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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 2013**

Financial Highlights

- The Group's revenue increased by 20.5% to HK\$786.3 million, with an improvement across all geographical locations.
- Profit for the period was HK\$78.3 million, representing an increase of approximately 107.7%.
- Excluding the non-operating items with net gain of HK\$33.5 million, (same period last year HK\$1.3 million), profit for the period was HK\$44.8 million, representing an increase of approximately 23.4%.
- The gross profit margin of the Group increased from 46.0% to 46.8%.
- Basic EPS is 13.71 HK cents per share.
- The Board has resolved to pay interim and special dividends of 2.0 and 4.0 HK cents per share respectively, totaling 6.0 HK cents per share.

The board of directors (the “**Board**” or “**Directors**”) of International Housewares Retail Company Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 31 October 2013 prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), together with the comparative figures for the corresponding period in 2012.

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 OCTOBER 2013**

		Unaudited six months ended 31 October	
	Note	2013 HK\$'000	2012 HK\$'000
Revenue		786,275	652,300
Cost of sales		(418,349)	(352,558)
Gross profit		367,926	299,742
Other income		8,466	9,139
Other gains, net		42,998	3,116
Distribution and advertising expenses		(19,296)	(15,854)
Administrative and other operating expenses		(311,597)	(248,376)
Operating profit	5	88,497	47,767
Finance income		662	227
Finance costs		(683)	(763)
Profit before income tax		88,476	47,231
Income tax expense	6	(10,145)	(9,566)
Profit for the period		78,331	37,665
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences		28	423
Total comprehensive income for the period		78,359	38,088
Profit for the period attributable to:			
Equity holders of the Company		79,033	37,359
Non-controlling interests		(702)	306
		78,331	37,665
Total comprehensive income for the period attributable to:			
Equity holders of the Company		78,917	37,590
Non-controlling interests		(558)	498
		78,359	38,088
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share)	11		
Basic earnings per share		13.71	6.92
Diluted earnings per share		13.65	6.92
Dividends	7	151,000	-

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 31 OCTOBER 2013

	Note	Unaudited 31 October 2013 HK\$'000	Audited 30 April 2013 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		69,623	66,231
Intangible assets		30,302	30,801
Deferred income tax assets		3,928	3,797
Non-current rental deposits		42,346	49,234
		<u>146,199</u>	<u>150,063</u>
Current assets			
Inventories		226,591	225,620
Trade and other receivables	8	43,275	33,527
Amounts due from shareholders		-	1,648
Financial assets at fair value through profit or loss		-	18,359
Current income tax asset		-	5,946
Pledged bank deposits		6,513	6,511
Bank deposits with initial terms of over three months		250,000	-
Cash and cash equivalents		256,679	111,513
		<u>783,058</u>	<u>403,124</u>
Non-current asset held for sale		-	13,890
		<u>783,058</u>	<u>417,014</u>
Total assets		<u><u>929,257</u></u>	<u><u>567,077</u></u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital and share premium	9	588,548	1
Reserves		85,205	263,028
		<u>673,753</u>	<u>263,029</u>
Non-controlling interests		<u>24,056</u>	<u>19,965</u>
Total equity		<u><u>697,809</u></u>	<u><u>282,994</u></u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)
AS AT 31 OCTOBER 2013

	Note	Unaudited 31 October 2013 HK\$'000	Audited 30 April 2013 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		2,228	1,585
Loan due to a non-controlling shareholder of a subsidiary		2,586	2,575
		<u>4,814</u>	<u>4,160</u>
Current liabilities			
Trade and other payables	10	149,475	181,561
Amounts due to non-controlling shareholders of subsidiaries		247	2,326
Borrowings, current portion		58,426	62,951
Current income tax liabilities		18,486	33,085
		<u>226,634</u>	<u>279,923</u>
Total liabilities		<u>231,448</u>	<u>284,083</u>
Total equity and liabilities		<u>929,257</u>	<u>567,077</u>
Net current assets		<u>556,424</u>	<u>137,091</u>
Total assets less current liabilities		<u>702,623</u>	<u>287,154</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 General information

International Housewares Retail Company Limited (the “**Company**”) was incorporated in the Cayman Islands on 18 April 2013 as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Island. The Company is an investment holding company. Its subsidiaries are engaged in retail sales and trading of homeware products, licencing of franchise rights and provision of management services.

