

International Housewares Retail Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1373



2022/23

INTERIM REPORT

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Corporate Information

DIRECTORS

Executive Directors:

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

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

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

Independent Non-executive Directors:

Mr. Mang Wing Ming Rene

Mr. Ng Sze Yuen, Terry

Mr. Yeung Yiu Keung

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

COMPANY SECRETARY

Mr. Lee Chung Shing

HKICPA

REGISTERED OFFICE

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PO Box 2681, Grand Cayman

KY1-1111, Cayman Islands

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Wong Chuk Hang, Hong Kong

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LEGAL ADVISER

Deacons

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

DBS Bank (Hong Kong) Limited

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor Services Limited

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STOCK CODE

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COMPANY WEBSITE

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Financial Highlights

The board of directors (the “Board” or “Director(s)”) of International Housewares Retail Company Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 October 2022 (the “Period”) prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules” and the “Stock Exchange” respectively), together with comparative figures for the six months ended 31 October 2021 (“2021/22”).

- The Group’s revenue increased by 5.5% to a historical high of HK\$1,386,665,000 (2021/22(1): HK\$1,314,301,000), with an improvement in business across all regions.
- Profit attributable to owners for the Period increased by 16.0% to HK\$110,350,000 (2021/22: HK\$95,141,000).
- Excluding subsidies in relation to COVID-19 and the change of financial assets at fair value through profit or loss, the adjusted profit for the Period was HK\$83,744,000 (2021/22: HK\$75,901,000), representing an increase of 10.3%.
- The Group’s gross profit rose by 5.0% to HK\$646,953,000 (2021/22: HK\$616,416,000).
- The Board has resolved to declare an interim dividend of 12.0 HK cents per share. Excluding the special dividend of 4.2 HK cents per share declared in 2021/22, the payout represents an increase of 14.3%.

Note:

1. Comparative figures for the six months ended 31 October 2021 are shown as (“2021/22”) in brackets.

Management Discussion and Analysis

Overview

International Housewares Retail Company Limited and its subsidiaries achieved satisfactory financial results and remained in a solid financial position for the six months ended 31 October 2022. The Group continued to reinforce its position as an omni-channel retail chain of general merchandise stores (“GMS”) with a total of over 380 stores worldwide.

Financial Performance

The Group has benefited from the fact that many of the products it offers are affordable household necessities that enjoy steady demand and which does not significantly fluctuate regardless of changes in overall market conditions. The Group aims to become a more responsive and flexible entity that is able to adapt to unpredictable changes and is armed with stronger fundamentals to solidify and grow its business.

In addition, the Group has continued to optimize its product mix, provide well-defined areas for each product category, and improve space management in order to increase its sales, which in turn facilitates sales growth for each physical store. This was reflected by the satisfactory comparable store sales growth for the Period. In addition, the Group has more focused on sales efficiency by better deployment of its sales and marketing resources as well as through sales uplift analysis for each promotion and marketing event.

Aside from proactively enlarging its product categories, the Group has also reviewed its product mix to ensure it closely aligned with current trends. Moreover, the Group has increased the proportion of OEM products in order to capture additional market opportunities and expand its customer base. In addition, driven by the growth in overall comparable store sales and the increase in the average ticket size, the Group’s revenue has increased by 5.5% to a historical high of HK\$1,386,665,000 (2021/22: HK\$1,314,301,000), with an improvement in business across all regions.

The Group’s gross profit rose by 5.0% to HK\$646,953,000 (2021/22: HK\$616,416,000). Following the relaxation of COVID-19 social distancing measures and travel restrictions to prepare for the “return to normal,” the Group has quickly shifted its focus to global sourcing of new products in different categories. Leveraging the favorable procurement costs for products sourced from global suppliers such as Japan and Korea due to the strong Hong Kong dollar, the Group has been actively enhancing its globally sourced product offerings by expanding its product portfolio and adding new categories in its product mix to ensure close alignment with current trends, which could have a positive impact on its gross margins.

The Group continues to drive sales and enhance gross margins through a greater range of FMCG categories and OEM products, along with new ranges of private label products that tap different categories as part of its strategic growth initiative. The Group is also committed to enriching its products by improving their design and packaging, as well as employing advertising promotions through online channels to boost their profit margins, create more modern and positive brand images, and ultimately, add long-term value. In terms of enriching its assortment of products, the Group has been actively exploring new product categories such as food, 3C products, health and smart living products. As in recent years, the Group’s experienced sourcing team has consistently kept abreast of market trends and swiftly responded to customers’ needs and changing tastes. Separately, the Group has been investing in an e-platform and integrating online and offline operations over the past years to provide new shopping experiences for its customers. Leveraging the strong physical store network and its gradual, steady and certain convergence with the e-platform, the Group will continue to bolster its position as an omni-channel retail chain of general merchandise stores (“GMS”).

Owing to the constant enrichment of products, building of sales channels, monitoring of purchase prices and the careful management of operating expenses, profit attributable to owners for the Period increased by 16.0% to HK\$110,350,000 (2021/22: HK\$95,141,000). Excluding subsidies in relation to COVID-19 and the change of financial assets at fair value through profit or loss, the adjusted profit for the Period was HK\$83,744,000 (2021/22: HK\$75,901,000), representing an increase of 10.3%.

Management Discussion and Analysis *(Continued)*

Liquidity and Financial Resources

In order to meet the challenges brought by the pandemic, the Group has continued to maintain a strong liquidity and cash flow position, which is of paramount importance for its future development, particularly amid such uncertain economic times. As at 31 October 2022, the Group had cash and cash equivalents amounting to HK\$468,846,000 (30 April 2022: HK\$416,923,000). The majority of the Group's cash and bank deposits were denominated in Hong Kong dollars and were deposited with major banks in Hong Kong, with maturity dates falling within three months.

It is the Group's treasury management policy to not engage in any highly leveraged or speculative derivative products and it will continue to place the majority of its surplus cash in Hong Kong dollar bank deposits with appropriate maturity periods to meet funding requirements in the future. The current ratio for the Group was 1.6 (30 April 2022: 1.5). Borrowings amounted to HK\$21,139,000 as at 31 October 2022 (30 April 2022: HK\$21,767,000). The Group was in a net cash position as at 31 October 2022. Its gearing ratio as determined by total borrowings and loans due to a non-controlling shareholder divided by total equity was 3.1% (30 April 2022: 3.2%).

