoice dates is are follows:

| | As at 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| 0 – 30 days | 100,547 | 90,837 |
| 31 – 60 days | 36,811 | 48,398 |
| 61 – 90 days | 15,751 | 14,364 |
| 91 – 120 days | 2,828 | 10,053 |
| Over 120 days | – | 2,782 |
| | 155,937 | 166,434 |

The carrying amounts of trade and other payables, provision for reinstatement cost and contract liabilities are denominated in the following currencies:

| | As at 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| United States dollars | 610 | 1,568 |
| Hong Kong dollars | 172,243 | 189,296 |
| Singapore dollars | 21,596 | 19,885 |
| Malaysian Ringgit | – | 92 |
| Renminbi | 18,630 | 10,305 |
| New Taiwan Dollar | 1,000 | 1,490 |
| Macau Patacas | 482 | 1,460 |
| Japanese Yen | 424 | 649 |
| Euro | – | 143 |
| | 214,985 | 224,888 |

## 27 Borrowings

| | As at 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Non-current | | |
| Finance lease liabilities | 419 | 618 |
| Current | | |
| Trust receipt loans, secured and contain a repayment on demand clause | 39,215 | 32,205 |
| Finance lease liabilities | 182 | 186 |
| | 39,397 | 32,391 |
| Total borrowings | 39,816 | 33,009 |

### (a) Trust receipt loans

At 30 April 2019 and 2018, the Group's trust receipt loans were repayable as follows:

| | As at 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Within 1 year | 39,215 | 32,205 |

As at 30 April 2019 and 2018, trust receipt loans are secured by corporate guarantee by the Company.

The carrying amounts of the Group's trust receipt loans are denominated in the following currencies:

| | As at 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Hong Kong dollars | 18,713 | 15,704 |
| Japanese Yen | 8,405 | 8,061 |
| Euro | 308 | 338 |
| British Pound | 129 | 234 |
| United States dollars | 11,167 | 7,868 |
| Renminbi | 493 | – |
| | 39,215 | 32,205 |

The Group has the following undrawn borrowing facilities:

| | As at 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Floating rate: | | |
| – Expiring within one year | 160,887 | 175,046 |

The facilities expiring within one year are annual facilities subject to review at various dates during 2020.

## 27 Borrowings (Continued)

### (b) Finance lease liabilities

The right to the leased assets are reverted to the lessor in the event of default of the lease liabilities of the Group.

The carrying amounts of the Group's finance lease liabilities are denominated in Singapore dollars.

| | As at 30 April | |
|---|---|---|
| | 2019<br>HK$'000 | 2018<br>HK$'000 |
| Gross finance lease liabilities – minimum lease payments | | |
| No later than 1 year | 215 | 221 |
| Later than 1 year and no later than 5 years | 498 | 698 |
| Later than 5 years | – | 34 |
| | 713 | 953 |
| Future finance charges on finance leases | (112) | (149) |
| Present value of finance lease liabilities | 601 | 804 |
| The present value of finance lease liabilities is as follows: | | |
| No later than 1 year | 182 | 186 |
| Later than 1 year and no later than 5 years | 419 | 589 |
| Later than 5 years | – | 29 |
| | 601 | 804 |

### (c) The effective interest rates at the balance sheet date of the borrowings are as follows:

| | As at 30 April | |
|---|---|---|
| | 2019 | 2018 |
| Trust receipt loans | 3.65% | 2.85% |
| Finance lease liabilities | 6.06% | 6.08% |

## 28 Notes to consolidated statement of cash flows

### (a) Cash generated from operations:

| | Year ended 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Profit before income tax | 143,495 | 122,757 |
| Adjustments for: | | |
| – Loss on disposal of property, plant and equipment, net | 239 | 1,980 |
| – Depreciation | 28,778 | 29,336 |
| – Amortisation of trademark | 629 | 633 |
| – Amortisation of land use rights | 34 | – |
| – Interest income | (5,801) | (2,940) |
| – Interest expenses | 826 | 827 |
| – Employee share-based compensation | 1,293 | 2,505 |
| – Fair value gain on investment properties | (2,469) | (356) |
| – Tax indemnity from shareholders | (4,671) | (261) |
| Changes in working capital: | | |
| – Increase in inventories | (13,495) | (20,716) |
| – Increase in trade and other receivables | (12,560) | (1,188) |
| – (Decrease)/increase in trade and other payables | (8,311) | 3,510 |
| Cash generated from operations | 127,987 | 136,087 |

### (b) In the consolidated statements of cash flows, proceeds from disposal of property, plant and equipment are analysed as follows:

| | Year ended 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Net book amount (Note 15) | 741 | 1,986 |
| Loss on disposal of property, plant and equipment, net (Note 7) | (239) | (1,980) |
| Proceeds from disposal of property, plant and equipment | 502 | 6 |