The Group is controlled by Hiluleka Limited (incorporated in the British Virgin Islands), which owns 44.81% of the Company’s issued shares. The ultimate controlling parties of the Group are Mr. Lau Pak Fai, Peter and Ms. Ngai Lai Ha.

The Company was primarily listed on the Stock Exchange of Hong Kong Limited on 25 September 2013.

This interim financial information is presented in HK dollars, unless otherwise stated. This interim financial information was approved by the **Board** for issue on 17 December 2013.

This interim financial information has been reviewed, not audited.

Pursuant to a group reorganisation as set out under the section “History and Development, Reorganisation and Group Structure” in the Company’s listing prospectus dated 12 September 2013 (the “**Prospectus**”), which was completed on 10 September 2013 (the “**Reorganisation**”), the Company became the holding company of the subsidiaries now comprising the Group. The unaudited, interim financial information of the Group has been prepared as if the Group had always been in existence throughout both periods presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company pursuant to the Reorganisation.

2 Basis of presentation

These condensed consolidated interim financial information for the six months ended 31 October 2013 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, ‘Interim financial reporting’ issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The condensed consolidated interim financial information should be read in conjunction with the Accountant’s Report included in Appendix I to the Prospectus, which has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The interim financial information includes comparative information as required by Hong Kong Accounting Standard 34, “Interim financial reporting”. The comparative information for the interim condensed consolidated balance sheet is based on the audited financial information as at 30 April 2013 included in the Accountant’s Report in Appendix I to the Prospectus. The comparative information for the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows, and related explanatory notes, for the period ended 31 October 2012 has not been audited or reviewed.

3 Principal accounting policies

Except as described below, the accounting policies applied are consistent with those described in the Accountant’s Report included in Appendix I to the Prospectus.

3 Principal accounting policies (Continued)

(a) New, revised and amended standards adopted by the Group

The following new and revised standards and amendments to standards are mandatory for the financial year beginning 1 May 2013 and have been adopted by the Group:

		Effective for accounting period beginning on or after
HKFRS 7 (Amendment)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKFRS 1 (Amendment)	Government loans	1 January 2013
HKFRS 10	Consolidated financial statements	1 January 2013

The adoption of these amendments has no material impact on the Group results and financial position for the current or prior period, but may affect the disclosure to the financial statements.

(b) The following new and revised standards and amendments to standards are mandatory for the financial year beginning 1 May 2013 but not relevant to the Group

		Effective for accounting period beginning on or after
HKFRS 1 (Amendment)	Government loans	1 January 2013
HKFRS 11	Joint arrangement	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRSs 10, 11 and 12 (Amendment)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance	1 January 2013
HKAS 27 (Revised 2011)	Separate Financial Statements	1 January 2013
HKAS 28 (Revised 2011)	Associates and Joint Ventures	1 January 2013
HK (IFRIC) – Int 20	Stripping costs in the production phase of a surface mine	1 January 2013

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 May 2013 and have not been early adopted:

		Effective for accounting period beginning on or after
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2015
HKFRS 9	Financial instruments	1 January 2015

4 Segment information

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

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

- (i) Retail*
- (ii) Wholesales
- (iii) Licencing and others

The executive directors assess the performance of the operating segments based on revenue and gross profit percentage of each segment. As the Group's resources are integrated and there are no discrete operating segment assets and liabilities for the retail and wholesales business segments, accordingly, no operating segment assets and liabilities are presented.

* Including consignment sales commission income.

The segment information provided to the executive directors for the reportable segments for the six months ended 31 October 2013 is as follows:

	Retail	Wholesales	Licencing and others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue (all from external customers)	774,012	12,085	178	786,275
Cost of sales	(407,976)	(10,373)	-	(418,349)
Segment results	366,036	1,712	178	367,926
Gross profit %	47.29%	14.17%	-	46.79%
Other income				8,466
Other gains, net				42,998
Distribution and advertising expenses				(19,296)
Administrative and other operating expenses				(311,597)
Operating profit				88,497
Finance income				662
Finance costs				(683)
Profit before income tax				88,476
Income tax expense				(10,145)
Profit for the period				78,331

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the six months ended 31 October 2013. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The turnover from the Group's largest customer accounted for less than 10% of the Group's total turnover for the six months ended 31 October 2013.