Human Resources

The spread of the fifth wave of Covid-19 in Hong Kong was rapid, and the infections sparked a severe front-line manpower shortage. By making timely adjustments to manpower deployment at different stores and upgrading compensation packages with the aim of retaining experienced employees and attracting the right talent, the stores were able to maintain stable operations. Moreover, employee expenses as a percentage of revenue remained at a stable level for the Period.

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

The Group strongly believes that employees are its most valuable asset. Through their support, the Group has been able to grow and develop its business over the years. The Group will continue to invest in human resources by means of training and upgrading the existing workforce as well as by recruiting new talent. Such endeavors are in alignment with the Group's business development plans and support its mission of sustainable development and the securing of new market opportunities in the future. As at 31 October 2022, the Group had approximately 2,061 employees. Total staff costs for the Period were HK\$192,564,000 (2021/22: HK\$187,603,000).

Distribution Network

Established in 1991, the Group offers housewares, trend-based items, personal care, food and household FMCG through an extensive retail network comprising of over 380 stores in Hong Kong, Singapore, Macau, East Malaysia, Cambodia and Australia under renowned brands including JHC (日本城), Japan Home (日本の家), 123 by ELLA, \$SMART (多來買), City Life (生活提案) and Day Day Store (日記士多), as well as via the online platforms JHC eshop (日本城網購) and EasyBuy (易購點). Leveraging its extensive sourcing channels and portfolio of private label products, the Group provides a full range of items at competitive prices, creating a "one-stop" shopping experience for customers, and reinforcing its position as an omni-channel retail chain of general merchandise stores ("GMS").

With regard to store network development, the cumulative brand awareness that the Group has enjoyed over the past 30 years combined with the extensive and steadily growing retail network and large global supplier network have all contributed – and will continue to contribute, to steady business development. With the Government of the HKSAR stepping up its efforts to increase housing supply, the Group will continue to look for suitable locations to open new stores, particularly in newly developed residential districts and housing estates. The Group believes these initiatives will enable it to further strengthen its position in the market.

Management Discussion and Analysis *(Continued)*

The Group remains positive about its business prospects in the medium to long term. The Group's focus continues to be on Hong Kong, Singapore and Macau, and will open new stores in areas with high potential. The following table shows the number of stores that the Group directly manages and licenses worldwide:

	As at 31 October 2022	As at 31 October 2021	Net increase/ (decrease)
The Group's Directly Managed Stores			
Hong Kong	320	320	–
Singapore	46	49	(3)
Macau	9	8	1
The Group's Licensed Stores	6	8	(2)
Total	381	385	(4)

Operational Review by Business Nature

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

The retail segment continued to be the primary revenue driver of the Group during the Period. The Group has continued to increase the variety of product offerings to help capture additional market opportunities and expand its customer base. These endeavors contributed to retail revenue reaching HK\$1,365,174,000 (2021/22: HK\$1,305,512,000), which also included consignment sales commission income that accounted for 98.5% (2021/22: 99.3%) of the Group's total revenue for the Period.

The income from the wholesale, licensing and others together increased to HK\$21,491,000 for the Period (2021/22: HK8,789,000).

Operational Review by Geographical Locations

Operational Review – Hong Kong

Hong Kong remained the Group's key market, accounting for 88.5% (2021/22: 88.4%) of its total revenue.

Aside from proactively enlarging its product categories, the Group also reviewed its product mix to ensure it closely aligned with current trends. The Group increased the proportion of OEM products in order to capture additional market opportunities and expand its customer base. In addition, driven by the growth in overall comparable store sales and the increase in the average ticket size, the revenue from Hong Kong for the Period surged to HK\$1,227,140,000 (2021/22: HK\$1,161,893,000), representing an increase of 5.6%, while comparable store sales achieved satisfactory growth of 4.5% (2021/22: negative 4.2%).

Meanwhile, the Group has continued its endeavor to attract new customers by enhancing product offerings from global brand suppliers under the personal care, food and FMCG categories. At the same time, support from revenue drivers under the 123 by ELLA and Day Day Store (日記士多) brands in the Hong Kong market have provided the Group with more stable revenue sources.

Operational Review – Singapore

The Group remained committed to exploring different ways to broaden its revenue sources in the Singapore market. In addition to leveraging its self-operated e-shops and third-party operated e-platforms, the Group continues to focus on providing a wide variety of products. To constantly enrich its assortment of products, the Group utilizes its sourcing arms in Hong Kong, Taiwan, Guangzhou and Yiwu. As for enhancing cost efficiency, it achieves this by capitalizing on its warehouse facilities in China. Despite that there was a drop in number of stores to 46 at the end of the Period from 49 at the end of 2021/22, the revenue for the Period, as expressed in Singapore dollars ("SGD"), increased by 7.1% to SGD 24,036,000 (2021/22: SGD 22,441,000), while same-store sales grew by 13.8%.

Even though no further subsidies were provided by the Singapore Government since its adoption of a coexistence with COVID-19 approach during the Period, the Group is pleasing to note that its Singapore operation still achieved an improvement in results for the Period, after excluding subsidies that were available in the same period last year. Singapore remains a strategic market and the Group is hopeful that the market will sustain continuous growth in the future.

Management Discussion and Analysis *(Continued)*

Operational Review – Macau

The Group's operation in Macau continued to be profitable and achieved satisfactory results, with revenue of HK\$24,469,000 (2021/22: HK\$22,726,000) recorded for the Period.

Prospects

Faced with a variety of complexities and uncertainties, the Group was transformed into a more responsive and flexible entity that is able to adapt to unpredictable changes and armed with stronger fundamentals to consolidate and grow its business as planned. In this regard, the Group seeks to identify future business needs and meet these needs by continuing to develop, improve and expand the operational capabilities of its supply chain to support its sustainable development goals in the future. A new logistics and distribution center on the tenth floor of ATL Logistics Centre B in Kwai Chung, Hong Kong, has been leased and is scheduled to become operational in the first half of the year 2023. The center is targeted to become a central processing base for the Group's globally sourced merchandise, which will further enhance the efficiency of product distribution, with a focus on maintaining adequate inventory for various types of products to strengthen the advantages in centralized procurement.