## 28 Notes to consolidated statement of cash flows *(Continued)*

**(c) In the consolidated statements of cash flows, cash flows from liabilities arising from financing activities are analysed as follows:**

| | Borrowings HK$'000 | Loans due to non-controlling shareholders of subsidiaries HK$'000 | Total HK$'000 |
|---|---|---|---|
| As at 1 May 2017 | 22,426 | 1,057 | 23,483 |
| Cash flows | | | |
| –Increase in trust receipt loans | 10,421 | – | 10,421 |
| –Proceeds from loans due to non-controlling shareholders | – | 2,244 | 2,244 |
| –Repayment to loans due to non-controlling shareholders | – | (921) | (921) |
| – Payment of capital element of finance lease liabilities | (183) | – | (183) |
| Other non-cash movement | | | |
| – Waiver of loan due to non-controlling shareholders of subsidiaries | – | (409) | (409) |
| –Interest payable | – | 68 | 68 |
| –Exchange differences | 345 | 59 | 404 |
| As at 30 April 2018 and 1 May 2018 | 33,009 | 2,098 | 35,107 |
| Cash flows | | | |
| –Increase in trust receipt loans | 7,039 | – | 7,039 |
| – Payment of capital element of finance lease liabilities | (182) | – | (182) |
| Other non-cash movement | | | |
| –Interest payable | – | 83 | 83 |
| –Exchange differences | (50) | (27) | (77) |
| As at 30 April 2019 | 39,816 | 2,154 | 41,970 |

## 29 Contingent liabilities

The Group's bankers have given guarantees in lieu of deposits amounting to HK$17,329,000 (2018: HK$16,062,000) to the Group's landlords and utility providers. These guarantees are counter indemnified by corporate guarantees provided by certain subsidiaries.

## 30 Commitments

### (a) Operating lease commitments – as a lessee

The Group has future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises, retail shops and warehouses as follows:

| | As at 30 April | |
|---|---|---|
| | 2019 | 2018 |
| | HK$'000 | HK$'000 |
| No later than one year | 325,744 | 319,839 |
| Later than one year and no later than five years | 270,203 | 275,112 |
| | 595,947 | 594,951 |

### (b) Operating lease commitments – as lessor

At 30 April, the Group has future aggregate minimum lease receipts under non-cancellable operating leases in respect of sub-lease of certain spaces in retail shops as follows:

| | As at 30 April | |
|---|---|---|
| | 2019 | 2018 |
| | HK$'000 | HK$'000 |
| No later than one year | 824 | 858 |
| Later than one year and no later than five years | 547 | 1,219 |
| | 1,371 | 2,077 |

### (c) Capital commitment

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

| | As at 30 April | |
|---|---|---|
| | 2019 | 2018 |
| | HK$'000 | HK$'000 |
| Intangible asset | 4,715 | – |

## 31 Transactions with non-controlling interests

During the year ended 30 April 2018, the Group acquired additional interests in JHC Retail (M) Sdn. Bhd and JHC (Mirror) Limited from a non-controlling shareholder, which increased the Group's shareholding in these two subsidiaries from 59.6% to 100% and 60% to 100% respectively.

Effects of transactions with non-controlling interests on the equity attributable to owners of the Company:

| | Year ended 30 April | |
|---|---|---|
| | 2019 | 2018 |
| | HK$'000 | HK$'000 |
| Changes in equity attributable to owners of the Company arising from acquisition of additional interests in subsidiaries: | | |
| Consideration paid | – | – |
| Less: Change in non-controlling interest | – | (10,055) |
| | – | (10,055) |

## 32 Dividend

The dividends paid in 2019 and 2018 were HK$88,180,000 (HK12.3 cents per share) and HK$77,374,000 (HK10.8 cents per share) respectively. A dividend in respect of the year ended 30 April 2019 of HK9.0 cents per share, amounting to a total dividend of HK$64,323,000, is to be proposed at the annual general meeting on 25 September 2019. These consolidated financial statements do not reflect this dividend payable.

| | Year ended 30 April | |
|---|---|---|
| | 2019 | 2018 |
| | HK$'000 | HK$'000 |
| Interim dividend paid of HK5.3 cents (2018: HK5.2 cents) per ordinary share | 37,928 | 37,297 |
| Proposed final dividend of HK9.0 cents (2018: HK7.0 cents) per ordinary share | 64,323 | 50,252 |
| | 102,251 | 87,549 |

## 33 Significant related party transactions

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

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

### (a) Sales of goods and services

| | | Year ended 30 April | |
|---|---|---|---|
| | | 2019 | 2018 |
| | Note | HK$'000 | HK$'000 |
| Management fee income: | | | |
| – JHC (Investment) Limited | (i) | 10 | 10 |
| – Mulan's Garden (HK) Limited | (i) | 20 | 20 |
| – Hong Sing Investment Limited | (i) | 10 | 10 |

Note:

(i) Management fee income were charged based on terms mutually agreed between the relevant parties.