4 Segment information (Continued)

The segment information provided to the executive directors for the reportable segments for the six months ended 31 October 2012 is as follows:

	Retail	Wholesales	Licencing and others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue (all from external customers)	637,385	14,654	261	652,300
Cost of sales	(340,717)	(11,841)	-	(352,558)
Segment results	296,668	2,813	261	299,742
Gross profit %	46.54%	19.20%	-	45.95%
Other income				9,139
Other gains, net				3,116
Distribution and advertising expenses				(15,854)
Administrative and other operating expenses				(248,376)
Operating profit				47,767
Finance income				227
Finance costs				(763)
Profit before income tax				47,231
Income tax expense				(9,566)
Profit for the period				37,665

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

	Six months ended 31 October	
	2013	2012
	HK\$'000	HK\$'000
Hong Kong - Retail	651,112	566,213
Hong Kong - Wholesales and others	12,159	14,878
Hong Kong - Consignment sales commission income	4,315	3,834
Mainland China	2,036	1,476
Singapore	91,384	60,546
Malaysia	9,360	5,353
Macau	15,909	-
	786,275	652,300

4 Segment information (Continued)

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

	As at	
	31 October 2013	30 April 2013
	HK\$'000	HK\$'000
Hong Kong	73,635	81,706
Mainland China	2,168	1,994
Singapore	25,471	21,394
Malaysia	9,078	9,094
Macau	1,617	1,277
	<u>111,969</u>	<u>115,465</u>

5 Operating profit

An analysis of the amounts presented as operating items in the interim financial information is given below.

	For the six months ended	
	31 October 2013	2012
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	12,453	10,676
Amortisation of intangible assets	307	298
Loss/(gain) on disposal of property, plant and equipment	87	(304)
Gain on disposal of non-current asset held for sale	(46,469)	-
Realised loss on financial assets at fair value through profit on loss	2,520	-
Unrealised gain on financial assets at fair value through profit on loss	-	(1,344)
Net exchange loss/(gain)	384	(814)
Listing expense	9,477	-
	<u>9,477</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.

	For the six months ended 31 October	
	2013	2012
	HK\$'000	HK\$'000
Hong Kong profits tax		
- current year	9,415	7,220
- under-provisions in prior years	-	1,636
	9,415	8,856
Overseas taxation	217	(15)
	9,632	8,841
Deferred income tax	513	725
Income tax expense	<u>10,145</u>	<u>9,566</u>

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year ending 30 April 2014 is 16.3% (the estimated tax rate used for the year ended 30 April 2013 and applied to the six months ended 31 October 2012 was 16.1%).

The Hong Kong Inland Revenue Department is conducting a field audit on three subsidiaries of the Group and had issued additional assessments for the years of assessment 2003/04 to 2006/07 to the three subsidiaries, demanding tax totalling HK\$11,100,000. These assessments were protective assessments issued before the expiry of the statutory time-barred period pending the result of the field audit.

The management has recorded income tax provision of HK\$1,648,000 in the Group's consolidated balance sheet as at 31 October 2013 to cover the total potential additional tax, penalty surcharge and interest. Based on the advice sought from the Group's tax representative and self-assessment, the management considers that this amount appropriately reflects the Group's additional liability based on the current status of the case.

Mr.Lau Pak Fai, Peter, Ms. Ngai Lai Ha and Red Home Holding Limited (together representing the shareholders immediately before the listing of the Company) have agreed to indemnify the Group in respect of such amount and any cost or liabilities arising out of the additional assessment for which the Group may be liable in relation to the tax audit.

7 Dividends

In the current period, a final dividend of HK\$96,000,000 in relation to the year ended 30 April 2013 was declared and paid. In addition, a special dividend of HK\$55,000,000 in relation to the period before the financial year ended 30 April 2013 was declared and paid.

On 17 December 2013, the Board resolved to declare an interim dividend of 2.0 HK cents and a special dividend of 4.0 HK cents per ordinary share, totaling HK\$14,461,000 and HK\$28,922,000 respectively. The proposed dividends are not reflected as dividends payable in this interim financial information but will be reflected as an appropriation of retained profits for the year ending 30 April 2014.