As the market gradually returns to normal following the relaxation of COVID-19 social distancing measures and travel restrictions, the Group will continue to seek new opportunities across its business activities. To capitalize on these trends and opportunities, the Group has quickly shifted its focus to global sourcing of new products in different categories. Leveraging the favorable procurement costs for products sourced from global suppliers such as Japan and Korea due to the strong Hong Kong dollar, the Group has been actively enhancing its globally sourced product offerings by expanding its product portfolio and adding new categories in its product mix to ensure close alignment with current trends, which could have a positive impact on its gross margins going forward and lay a solid foundation for continuing development of its O2O strategy.

In addition to actively expanding its product categories, as part of its strategic growth initiative, the Group continues to seek to further drive sales and enhance its gross margins through a wider range of OEM products, including new private label product ranges across different categories in order to capture additional market opportunities and grow its customer base. The Group's focus has always been on market trends and has been more responsive to customers' needs and changing tastes, and it has continued to make this a priority in recent years. Going forward, the Group will further strive to increase the market penetration of its OEM brands and their contributions to its revenue and gross margin.

For the second consecutive year, the Group received the gold award in the Top 10 Quality E-Shops under the Quality E-Shop Recognition Scheme 2022, launched by the Hong Kong Retail Management Association. The award has prompted the Group to step up the upgrading of its e-platform with the goal of creating an integrated online-offline real-time inventory platform that provides customers with seamless access to its inventory through a "click & collect" model, allowing them to shop on the e-platform and then collect their items from a nearby store at any time. The Group will continue to invest in its ERP system and e-platform with the ultimate goal of achieving full integration of its online and offline operations. In addition, leveraging the strengths of its extensive physical store network, the Group will continue to explore different ways to broaden its revenue sources, including through collaboration with third-party e-commerce operators such as foodpanda mall and Yoho to increase its e-commerce presence and through seeking new income streams.

The Group has been able to maintain a stable, dedicated and reliable team of staff to support various functions. Like other retail operators, the Group has experienced a shortage of frontline manpower at its stores. To avoid any adverse impacts on its operations, the Group has been taking swift action to improve the benefits of its frontline staff. The Group will continue to invest in human resources by means of training and upgrading the existing workforce as well as automating processes, so as to enhance workplace productivity. Such efforts are in alignment with its business development plans which will support its mission of sustainable development and the securing of new market opportunities in the future.

Report on Review of Interim Financial Information



羅兵咸永道

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

Introduction

We have reviewed the interim financial information set out on pages 9 to 28, which comprises the condensed consolidated interim balance sheet of International Housewares Retail Company Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 31 October 2022 and the related condensed consolidated interim statement of comprehensive income, statement of changes in equity and cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 December 2022

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Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 31 October 2022

		Unaudited six months ended 31 October	
	Note	2022 HK\$'000	2021 HK\$'000
Revenue	6	1,386,665	1,314,301
Cost of sales		(739,712)	(697,885)
Gross profit		646,953	616,416
Other income	7	46,482	29,509
Other losses, net		(14,173)	(813)
Distribution and advertising expenses		(40,836)	(32,618)
Administrative and other operating expenses		(502,666)	(493,024)
Operating profit	8	135,760	119,470
Finance income		1,849	327
Finance costs		(8,114)	(8,704)
Profit before income tax		129,495	111,093
Income tax expense	9	(19,629)	(14,989)
Profit for the period		109,866	96,104
Other comprehensive (loss)/income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Currency translation differences		(4,057)	261
Total comprehensive income for the period		105,809	96,365
Profit for the period attributable to:			
Owners of the Company		110,350	95,141
Non-controlling interests		(484)	963
		109,866	96,104
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		106,407	95,472
Non-controlling interests		(598)	893
		105,809	96,365
Earnings per share attributable to owners of the Company (expressed in HK cents per share)	10		
Basic earnings per share		15.37	13.26
Diluted earnings per share		15.27	13.19

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

Condensed Consolidated Interim Balance Sheet

As at 31 October 2022

	Note	Unaudited 31 October 2022 HK\$'000	Audited 30 April 2022 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment	12	185,546	186,752
Right-of-use assets	13	453,012	494,706
Investment properties	12	33,164	36,622
Intangible assets	12	30,477	32,702
Deferred income tax assets		5,969	6,021
Financial assets at fair value through profit or loss	5.2	9,989	23,310
Deposits	14	52,185	60,185
		770,342	840,298
Current assets			
Inventories		372,500	375,294
Trade and other receivables, prepayments and deposits	14	123,556	105,441
Current income tax recoverable		15	804
Cash and cash equivalents		468,846	416,923
		964,917	898,462
Total assets		1,735,259	1,738,760
Equity			
Capital and reserve attributable to owners of the Company			
Share capital and share premium	15	589,517	587,483
Reserves		323,415	301,220
		912,932	888,703
Non-controlling interests		5,554	6,152
Total equity		918,486	894,855
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		811	609
Provision for reinstatement costs		4,525	4,194
Lease liabilities	13	193,041	226,683
		198,377	231,486
Current liabilities			
Trade and other payables	17	233,044	231,623
Contract liabilities	17	15,622	20,786
Loans due to a non-controlling shareholder of a subsidiary		6,969	6,873
Borrowings	18	21,139	21,767
Lease liabilities	13	273,369	281,446
Current income tax liabilities		68,253	49,924
		618,396	612,419
Total liabilities		816,773	843,905
Total equity and liabilities		1,735,259	1,738,760