### (b) Purchase of goods and services

| | | Year ended 30 April | |
|---|---|---|---|
| | | 2019 | 2018 |
| | Note | HK$'000 | HK$'000 |
| Operating lease rentals in respect of retail shops to related companies: | | | |
| – Mulan's Garden (HK) Limited | (i) | 5,550 | 6,378 |
| – JHC (Investment) Limited | (i) | 1,518 | 1,088 |
| – Hong Sing Investment Limited | (i) | 15,665 | 14,905 |
| – Charm Rainbow Limited | (i) | 1,944 | 1,944 |
| – Hugo Grand Limited | (i) | 6,165 | 5,834 |
| – Beauty Delight limited | (i) | 602 | – |

Note:

(i) Operating lease rentals were charged based on terms mutually agreed between the relevant parties.

## 33 Significant related party transactions *(Continued)*

### (c) Key management compensation

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

| | Year ended 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Short-term employee benefits | 14,628 | 13,769 |
| Post-employment benefits – defined contribution plans | 185 | 197 |
| Other long-term benefits | 626 | 2,504 |
| | 15,439 | 16,470 |

### (d) Year-end balances

| | Note | As at 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| Amounts due from shareholders | (i) | – | 726 |
| Amount due to a non-controlling shareholder of a subsidiary | (ii) | 268 | 276 |
| Loans due to non-controlling shareholders of subsidiaries | | | |
| – Japan Home (Retail) Pte Ltd | (iii) | 1,017 | 993 |
| – JHC Ella Limited | (iv) | 1,137 | 1,105 |

Note:

(i) The amounts due from shareholders were unsecured, interest-free, repayable on demand and denominated in Hong Kong dollars. Its carrying value as at 30 April 2018 approximated its fair value.

(ii) The amount due to a non-controlling shareholder of a subsidiary is unsecured, interest free, repayable on demand and denominated in Singapore dollars. Its carrying value as at 30 April 2019 and 2018 approximated its fair value.

(iii) The loan due to a non-controlling shareholder of Japan Home (Retail) Pte Ltd is unsecured, bearing interest at 2.95% per annum with its principal and interest repayable on 1 June 2019 (2018: principal and interest repayable on 1 June 2018). The loan is denominated in Singapore dollars and the carrying value as at 30 April 2019 and 2018 approximated its fair value.

(iv) The loans due to a non-controlling shareholder of JHC Ella Limited are unsecured, bearing interest at 3% per annum with their principals and interests repayable on 31 October 2019, 30 April 2020, 3 October 2020 and 31 October 2020 (2018: principal and interest repayable on 3 October 2018, 31 October 2018, 30 April 2019 and 31 October 2019). The loans are denominated in Hong Kong dollar and their carrying values as at 30 April 2019 and 2018 approximate their fair values.

## 34 Balance sheet and reserve movement of the Company

### Balance sheet of the Company

| | As at 30 April 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| ASSETS | | |
| Non-current assets | | |
| Investments in subsidiaries | 112,451 | 112,495 |
| Current assets | | |
| Other receivables and prepayments | 510 | 438 |
| Amounts due from subsidiaries | 594,137 | 563,959 |
| Cash and cash equivalents | 2,971 | 3,508 |
| | 597,618 | 567,905 |
| Total assets | 710,069 | 680,400 |
| EQUITY | | |
| Capital and reserves attributable to the owners of the Company | | |
| Share capital and share premium | 585,123 | 581,758 |
| Reserves (Note (a)) | 86,776 | 85,268 |
| Total equity | 671,899 | 667,026 |
| LIABILITIES | | |
| Current liabilities | | |
| Other payables | 362 | 563 |
| Amount due to subsidiaries | 37,808 | 12,811 |
| Total liabilities | 38,170 | 13,374 |
| Total equity and liabilities | 710,069 | 680,400 |

The balance sheet of the Company was approved by the Board of Directors on 30 July 2019 and were signed on its behalf.