8 Trade and other receivables

	As at	
	31 October 2013 HK\$'000	30 April 2013 HK\$'000
Trade receivables	1,961	1,479
Rental and utility deposits	76,997	72,342
Other receivables	1,886	3,681
Maximum exposure to credit risk	80,844	77,502
Deferred cost for initial public offering	-	2,696
Other prepayments	4,777	2,563
	85,621	82,761
Less: non-current rental deposits	(42,346)	(49,234)
Current portion	43,275	33,527

The Group normally makes sales to customers on a cash on delivery basis for retail sales. At 31 October 2013 and 30 April 2013, the ageing analysis of trade receivables based on invoice date for wholesales was as follows:

	As at	
	31 October 2013 HK\$'000	30 April 2013 HK\$'000
Up to 3 months	1,961	1,479

9 Share capital and share premium

	Number of shares (thousands)	Share capital HK\$'000	Share premium HK\$'000	Total HK\$'000
As at 1 May 2013	1	1	-	1
Issue of new shares to then equity holders (note(a))	9,999	999	104,863	105,862
Capitalisation issue (note(b))	530,000	53,000	(53,000)	-
Issue of new shares to the public (note(c))	180,000	18,000	487,800	505,800
Exercise of options (note (d))	3,038	304	3,924	4,228
Cost for initial public offering incurred during the period	-	-	(24,647)	(24,647)
Cost for initial public offering previously deferred	-	-	(2,696)	(2,696)
At 31 October 2013	<u>723,038</u>	<u>72,304</u>	<u>516,244</u>	<u>588,548</u>
At 1 May 2012 and 31 October 2012	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>

Notes:

- (a) On 10 September 2013, the Company issued and allocated 5,999,400 and 3,999,600 ordinary shares at HK\$0.1 per share to Hiluleka Limited ("**Hiluleka**") and Red Home Holding Limited ("**Red Home**") respectively to acquire 6,000,000 shares and 4,000,000 shares of Matusadona Investments Limited ("**Matusadona**") from Hiluleka and Red Home, representing an aggregate of 100% of the total issued share of Matusadona.
- (b) Pursuant to the resolutions passed by the shareholders of the Company on 4 September 2013, conditional upon the share premium account of the Company being credited as a result of initial public offering ("**IPO**"), the Directors were authorised to capitalise an aggregate amount of HK\$53,000,000 standing to the credit of the share premium of the Company and to appropriate such amount as capital to pay up in full at par of 530,000,000 shares for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on 4 September 2013, pro-rata to their then respective shareholdings in the Company.
- (c) In connection with the IPO, 180,000,000 shares of HK\$0.1 each were issued at a price of HK\$ 2.81 per share for a total cash consideration, before related issuance expense, of approximately HK\$505,800,000. Dealings in these shares on the Stock Exchange commenced on 25 September 2013.
- (d) During the current period, approximately 3,038,000 shares were issued and allotted upon the exercise of options granted under the share option scheme.

10 Trade and other payables

	As at	
	31 October 2013	30 April 2013
	HK\$'000	HK\$'000
Trade payables	102,764	133,731
Accrual for cost of initial public offering	11,051	6,963
Other payables and accruals	26,991	25,507
Financial liabilities	140,806	166,201
Deposits received	143	6,000
Receipts in advance	1,147	1,273
Provision for employee benefits	7,379	8,087
	149,475	181,561

(a) The carrying values of trade and other payables approximate their fair values as at 31 October 2013.

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

	As at	
	31 October 2013	30 April 2013
	HK\$'000	HK\$'000
0 - 30 days	43,906	55,631
31 - 60 days	30,194	33,812
61 - 90 days	23,103	21,373
91 - 120 days	2,998	21,368
Over 120 days	2,563	1,547
	102,764	133,731

11 Earnings per share

(a) Basic

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

	For the six months ended 31 October	
	2013 HK\$'000	2012 HK\$'000
Profit attributable to equity holders of the Company (HK\$'000)	79,033	37,359
Weighted average number of shares in issue ('000)	576,620	540,000
Basic earnings per share (HK cents) (note)	13.71	6.92

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Shares issuable under the Pre-IPO option scheme are the only dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the daily average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	For the six months ended 31 October	
	2013 HK\$'000	2012 HK\$'000
Profit from attributable to equity holders of the Company (HK\$'000)	79,033	37,359
Weighted average number of shares for diluted earnings per share ('000)	578,842	540,000
Diluted earnings per share (HK cents) (note)	13.65	6.92

Note: The basic and diluted earnings per share for the period ended 31 October 2012 are calculated by dividing the profit attributable to equity holders of the Company by 540,000,000 ordinary share, which is deemed to have been issued at the beginning of the earliest period presented in the interim financial information.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group's business segments by nature include retail, wholesale and licencing and others. Our revenues were primarily derived from our sale of goods in our retail stores. Representing 98.4% of the Group's revenue, retail revenue for the period under review achieved a new record high in sales of HK\$774.0 million, with a 21.4% overall increase from the prior period.