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

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 31 October 2022

		Unaudited				
		Attributable to owners of the Company				
	Note	Share capital and share premium HK\$'000	Reserves HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total Equity HK\$'000
At 1 May 2022						
Comprehensive income:						
Profit for the period		–	110,350	110,350	(484)	109,866
Other comprehensive loss:						
Currency translation differences		–	(3,943)	(3,943)	(114)	(4,057)
Total comprehensive income/(loss) for the period		–	106,407	106,407	(598)	105,809
Transactions with owners:						
Employee share option and share award scheme:						
– value of employee services	16	–	1,949	1,949	–	1,949
– exercise of share options	15	2,034	–	2,034	–	2,034
Dividends	11	–	(86,161)	(86,161)	–	(86,161)
Total transactions with owners		2,034	(84,212)	(82,178)	–	(82,178)
At 31 October 2022						
At 1 May 2021						
Comprehensive income:						
Profit for the period		–	95,141	95,141	963	96,104
Other comprehensive income:						
Currency translation differences		–	331	331	(70)	261
Total comprehensive income for the period		–	95,472	95,472	893	96,365
Transactions with owners:						
Employee share option and share award scheme:						
– value of employee services	16	–	1,282	1,282	–	1,282
– exercise of share options	15	386	–	386	–	386
– vesting of share awards		–	3,489	3,489	–	3,489
Purchase of treasury shares		–	(3,250)	(3,250)	–	(3,250)
Dividends		–	(109,038)	(109,038)	–	(109,038)
Total transactions with owners		386	(107,517)	(107,131)	–	(107,131)
At 31 October 2021						

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

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 31 October 2022

	Unaudited six months ended 31 October	
	2022	2021
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from operations	311,138	325,028
Income tax paid	(257)	(1,855)
Net cash generated from operating activities	310,881	323,173
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,942)	(16,215)
Proceeds from disposal of property, plant and equipment	400	–
Purchase of financial assets at fair value through profit or loss	–	(23,310)
Prepayment for purchase of property, plant and equipment	–	(344)
Prepayment for purchase of intangible assets	–	(1,296)
Interest received	1,849	327
Net cash used in investing activities	(12,693)	(40,838)
Cash flows from financing activities		
Repayments of lease liabilities	(160,124)	(174,683)
Proceeds from exercise of share options	2,034	386
Proceeds from vesting of share awards	–	3,489
Purchase of treasury shares	–	(3,250)
(Repayments of)/proceeds from trust receipt loans	(609)	3,353
Interest paid	(190)	(149)
Dividend paid	(86,161)	(109,038)
Net cash used in financing activities	(245,050)	(279,892)
Net increase in cash and cash equivalents	53,138	2,443
Cash and cash equivalents at beginning of the period	416,923	428,459
Currency translation differences	(1,215)	(352)
Cash and cash equivalents at end of the period	468,846	430,550
Analysis of balances of cash and cash equivalents:		
Cash at banks and on hand	245,966	243,859
Short-term bank deposits with original maturity within three months	222,880	186,691
	468,846	430,550

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

Notes to the Condensed Consolidated Interim Financial Information

1 General information

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

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

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

This condensed consolidated interim financial information is presented in HK dollars (“HK\$”) and rounded to the nearest thousand HK\$ (“HK\$’000”), unless otherwise stated. This interim financial information has been approved for issue by the Board of Directors on 21 December 2022.

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

2 Basis of presentation

The condensed consolidated interim financial information for the six months ended 31 October 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30 April 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3 Principal accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 April 2022, as described in those annual financial statements.

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

(a) Amended standards and accounting guideline adopted by the Group

The Group has applied the following amended standards and accounting guideline for the first time for the current reporting period beginning 1 May 2022:

HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKAS 16 (Amendments)	Property, Plant and Equipment - Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41 (Amendments)	Annual Improvements to HKFRS Standards 2018 to 2020
Accounting Guideline 5 (Amendments)	Merger Accounting for Common Control Combinations

The adoption of these amended standards and accounting guideline did not have significant impact on the amounts recognised in prior or current periods.

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

3 Principal accounting policies *(Continued)*

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

The following new and amended standards and interpretation that are not effective for periods commencing on or after 1 May 2022 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17 (Amendments)	Initial Application of HKFRS 17 and HKFRS 9 - Comparative Information	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Asset and Liabilities arising from a Single Transaction	1 January 2023
HK Interpretation 5 (2020)	Presentation of Financial Statement - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

4 Estimates

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 30 April 2022.

5 Financial risk management

5.1 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 April 2022. There have been no significant changes in the risk management policies since the year end.

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

5 Financial risk management *(Continued)*

5.2 Fair value estimation

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

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

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

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

The following table presents the Group's financial assets that are measured at fair value at 31 October 2022 and 30 April 2022.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 October 2022				
Assets				
Financial assets at fair value through profit or loss				
– Listed equity shares (Note)	9,989	–	–	9,989
At 30 April 2022				
Assets				
Financial assets at fair value through profit or loss				
– Unlisted preferred shares (Note)	–	–	23,310	23,310

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

Note:

On 20 May 2021, Japan Home Centre (Management) Limited, an indirect wholly owned subsidiary of the Company, entered into a subscription agreement with Yoho Group Holdings Limited (“Yoho Group”), a company incorporated in Cayman Islands. Pursuant to the subscription agreement, Yoho Group issued and allotted 5,465,854 Series A Preferred Shares to Japan Home Centre (Management) Limited on 21 May 2021, representing approximately 2.77% of the issued share capital of Yoho Group at a total consideration of US\$3.0 million (approximately HK\$23,310,000). The Group classifies unlisted preferred shares as financial asset at fair value through profit or loss.

On 10 June 2022, Yoho Group has successfully listed on Main Board of The Stock Exchange of Hong Kong. Pursuant to the subscription agreement, all Series A Preferred Shares will be automatically converted into ordinary shares upon listing on the Main Board of The Stock Exchange of Hong Kong Limited. Upon listing of Yoho Group, unlisted preferred shares automatically converted into 12,332,564 ordinary shares of Yoho Group and the fair value measurement was transferred from level 3 to level 1.

As at 31 October 2022, the financial asset was denominated in HK\$ (30 April 2022: United States Dollar).

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

5 Financial risk management *(Continued)*

5.2 Fair value estimation *(Continued)*

The following table presents the change in level 3 item for the six months ended 31 October 2022 and 2021.

Fair value measurements using significant unobservable inputs (level 3)

	Unlisted preferred shares HK\$'000
Six months ended 31 October 2022	
As at 1 May 2022	23,310
Transfers to level 1	(25,898)
Fair value changes recognised in condensed consolidated interim statement of comprehensive income	2,588
As at 31 October 2022	–
Six months ended 31 October 2021	
As at 1 May 2021	–
Acquisitions	23,310
Fair value changes recognised in condensed consolidated interim statement of comprehensive income	–
As at 31 October 2021	23,310

6 Segment information

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

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

(i) Retail - Hong Kong and Macau*

Retail - Singapore*

(ii) Wholesales, licencing and others

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

* Including consignment sales commission income.

