

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

International Housewares Retail Company Limited

國際家居零售有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1373)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2020

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 2020 (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 2019 (“**2019/20**”).

FINANCIAL HIGHLIGHTS

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

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

International Housewares Retail Company Limited and its subsidiaries achieved satisfactory financial results with record-breaking revenue and a solid financial position for the six months ended 31 October 2020. The Group continued to solidify its position as a leading houseware retail chain with a total of 385 stores worldwide.

Financial Performance

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

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

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

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

Liquidity and Financial Resources

In order to meet the challenges brought about by the pandemic, we continued to maintain a strong liquidity and cash flow position which is of paramount importance for our future development; particularly under such uncertain economic times. As at 31 October 2020, the Group had cash and cash equivalents amounting to HK\$528,105,000 (30 April 2020: HK\$362,737,000). Most of the Group’s cash and bank deposits were denominated in Hong Kong dollars, and were deposited with major banks in Hong Kong with maturity dates falling within three months.

Including in finance costs for the Period is interest on lease liabilities of HK\$9,782,000 (2019/20: HK\$10,863,000) arising from the adoption of a new accounting standard HKFRS16 “Leases” in last year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Liquidity and Financial Resources (Continued)

It is the Group's treasury management policy not to engage in any highly leveraged or speculative derivative products and it will continue to place the majority of its surplus cash in Hong Kong dollar bank deposits with appropriate maturity periods to meet funding requirements in the future. The current ratio for the Group was 1.5 (30 April 2020: 1.4). Borrowings amounted to HK\$33,303,000 as at 31 October 2020 (30 April 2020: HK\$22,617,000). The Group was in net cash position as at 31 October 2020. Its gearing ratio as determined by total borrowings and loans from non-controlling shareholders divided by total equity was 4.6% (30 April 2020: 3.3%).

Operating Efficiencies

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Distribution Network

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

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

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

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

Human Resources

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

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

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

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Operational Review by Business Nature

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

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

Operational Review by Geographical Locations

Operation Review – Hong Kong

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

Operation Review – Singapore

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

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

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Operation Review – Macau

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

Note:

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

Prospects

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

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

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

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

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

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

Hong Kong has remained the key market for the Group and the Group intends to continue to focus on this geographic market in the future. The Group expects that "JHC" will continue to maintain its leading position in Hong Kong; 123 by ELLA and \$MART will continue to expand, and our e-platform will become growing engines in the years to come. Going forward, despite the weak retail environment, the Group sees opportunities and potential for its growth and expansion. Many of the products the Group offers are affordable household necessities with a steady demand without significant fluctuation regardless of changes in overall market conditions.

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 OCTOBER 2020**

		Unaudited six months ended 31 October	
	Note	2020 HK\$'000	2019 HK\$'000
Revenue	4	1,321,494	1,161,704
Cost of sales		(723,509)	(618,884)
Gross profit		597,985	542,820
Other income		99,446	13,437
Other losses, net		(232)	(417)
Distribution and advertising expenses		(30,484)	(29,087)
Administrative and other operating expenses		(466,810)	(459,665)
Operating profit	5	199,905	67,088
Finance income		2,314	2,844
Finance costs		(10,087)	(11,295)
Profit before income tax		192,132	58,637
Income tax expense	6	(20,565)	(9,705)
Profit for the period		171,567	48,932
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences		2,374	(1,480)
Total comprehensive income for the period		173,941	47,452
Profit for the period attributable to:			
Owners of the Company		169,385	48,135
Non-controlling interests		2,182	797
		171,567	48,932
Total comprehensive income for the period attributable to:			
Owners of the Company		171,673	46,673
Non-controlling interests		2,268	779
		173,941	47,452
Earnings per share attributable to owners of the Company (expressed in HK cents per share)	7		
Basic earnings per share		23.70	6.74
Diluted earnings per share		23.56	6.69

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 31 OCTOBER 2020

	Note	Unaudited 31 October 2020 HK\$'000	Audited 30 April 2020 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		145,552	137,632
Right-of-use assets		443,045	476,943
Investment properties		36,073	34,176
Intangible assets		34,265	35,803
Deferred income tax assets		5,568	5,467
Non-current prepayments and deposits	8	51,629	61,220
		<u>716,132</u>	<u>751,241</u>
Current assets			
Inventories		312,501	335,899
Trade and other receivables	8	108,989	90,079
Bank deposits with initial terms of over three months		392	388
Cash and cash equivalents		528,105	362,737
		<u>949,987</u>	<u>789,103</u>
Total assets		<u><u>1,666,119</u></u>	<u><u>1,540,344</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		586,634	585,750
Reserves		275,379	179,606
		<u>862,013</u>	<u>765,356</u>
Non-controlling interests		5,956	3,688
Total equity		<u><u>867,969</u></u>	<u><u>769,044</u></u>