The Hong Kong sector, achieving sustained positive growth in revenue continued to be the Group's major contributor as it achieved record-high sales for the six month period ended 31 October 2013. The Singapore geographical location experienced a significant improvement in terms of both profit contribution and revenue.

Due to management's further steps to streamline the logistics arrangement with suppliers as well as bargaining more favorable pricing, the Group's gross profit margin increased and hence offset rising cost pressures during the period under review. It is expected that there will be more rooms for increasing the Group's gross profit margin by gradually increasing the proportion of private label products and internationally sourced products with higher margins which helps for a sound expansion going forward.

Financial Performance

For the six month period ended 31 October 2013, the Group's revenue increased 20.5 % to HK\$786.3 million (from the HK\$652.3 million of the same period of 2012) mainly due to the opening of new stores and growing of comparable store sales by 12.2%. Turnover was also driven by the growth in both the number of transactions and the average spending per transaction. In addition, we continued to increase our variety of product offerings to capture additional market opportunities and expand our customer base.

The Hong Kong geographical location represented 84.9% of the Group's revenue, and it achieved sustained positive growth in revenue. Revenue in Hong Kong rose by 14.1% to HK\$667.6 million for the six months ended 31 October 2013, with comparable store sales growing by 12.0%.

Due to management's further steps to streamline the logistics arrangement with suppliers as well as bargaining more favorable pricing that reduced the procurement cost, the Group's gross profit margin rose from 46.0% to 46.8% during the period under review.

Operating expenses (excluding the non-operating expenses) increased from 40.5% to 40.9% of revenue against the same period in last year. This was primarily due to the continuing increase of rentals expenses and staff cost. Also impacting operating expenses was a number of new stores opened in the first half of financial year 2014, which are still in the investment period. In spite of these adverse dynamics, the Group managed to deliver another period of record-high sales to maintain stable costs as a percentage of revenue. The Group's net profit increased by approximately 107.7% to HK\$78.3 million from HK\$37.7 million for the same period last year. Excluding the non-operating gain and expenses (including, among others, gain from the disposal of real estate property and initial public offering expenses) in the six month period ended 31 October 2013, profit for the period was HK\$44.8 million, representing an increase of approximately 23.4% from HK\$36.3 million for the same period last year.

Basic earnings per share for the period is 13.71 HK cents.

Liquidity and Financial Resources

As at 31 October 2013, the Group had cash and cash equivalents and bank deposit amounting to approximately HK\$ 506.7 million, representing an increase of approximately HK\$ 395.2 million from approximately HK\$ 111.5 million as at 30 April 2013. This was mainly attributable to the receipt of proceeds from the initial public offering. Most of the Group's cash and bank deposits were denominated in Hong Kong dollars as well as Renminbi and deposited with major banks in Hong Kong with maturity dates falling within six months. It is the Group's treasury management policy not to engage in any highly leveraged or speculative derivative products and will continue to place the majority of our surplus cash in Hong Kong dollars or Renminbi bank deposits with appropriate maturity periods to meet the funding requirements in the future. The current ratio for the Group was 3.5 (as at 30 April 2013:1.5).

Bank borrowings amounted to HK\$58.4 million as at 31 October 2013 (as at 30 April 2013: HK\$ 63.0 million). The Group's gearing ratio as determined by bank borrowings divided over total equity was 8.4% (as at 30 April 2013:22.2%).

Operating Efficiencies

Comparable store sales for the Group had a growth of 12.2% during the six month period ended 31 October 2013. Singapore was the geographical location with strong improvement, achieving comparable store sales growth of 14.5% with sales reaching a record high. West Malaysia and Mainland China which experienced comparable store sales growth of 15.4% and 18.2% respectively for the six month period ended 31 October 2013 and record high sales. Comparable store sales growth in Hong Kong remained stable at around 12.0%.