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

6 Segment information *(Continued)*

The segment information provided to the executive directors for the reportable segments for the six months ended 31 October 2022 is as follows:

	Retail		Wholesales, licencing and others	Total
	Hong Kong and Macau HK\$'000	Singapore HK\$'000	HK\$'000	HK\$'000
Segment revenue (all from external customers)	1,230,118	135,056	21,491	1,386,665
Cost of sales	(647,318)	(78,331)	(14,063)	(739,712)
Segment results	582,800	56,725	7,428	646,953
Gross profit%**	47.38%	42.00%	34.56%	46.66%
Other income				46,482
Other losses, net				(14,173)
Distribution and advertising expenses				(40,836)
Administrative and other operating expenses				(502,666)
Operating profit				135,760
Finance income				1,849
Finance costs				(8,114)
Profit before income tax				129,495
Income tax expense				(19,629)
Profit for the period				109,866

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

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

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

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the six months ended 31 October 2022 and 2021. The accounting policies of the reportable segments are the same as the Group's accounting policies.

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

6 Segment information *(Continued)*

The retail sales include sales of goods of HK\$1,385,569,000 (2021/22: HK\$1,303,353,000), revenue arising from customer loyalty programme of HK\$650,000 (2021/22: HK\$1,348,000) and consignment sales commission of HK\$446,000 (2021/22: HK\$811,000).

The revenue from the Group's largest customer accounted for less than 10% of the Group's total revenue for the six months ended 31 October 2022 and 2021.

All of the Group's revenues are recognised at a point in time for the six months ended 31 October 2022 and 2021.

The following tables present segment assets and liabilities as at 31 October 2022 and 30 April 2022 respectively:

	As at 31 October 2022			Total HK\$'000
	Retail Hong Kong and Macau HK\$'000	Singapore HK\$'000	Wholesales, licencing and others HK\$'000	
Segment assets	1,061,218	151,596	4,462	1,217,276
Segment liabilities	645,343	88,369	7,028	740,740

	As at 30 April 2022			Total HK\$'000
	Retail Hong Kong and Macau HK\$'000	Singapore HK\$'000	Wholesales, licencing and others HK\$'000	
Segment assets	1,088,313	161,237	5,530	1,255,080
Segment liabilities	680,364	99,738	6,397	786,499

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

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

	As at	
	31 October 2022 HK\$'000	30 April 2022 HK\$'000
Segment assets	1,217,276	1,255,080
Investment properties	33,164	36,622
Financial asset at fair value through profit or loss	9,989	23,310
Deferred income tax assets	5,969	6,021
Current income tax recoverable	15	804
Cash and cash equivalents	468,846	416,923
Total assets	1,735,259	1,738,760

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

6 Segment information *(Continued)*

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

	As at	
	31 October 2022 HK\$'000	30 April 2022 HK\$'000
Segment liabilities	740,740	786,499
Deferred income tax liabilities	811	609
Loans due to non-controlling shareholders of a subsidiary	6,969	6,873
Current income tax liabilities	68,253	49,924
Total liabilities	816,773	843,905

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

	Six months ended	
	31 October 2022 HK\$'000	2021 HK\$'000
Hong Kong	1,227,140	1,161,893
Singapore	135,056	129,682
Macau	24,469	22,726
	1,386,665	1,314,301

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

	As at	
	31 October 2022 HK\$'000	30 April 2022 HK\$'000
Hong Kong	559,236	603,890
Mainland China	41,852	46,610
Singapore	74,366	87,588
Macau	58,442	63,487
	733,896	801,575

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

7 Other income

	Six months ended	
	31 October	
	2022	2021
	HK\$'000	HK\$'000
Advertising and promotion income	4,585	7,248
Sub-leasing rental income	287	194
Government grant (Note)	32,681	11,609
Rent concessions	8,872	10,194
Sundry income	57	264
	46,482	29,509

Note:

This primarily represented government subsidies in relation to the COVID-19 pandemic which included subsidies of approximately HK\$31,937,000 received under the Employment Support Scheme of the Government of the Hong Kong Special Administrative Region and other subsidies of approximately HK\$540,000 received under the Progressive Wage Credit Scheme of the Government of Singapore (2021/22: subsidies of approximately HK\$4,292,000 received under the Job Support Scheme of the Government of Singapore)

8 Operating profit

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

	Six months ended	
	31 October	
	2022	2021
	HK\$'000	HK\$'000
Employee benefit expenses (including directors' emoluments)	192,564	187,603
Short-term lease expense	44,752	28,493
Depreciation of property, plant and equipment	14,800	14,999
Depreciation of right-of-use assets	160,897	173,464
Amortisation of intangible assets	1,864	1,820
Write down of inventories	1,165	1,732
Loss on disposal of property, plant and equipment	852	842
Fair value loss on financial assets at fair value through profit or loss	13,321	–
Net exchange loss	1,492	1,872

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

9 Income tax expense

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

	Six months ended 31 October	
	2022	2021
	HK\$'000	HK\$'000
Hong Kong profits tax		
– Current year	19,119	17,623
Overseas taxation		
– Current year	256	330
	19,375	17,953
Deferred income tax	254	(2,964)
Income tax expense	19,629	14,989

10 Earnings per share

(a) Basic

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

	Six months ended 31 October	
	2022	2021
Profit attributable to owners of the Company (HK\$'000)	110,350	95,141
Weighted average number of shares in issue ('000)	718,125	717,478
Basic earnings per share (HK cents per share)	15.37	13.26

(b) Diluted

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

	Six months ended 31 October	
	2022	2021
Profit attributable to owners of the Company (HK\$'000)	110,350	95,141
Weighted average number of shares for diluted earnings per share ('000)	722,423	721,432
Diluted earnings per share (HK cents per share)	15.27	13.19

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

11 Dividends

In the current period, a final dividend totaling HK\$86,161,000 in relation to the year ended 30 April 2022 was declared and paid.

On 21 December 2022, the Board resolved to declare an interim dividend of 12.0 HK cents (2021/22: interim dividend of 10.5 HK cents and a special dividend of 4.2 HK cents) per share, totaling HK\$86,380,000 (2021/22: HK\$105,623,000). The proposed dividend has not been recognised as a liability in this interim financial information but will be reflected as an appropriation of retained profits for the year ending 30 April 2023.