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (Continued)
AS AT 31 OCTOBER 2020

	Note	Unaudited 31 October 2020 HK\$'000	Audited 30 April 2020 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		584	584
Provision for reinstatement costs		3,651	3,224
Lease liabilities		145,837	210,130
		<u>150,072</u>	<u>213,938</u>
		-----	-----
Current liabilities			
Trade and other payables	9	233,188	210,182
Contract liabilities	9	11,002	5,343
Loans due to non-controlling shareholders of subsidiaries		6,585	3,087
Borrowings		33,303	22,617
Lease liabilities		316,846	288,342
Current income tax liabilities		47,154	27,791
		<u>648,078</u>	<u>557,362</u>
		-----	-----
Total liabilities		<u>798,150</u>	<u>771,300</u>
		-----	-----
Total equity and liabilities		<u>1,666,119</u>	<u>1,540,344</u>
		=====	=====

The above condensed consolidated interim balance sheet 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 the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

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

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

2 Basis of presentation

The condensed consolidated interim financial information for the six months ended 31 October 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30 April 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3 Principal accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 April 2020, as described in those annual financial statements.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

3 Principal accounting policies (Continued)

(a) Amended standards adopted by the Group

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

3 Principal accounting policies (Continued)

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

4 Segment information

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

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

- (i) Retail – Hong Kong and Macau*
Retail – Singapore*
- (ii) Wholesales
- (iii) Licencing and others

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

* Including consignment sales commission income.

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

4 Segment information (Continued)

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

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

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

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

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)**

4 Segment information (Continued)

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

As at 31 October 2020					
	Retail Hong Kong and Macau HK\$'000	Singapore HK\$'000	Wholesales HK\$'000	Licencing and others HK\$'000	Total HK\$'000
Segment assets	927,371	163,014	5,592	4	1,095,981
Segment liabilities	633,713	102,370	7,448	296	743,827
As at 30 April 2020					
	Retail Hong Kong and Macau HK\$'000	Singapore HK\$'000	Wholesales HK\$'000	Licencing and others HK\$'000	Total HK\$'000
Segment assets	976,615	155,610	4,427	4	1,136,656
Segment liabilities	636,931	96,526	6,035	346	739,838

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

4 Segment information (Continued)

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

5 Operating profit

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

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

6 Income tax expense

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

7 Earnings per share

(a) Basic

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

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

(b) Diluted

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

8 Trade and other receivables

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

9 Trade and other payables and contract liabilities

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

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

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

10 Dividends

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

On 21 December 2020, the Board resolved to declare an interim dividend of HK9.0 cents (2019: HK5.5 cents) per share, totaling HK\$64,500,000 (2019: HK\$39,310,000). The proposed dividend has not been recognised as a liability in this interim financial information but will be reflected as an appropriation of retained profits for the year ending 30 April 2021.

OTHER INFORMATION

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.

Review of Financial Statements

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

Compliance with the Model Code for Securities Transactions

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

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

The share award scheme of the Company was adopted by the Board on 24 July 2015 (the “Share Award Scheme”). The trustee of the Share Award Scheme, pursuant to the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 1,850,000 shares of the Company at a total consideration of about HK\$4 million. Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s securities during the Period.

Interim Dividends

The Board has resolved to declare an interim dividend of 9.0 HK cents per share (2019/20: interim dividend of 5.5 HK cents per share), representing a total payout of approximately HK\$64,500,000 (2019/20: approximately HK\$39,310,000). Shareholders whose names appear on the register of members of the Company on Friday, 15 January 2021 will be entitled to the interim dividend which will be paid on or around Monday, 25 January 2021.

OTHER INFORMATION (Continued)

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 12 January 2021 to Friday, 15 January 2021, (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 11 January 2021.

Publication

The interim results announcement of the Company for the six months ended 31 October 2020 is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jhc.com.hk) respectively. The 2020/21 interim report will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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 2020

As at the date of this announcement, the executive Directors are Ms. NGAI Lai Ha, Mr. LAU Pak Fai Peter, and Mr. CHENG Sing Yuk, and the independent non-executive Directors are Mr. MANG Wing Ming Rene, Mr. YEE Boon Yip and Mr. YEUNG Yiu Keung.