The Group's operating expenses (excluding the non-operating expenses) continued to grow during the period under review, accounted for 40.9% of its revenue for the six month period ended 31 October 2013 (same period last year: 40.5%). This was mainly due to an increase in the rental expenses of retail stores and employee benefit expenses. The following table provides details of the Group's operating costs:

For the six month period ended 31 October	2013		2012		Change (%)
	HK\$ million	(%) of revenue	HK\$ million	(%) of revenue	
Distribution and advertising expenses	19.3	2.5%	15.9	2.4%	21.4%
Administrative and other operating expenses (excluding the non-operating expenses)	302.1	38.4%	248.4	38.1%	21.6%
Administrative and other operating expenses (the non-operating expenses)	9.5	1.2%	-	-	-
Total expenses	330.9	42.1%	264.3	40.5%	25.2%

We rent the retail spaces for all of our stores in Hong Kong, Singapore, West Malaysia, the People's Republic of China ("PRC") and Macau. As a result, rental costs constitute a significant portion of our operating expenses. In the past few years, the overall cost for securing retail spaces in Hong Kong, Singapore, West Malaysia and the PRC through rental arrangements has increased significantly. This is particularly the case for prime retail locations. In spite of these adverse dynamics, the Group managed to maintain stable rental costs as a percentage of revenue historically, as our strong brand allows us to open new stores in less prime retail space and thereby control our rental expenses as we expand.

The salaries of employees have generally increased in recent years. We expect our employee expenses to increase as inflationary pressures continue to drive the increase in salaries. In order to mitigate the effects of increasing employee expenses, we have employee training programmes in place to maximise productivity and we may re-assign our employees to different stores from time to time as needed. As a result, the Group managed to maintain stable staff costs as a percentage of revenue.

Distribution Network

We plan to continue to expand our operations in Hong Kong, Singapore, West Malaysia, the PRC and Macau by leveraging the strength of our brand, our extensive retail network and large global supplier network. We believe that our comparable store sales growth in Hong Kong as well as the increasing revenue from our operations in Singapore, West Malaysia and the PRC demonstrate our growth potential in these regions. As of 31 October 2013, the Group had presence in 10 jurisdictions throughout the world. During the six months period under review, the number of stores increased by 19 to 311. Of the total number of stores 301 were directly managed by the Group and 10 were franchised as of 31 October 2013.

The following is a breakdown of stores by geographical location and store type:

Our stores	31 October 2013	30 April 2013
• Hong Kong	238	230
• Singapore	39	32
• West Malaysia	10	9
• PRC	8	7
• Macau	6	5
• Sub-total	301	283
Our licenced stores		
• East Malaysia	2	2
• Saudi Arabia	5	5
• New Zealand	1	1
• Indonesia	1	1
• Cambodia	1	-
• Sub-total	10	9
Total	311	292

Human Resources

To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. Performance bonus and share options are then offered to qualified employees. A performance-based element is included in the annual discretionary bonus for all staff as well as in share options for supervisory and managerial staff. The Group places strong emphasis on staff training and development in order to realise the full potential of our employees.

As at 31 October 2013, the Group employed approximately 1,987 employees. The Group's remuneration policy is determined according to the position, performance, experience of the staff as well as the market trend. 1,551 of whom were based in Hong Kong and 436 were based in Singapore, West Malaysia, Macau, Mainland China and Taiwan. Regular part-time staff accounted for 35.3% of the Group's total headcount. Total staff costs for the six months ended 31 October 2013 were HK\$106.4 million compared with HK\$87.7million for the same period last year.

OPERATIONAL REVIEW BY BUSINESS SEGMENTS

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

Our revenues were primarily derived from our sale of goods in our retail stores. Representing 98.4% of the Group's revenue, retail revenue for the period under review achieved a new record high in sales of HK\$774.0 million (same period last year: HK\$637.4 million), with a 21.4% overall increase from the prior period.

This was primarily due to the opening of new stores and growing of comparable store sales by 12.2%. Turnover was also driven by the growth in both the number of transactions and the average spending per transaction. In addition, we continued to increase our variety of product offerings to capture additional market opportunities and expand our customer base.

The Group's wholesales and licencing and others business decreased to HK\$12.3 million (same period last year: HK\$14.9 million), a decrease of 17.4 % over the prior period. As one of our top five customers over the prior period included the stores in Macau, which we acquired in April 2013 and therefore will not be considered one of our customers going forward.