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

	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Intangible Assets			Sub Total HK\$'000	Total HK\$'000
			Trademark HK\$'000	Goodwill HK\$'000	Computer software HK\$'000		
Six months ended 31 October 2022							
Net book value							
As at 1 May 2022	186,752	36,622	18,472	5,931	8,299	32,702	256,076
Additions	15,737	–	–	–	–	–	15,737
Disposals	(1,252)	–	–	–	–	–	(1,252)
Depreciation and amortisation	(14,800)	–	(308)	–	(1,556)	(1,864)	(16,664)
Exchange difference	(891)	(3,458)	(361)	–	–	(361)	(4,710)
As at 31 October 2022	185,546	33,164	17,803	5,931	6,743	30,477	249,187
Six months ended 31 October 2021							
Net book value							
As at 1 May 2021	191,208	40,567	19,602	5,931	9,897	35,430	267,205
Additions	16,418	–	–	–	–	–	16,418
Disposals	(842)	–	–	–	–	–	(842)
Depreciation and amortisation	(14,999)	–	(316)	–	(1,504)	(1,820)	(16,819)
Exchange difference	(24)	559	(219)	–	–	(219)	316
As at 31 October 2021	191,761	41,126	19,067	5,931	8,393	33,391	266,278

The Group's investment properties were revaluated at 30 April 2022. No valuation was performed during the period as there was no indication of significant changes in the values since previous annual reporting date.

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

13 Leases

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

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

(i) Right-of-use assets

	As at	
	31 October 2022 HK\$'000	30 April 2022 HK\$'000
Properties	450,143	491,485
Land use rights	2,869	3,221
	<u>453,012</u>	<u>494,706</u>

Additions to the right-of-use assets during the period were approximately HK\$120,896,000 (For the year ended 30 April 2022: HK\$332,706,000).

(ii) Lease liabilities

	As at	
	31 October 2022 HK\$'000	30 April 2022 HK\$'000
Non-current	193,041	226,683
Current	273,369	281,446
	<u>466,410</u>	<u>508,129</u>

During the six months ended 31 October 2022 and 2021, the Group received COVID-19-related rent concessions from landlords for certain leased properties which have been accounted for as negative variable lease payments and recognised in other income (Note 7) under the amendments to HKFRS 16.

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

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

	Six months ended	
	31 October 2022 HK\$'000	2021 HK\$'000
Depreciation of right-of-use assets (Note 8)		
– Properties	160,846	173,318
– Vehicles	–	93
– Land use rights	51	53
Interest on lease liabilities	7,828	8,459
Expense relating to short-term leases (Note 8)	44,752	28,493
Gain on lease modification	–	29

The total cash outflow for leases for the six months ended 31 October 2022 was HK\$204,876,000 (2021/22: HK\$203,176,000).

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

13 Leases *(Continued)*

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

As a lessee

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

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

(d) Extension and termination options

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

(e) Leases not yet commenced to which the lease is committed

At 31 October 2022, the payments for leases that the Group has committed to but not commenced amounted to approximately HK\$106,728,000 (2021/22: Nil). This amount has not been included in calculating the lease liabilities as at 31 October 2022.

14 Trade and other receivables, prepayments and deposits

	As at	
	31 October 2022	30 April 2022
	HK\$'000	HK\$'000
Trade receivables, net	12,392	13,888
Prepayments	24,621	18,813
Deposits and other receivables	138,728	132,925
	<u>175,741</u>	<u>165,626</u>
Less: non-current portion		
Deposits	(52,185)	(60,185)
Current portion	<u>123,556</u>	<u>105,441</u>

The Group conducts sales to customers on a cash-on-delivery basis for retail sales. The balance at period end represents credit card receivables and receivables from wholesales customers. At 31 October 2022 and 30 April 2022, the ageing analysis of trade receivables based on invoice date is as follows:

	As at	
	31 October 2022	30 April 2022
	HK\$'000	HK\$'000
Up to 3 months	12,392	13,884
3 to 6 months	–	4
	<u>12,392</u>	<u>13,888</u>
Less: provision for impairment of trade receivables	–	–
	<u>12,392</u>	<u>13,888</u>

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

15 Share capital and share premium

	Number of shares (thousands)	Share capital HK\$'000	Share premium HK\$'000	Total HK\$'000
As at 1 May 2022	722,969	72,297	515,186	587,483
Issue of shares (Note a)	1,054	105	1,929	2,034
As at 31 October 2022	724,023	72,402	517,115	589,517
As at 1 May 2021	722,649	72,265	514,601	586,866
Issue of shares (Note a)	200	20	366	386
As at 31 October 2021	722,849	72,285	514,967	587,252

Note:

- (a) During the six months ended 31 October 2022, 1,054,000 shares were issued and allotted upon the exercise of options by the options holders (2021/22: 200,000).

16 Share award scheme

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

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

During the six months ended 31 October 2022, 965,000 shares were granted to selected participants pursuant to the Share Award Scheme (2021/22: 9,214,000) which include 235,000 shares granted which require the holders to pay HK\$1.68 for each share upon the share awards vested (2021/22: 8,426,000 shares). As at 31 October 2022, 8,161,000 shares which require the holders to pay HK\$1.68 were outstanding (30 April 2022: 8,426,000 shares). The trustee of the Share Award Scheme had purchased 1,195,000 shares of the Company on the Stock Exchange during the six months ended 31 October 2021. The total amount paid to acquire the shares was HK\$3,250,000 and had been deducted from shareholders' equity. 763,000 treasury shares were distributed to the participants whose share awards have been vested during the six months ended 31 October 2022 (2021/22: 4,333,000). Treasury shares held uncancelled are accounted for as a deduction of shareholders' equity. As at 31 October 2022, 4,194,000 treasury shares were held by the Group (30 April 2022: 4,957,000 treasury shares).

For the six months ended 31 October 2022, total expense recognised in the condensed consolidated interim statement of comprehensive income for Share Award Scheme is approximately HK\$1,949,000 (2021/22: HK\$1,282,000).

No shares of the Company have been purchased by the trustee of the Share Award Scheme on the Stock Exchange during the six months ended 31 October 2022.