NGAI Lai Ha
*Director*

LAU Pak Fai, Peter
*Director*

## 34 Balance sheet and reserve movement of the Company *(Continued)*

**Note (a) Reserve movement of the Company**

| | Share-based compensation reserve HK$'000 | Retained earnings HK$'000 | Shares held for share award scheme HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Balance at 1 May 2017 | 6,414 | 59,766 | (3,150) | 63,030 |
| Profit for the year | – | 98,740 | – | 98,740 |
| Purchase of treasury shares (Note 23) | – | – | (1,633) | (1,633) |
| Vesting of share awards | (2,192) | – | 2,192 | – |
| Employees share option and share award scheme: | | | | |
| – Value of employee services (Note 9) | 2,505 | – | – | 2,505 |
| Dividend related to 2017 (Note 32) | – | (40,077) | – | (40,077) |
| Dividend related to 2018 (Note32) | – | (37,297) | – | (37,297) |
| Balance at 30 April 2018 | 6,727 | 81,132 | (2,591) | 85,268 |
| Profit for the year | – | 99,277 | – | 99,277 |
| Purchase of treasury shares (Note 23) | – | – | (10,882) | (10,882) |
| Vesting of share awards | (1,181) | – | 1,181 | – |
| Employees share option and share award scheme: | | | | |
| – Value of employee services (Note 9) | 1,293 | – | – | 1,293 |
| Dividend related to 2018 (Note 32) | – | (50,252) | – | (50,252) |
| Dividend related to 2019 (Note 32) | – | (37,928) | – | (37,928) |
| Balance at 30 April 2019 | 6,839 | 92,229 | (12,292) | 86,776 |

## 35 Benefits and interest of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulations (Cap. 622G) and the HK Listing Rules)

### (a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive officer is set out below:

For the year ended 30 April 2019:

| | Fees HK$'000 | Salary HK$'000 | Discretionary bonuses HK$'000 | Allowances and benefit in kind (Note i) HK$'000 | Employer's contribution to a retirement benefit scheme HK$'000 | Others emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| Executive directors: | | | | | | | |
| Ngai Lai Ha | | | | | | | |
| (Chief executive officer) (Note ii) | – | 2,954 | – | 54 | 18 | – | 3,026 |
| Lau Pak Fai, Peter | – | 500 | – | 4 | 18 | – | 522 |
| Cheng Sing Yuk | – | 1,654 | – | 208 | 18 | – | 1,880 |
| Chong Siu Hong, Andrew (Note iii) | – | 1,899 | – | (635) | 6 | – | 1,270 |
| Non-executive director: | | | | | | | |
| Lau Chun Wah Davy (Note iv) | 142 | – | – | 58 | – | – | 200 |
| Independent non-executive directors: | | | | | | | |
| Mang Wing Ming, Rene | 180 | – | – | 93 | – | – | 273 |
| Yee Boon Yip | 120 | – | – | – | – | – | 120 |
| Neo Sei Lin Christopher (Note v) | – | – | – | – | – | – | – |
| Yeung Yiu Keung (Note vi) | 43 | – | – | – | – | – | 43 |
| Total | 485 | 7,007 | – | (218) | 60 | – | 7,334 |

## 35 Benefits and interest of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulations (Cap. 622G) and the HK Listing Rules) *(Continued)*

### (a) Directors' and chief executive's emoluments *(Continued)*

For the year ended 30 April 2018:

| | Fees HK$'000 | Salary HK$'000 | Discretionary bonuses HK$'000 | Allowances and benefit in kind (Note i) HK$'000 | Employer's contribution to a retirement benefit scheme HK$'000 | Others emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| Executive directors: | | | | | | | |
| Ngai Lai Ha | – | 2,585 | – | 21 | 18 | – | 2,624 |
| Lau Pak Fai, Peter | – | 680 | – | 21 | 18 | – | 719 |
| Cheng Sing Yuk | – | 1,556 | – | 182 | 18 | – | 1,756 |
| Chong Siu Hong, Andrew | – | 1,960 | – | 934 | 18 | – | 2,912 |
| Independent non-executive directors: | | | | | | | |
| Mang Wing Ming, Rene | 150 | – | – | 58 | – | – | 208 |
| Yee Boon Yip | 120 | – | – | – | – | – | 120 |
| Neo Sei Lin Christopher | 120 | – | – | 38 | – | – | 158 |
| Total | 390 | 6,781 | – | 1,254 | 72 | – | 8,497 |

## 35 Benefits and interest of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulations (Cap. 622G) and the HK Listing Rules) *(Continued)*

### (a) Directors' and chief executive's emoluments *(Continued)*

Notes:

(i) Other benefits includes share based compensation.

(ii) Appointed as the chief executive officer on 7 August 2018.

(iii) Resigned on 7 August 2018.

(iv) Appointed as an independent non-executive director on 1 May 2018 and redesignated as a non-executive director on 21 December 2018.

(v) Resigned on 1 May 2018.

(vi) Appointed on 21 December 2018.

None of the directors have waived any of the emoluments during the year ended 30 April 2019 and 2018.

### (b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year (2018: Nil).

### (c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year (2018: Nil).

### (d) Consideration provided to third parties for making available directors' services

During the year ended 30 April 2019, the Company did not pay consideration to any third parties for making available directors' services (2018: Nil).

### (e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 30 April 2019, there were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year (2018: Nil).

### (f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: Nil) other than those disclosed in Note 33.

# 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

**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
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.jhc.com.hk