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

16 Share award scheme *(Continued)*

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

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

Note:

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

17 Trade and other payables and contract liabilities

	As at	
	31 October 2022 HK\$'000	30 April 2022 HK\$'000
Trade and other payables		
Trade payables	183,524	176,111
Other payables and accruals	40,388	47,606
Deposits received	1,147	11
Provision for employee benefits	7,985	7,895
	233,044	231,623
Contract liabilities		
Receipts in advance and cash coupons	12,200	17,350
Deferred revenue arising from customer loyalty programs	3,422	3,436
	15,622	20,786

- (a) The carrying values of trade and other payables approximate their fair values as at 31 October 2022 and 30 April 2022.

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

	As at	
	31 October 2022 HK\$'000	30 April 2022 HK\$'000
0-30 days	130,285	115,272
31-60 days	39,530	35,593
61-90 days	11,750	14,540
91-120 days	1,959	10,706
	183,524	176,111

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

18 Borrowings

	As at	
	31 October 2022 HK\$'000	30 April 2022 HK\$'000
Current		
Trust receipt loans, secured and contain a repayment on demand clause	21,139	21,767

Interest expense on borrowings for the six months ended 31 October 2022 is approximately HK\$190,000 (2021/22: HK\$149,000).

The Group has the following undrawn banking facilities:

	As at	
	31 October 2022 HK\$'000	30 April 2022 HK\$'000
Floating rates		
– expiring within one year	271,212	223,997

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

19 Contingent liabilities

The Group's banks have given guarantees in lieu of deposits of approximately HK\$21,105,000 as at 31 October 2022 (30 April 2022: HK\$21,143,000) to the Group's landlords and utility providers. These guarantees are counter indemnified by corporate guarantees and pledged deposits provided by certain subsidiaries.

20 Significant related party transactions

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

(a) Sales of goods and services

		Six months ended	
		31 October	
		2022	2021
	Note	HK\$'000	HK\$'000
Management fee income:			
– JHC (Investment) Limited	(i)	10	–
– Mulan's Garden (HK) Limited	(i)	20	–
– Hong Sing Investment Limited	(i)	10	–

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

20 Significant related party transactions *(Continued)*

(b) Purchase of goods and services

	Note	Six months ended 31 October	
		2022 HK\$'000	2021 HK\$'000
(i) Short-term lease expenses in respect of certain premises to related companies:			
– Mulan's Garden (HK) Limited	(ii)	2,730	2,231
– JHC (Investment) Limited	(ii)	1,332	871
– Hong Sing Investment Limited	(ii)	9,817	8,965
– Charm Rainbow Limited	(ii)	972	972
– Beauty Delight Limited	(ii)	750	750
– Hugo Grand Limited	(ii)	3,226	3,130
(ii) Purchase of goods from a related company			
– Radha Exports Pte. Limited	(i)	35,837	31,903
(iii) Interest expense to a non-controlling interest of a subsidiary			
– Union Way Trading Limited	(i)	96	96
(iv) Lease payments made in respect of certain premises to related companies:			
– Mulan's Garden (HK) Limited	(iii)	–	450
– JHC (Investment) Limited	(iii)	–	563
– Hong Sing Investment Limited	(iii)	–	420

Notes:

- (i) Management fee income, purchase of goods and interest expense were charged based on terms mutually agreed between the relevant parties.
- (ii) Short-term lease expenses were charged based on terms mutually agreed between the relevant parties.
- (iii) Before 1 May 2019, the Group has entered into certain operating lease agreements with certain related parties on terms mutually agreed between the relevant parties. The lease payments were made to these related companies under these agreements.

(c) Key management compensation

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

	Six months ended 31 October	
	2022 HK\$'000	2021 HK\$'000
Short-term employee benefits	7,388	7,111
Post-employment benefits - defined contribution plans	60	63
Other long-term benefits	718	405
	8,166	7,579

Other Information

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

As at 31 October 2022, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name and Category	Capacity/ Nature of Interest	Number of shares of the Company	Number of underlying shares of the Company – Share Option (Note 3)	Number of underlying shares of the Company – Share Award (Note 5)	Total interest (Note 1)	Approximate percentage of shareholding as at 31 October 2022*
Directors						
Mr. Lau Pak Fai Peter	Interest in a controlled corporation	324,000,000 (Note 2)	–	–	350,570,000	48.42%
	Personal interest	26,570,000	–	–		
Ms. Ngai Lai Ha	Interest in a controlled corporation	324,000,000 (Note 4)	–	800,000	362,702,000	50.10%
	Personal interest	37,902,000	–	–		
Mr. Cheng Sing Yuk	Personal interest	1,466,000	440,000	542,000	2,448,000	0.34%
Mr. Mang Wing Ming Rene	Personal interest	424,000	–	–	424,000	0.06%

* The percentage was calculated based on 724,023,000 shares in issue as at 31 October 2022.

Notes:

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

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 31 October 2022, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information *(Continued)*

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 31 October 2022, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity/Nature of Interest	Number of shares of the Company (Note 1)	Approximate percentage of shareholding as at 31 October 2022*
Hiluleka Limited	Beneficial owner	324,000,000 (Note 2)	44.75%
Webb David Michael	Beneficial owner/Interest of corporation controlled by the substantial shareholder	50,603,000	7.00%

* The percentage was calculated based on 724,023,000 shares in issue as at 31 October 2022.

Notes:

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

Save as disclosed above, as at 31 October 2022, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Other Information *(Continued)*

Share Option Scheme

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

The total number of Shares, which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the total number of shares in issue on the day on which trading of the shares commenced on the Stock Exchange, which is 72,000,000 Shares, unless the Company obtains a fresh approval from its shareholders. The options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating such 10% limit. At the date of this report, the total number of shares available for issue under the Share Option Scheme is 65,325,125 shares, representing approximately 9.0% of the Company’s issued share capital as at the same date.

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

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

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

Other Information *(Continued)*

Details of Options Granted by the Company

As at 31 October 2022, options to subscribe for an aggregate of 500,000 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 2)			
				At 1 May 2022	(Exercised)/ granted during the Period	Forfeited during the Period	At 31 October 2022
Directors							
Mr. Lau Pak Fai Peter (Note 1)	12/11/2014	1.93	31/10/2015 to 11/11/2022 (Notes 3(i),(iv),(v)&(vi))	350,000	(350,000)	-	-
Sub-total				350,000	(350,000)	-	-
Mr. Cheng Sing Yuk	12/11/2014 21/01/2016	1.93 1.08	31/10/2015 to 11/11/2022 (Notes 3(ii),(iv),(v)&(vi)) 31/10/2016 to 20/01/2024 (Notes 4(i),(iii)&(iv))	220,000 220,000	- -	- -	220,000 220,000
Sub-total				440,000	-	-	440,000
Employees – In aggregate							
	12/11/2014 21/01/2016	1.93 1.08	31/10/2015 to 11/11/2022 (Notes 3(iii),(v)&(vi)) 31/10/2016 to 20/01/2024 (Notes 4(ii)&(iv))	780,000 60,000	(704,000) -	(76,000) -	- 60,000
Sub-total				840,000	(704,000)	(76,000)	60,000
Total				1,630,000	(1,054,000)	(76,000)	500,000

Notes:

1. Mr. Lau Pak Fai Peter is one of substantial shareholders of the Company.
2. No option granted under the Share Option Scheme during the Period.
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 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.
 - (iv) Out of the total 2,660,000 share options granted, 1,020,000 share options were granted to the Directors. The grant of the share options to the Directors was approved by all the independent non-executive Directors, and the Independent non-executive Director has abstained from voting on the resolution in respect of the grant of options to himself.
 - (v) Closing price of the shares of the Company immediately before the date on which the options were granted was HK\$1.89 per share.
 - (vi) The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK\$2.65 per share. 1,054,000 ordinary shares for options exercised are issued at the exercise price for cash of HK\$2,034,220, which was used as general working capital of the Group.

Other Information *(Continued)*

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

Other Information *(Continued)*

Share Award Scheme

The Share Award Scheme was adopted by the Board on 24 July 2015 (the “Adoption Date” and the “Share Award Scheme” respectively) to recognise the contributions by the Group’s employees (including without limitation any Director) and to provide them with incentives in order to retain them for their continual operation and development of the Group; and to attract suitable personnel for further development of the Group. Subject to any early termination as may be determined by the Board pursuant to the rules and trust deed of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date. The nominal value of the shares of the Company to be awarded under the Share Award Scheme throughout its duration is limited to 5% of the issued share capital of the Company from time to time. The maximum number of shares of the Company which may be granted to selected employee under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time. Details of which have been set out in the Company’s announcement dated 24 July 2015. The number of shares that are available for grant under the share award scheme at the beginning and the end of the Period were 23,807,450 and 23,097,150 shares respectively. The number of share awards granted divided by the weighted average number of issued shares during the Period was approximate 0.3%. Details of their fair value at the time of grant and the accounting policy adopted are set out in note 16 to the condensed consolidated interim financial information. The weighted average closing price of the shares immediately before the date on which the share awards were granted was HK\$2.86 per share.

The following table discloses movements of the awarded shares of the Company held by the Company’s Director or employees during the Period:

Name and Category of participants	Date of grant	Vesting period	Number of awarded shares				
			Unvested as at 1 May 2022	Granted during the Period	Forfeited during the Period	Vested during the Period	Unvested as at 31 October 2022
Directors							
Ms. NGAI Lai Ha	20/08/2022	16/10/2024 to 31/10/2024	-	800,000	-	-	800,000
Sub-total			-	800,000	-	-	800,000
Mr. CHENG Sing Yuk							
	20/10/2020	08/10/2021 to 08/10/2022	51,000	-	-	(51,000)	-
	06/10/2021	06/10/2022 to 06/10/2023	85,000	-	-	(43,000)	42,000
	20/08/2022	16/10/2024 to 31/10/2024	-	500,000	-	-	500,000
Sub-total			136,000	500,000	-	(94,000)	542,000
Employees – In aggregate							
	22/09/2020	31/10/2021 to 31/10/2022	65,000	-	-	(65,000)	-
	08/10/2020	08/10/2021 to 08/10/2022	372,000	-	(12,000)	(360,000)	-
	06/10/2021	06/10/2022 to 06/10/2023	703,000	-	-	(244,000)	459,000
	20/10/2021	16/10/2024 to 31/10/2024	7,126,000	-	-	-	7,126,000
	24/10/2022	24/10/2023 to 07/11/2024	-	645,000	-	-	645,000
	24/10/2022	16/10/2024 to 31/10/2024	-	235,000	-	-	235,000
Sub-total			8,266,000	880,000	(12,000)	(669,000)	8,465,000
Total			8,402,000	2,180,000	(12,000)	(763,000)	9,807,000

Other Information *(Continued)*

Compliance with Corporate Governance Code

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

The Board is of the view that the Company has met the code provisions set out in the CG Code, except for the separation of the roles of Chairman and Chief Executive Officer as stipulated in the code provision C.2.1 of the CG Code. Currently, Ms. Ngai Lai Ha is both the Chairman and the Chief Executive Officer of the Company. As Ms. Ngai is one of the founders of the Group, the Board believes that it is in the best interest of the Group to have Ms. Ngai taking up both roles for continuous effective management of the Board and the business development of the Group.

Review of Financial Statements

The audit committee of the Company (the “Audit Committee”) comprises three independent non-executive Directors with written terms of reference in accordance with the requirements of the Listing Rules, and reports to the Board. The Audit Committee has reviewed and discussed with the management the unaudited interim results of the Group for the Period. In addition, PricewaterhouseCoopers as the Company’s auditor has reviewed the unaudited interim results of the Group for the Period in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

Compliance with the Model Code for Securities Transactions

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

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s securities during the Period.

Interim Dividend

The Board has resolved to declare an interim dividend of 12.0 HK cents (2021/22: an interim dividend of 10.5 HK cents and a special dividend of 4.2 HK cents) per share, representing a total payout of approximately HK\$86,380,000 (2021/22: approximately HK\$105,600,000). Shareholders whose names appear on the register of members of the Company on Friday, 13 January 2023 will be entitled to the interim dividend which will be paid on or around Tuesday, 31 January 2023.

Other Information *(Continued)*

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 10 January 2023 to Friday, 13 January 2023, (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for an interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 9 January 2023.

Appreciation

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

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

Hong Kong, 21 December 2022