OPERATIONAL REVIEW BY GEOGRAPHICAL LOCATIONS

Operation Review – Hong Kong

Representing 84.9% of the Group's revenue, revenue in Hong Kong for the period under review achieved a new record high in sales of HK\$667.6 million (same period last year: HK\$584.9 million), with a 14.1% overall increase from the prior period. During the period under review, comparable store sales showed a relatively healthy 12.0% growth over the previous period.

Our profit in Hong Kong increased to HK\$79.2 million (same period last year: HK\$41.1 million), a growth of 92.7 % over the prior period, with net profit margin of 11.9 % (same period last year: 7.0 %).

Excluding the non-operating gain and expenses, our profit increased to HK\$44.8 million (same period last year: HK\$39.7 million), a growth of 12.8 % over the prior period, with net profit margin of 6.7 % (same period last year: 6.8 %).

Operation Review –Singapore

Our priority in the Singapore is to expand our network as planned. To support this strategy, we will increase the allocation of resources and enhance our product mix. We will also take a more proactive approach to select optimal store sites which balance convenience to our customers and cost efficiency to us.

During the period, due to strong retail network and effective marketing campaigns, the revenue over the previous period for the Singapore geographical location grew by 50.8% to HK\$91.4million (same period last year: HK\$60.6 million) while comparable store sales growth increased by 14.5%. Higher profit contribution grew by 385.7% to HK\$3.4 million compared with HK\$0.7 million for the same period last year.

Operation Review - Mainland China

With carefully fine-tuned the plan of opening new stores, the Group took a prudent approach on site selection and adopted a lower cost and more efficient format for new store openings. The Group's Mainland China business recorded revenue growth of 33.3% to HK\$ 2.0 million (same period last year: HK\$1.5 million), while comparable store sales growth increased by 18.2% for the period.

Operation Review –West Malaysia

The revenue for our West Malaysia operations was HK\$ 9.4 million (same period last year: HK\$5.4 million), an increase of 74.1% over the previous period. Comparable store sales growth rose 15.4%.

Operation Review –Macau

The revenue for our Macau operations was HK\$15.9 million. We have no comparable sales data for our operations in Macau, as our first full financial year of operations in Macau will be the financial year ending 30 April 2014.

FUTURE PROSPECTS

Looking ahead, the Group will continue to strengthen its position as the largest housewares retail chain in Hong Kong, Singapore and Macau. To achieve future growth, we will further expand its retail network and increase the number of stores. Apart from network expansion, the Group will also adjust its product mix to cater for the diverse needs and preferences of its customers. Correspondingly, the Group will continue to diversify its stores to attract a wider range of customers in Hong Kong, leading to stable growth and profitability. With regards to Singapore, West Malaysia, Mainland China and Macau, the Group will also continue adjusting its product mix to address local needs, improve its brand image and increase profits.

Moving forward, we will strive to expand our retail network, explore appropriate acquisitions and partnership opportunities and further strengthen our market presence in order to realize steady, fruitful returns over the long run. We will continue to offer quality and competitive products, as well as accelerate the expansion of our customer base and product offerings to enhance our income streams. We expect that our investment in the retail business today will translate into a quantum leap for our profitability in the future.

PRE-IPO SHARE OPTION SCHEME

As at the date of this announcement, options to subscribe for an aggregate of 8,424,000 shares, representing approximately 1.17% of the issued share capital of the Company have been granted under the Pre-IPO Share Option Scheme to replace the old option scheme launched in October 2010. All the options under the Pre-IPO Share Option Scheme were conditionally granted and no further options will be granted under the Pre-IPO Share Option Scheme by the Company.

As at the date of this announcement, 3,180,060 options granted under the Pre-IPO Share Option Scheme had been exercised by the grantees.

SHARE OPTION SCHEME

Pursuant to a share option scheme adopted by the Company on 4 September 2013 (the “**Share Option Scheme**”), the Board may invite eligible participants to take up options to subscribe for shares of the Company. As at 31 October 2013, no options have been granted pursuant to the Share Option Scheme.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

During the period between the Listing Date and 31 October 2013, the net proceeds from the Listing were utilised in accordance with the proposed applications set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 12 September 2013. The Group held the unutilised net proceeds in deposits with licensed institutions in Hong Kong.

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. Our Directors recognise the importance of good corporate governance in the management of the Group. The CG Code was applicable to the Company after the Listing. 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, Mr. LAU Pak Fai is both the Chairman and the Chief Executive Officer of the Company. As Mr. LAU is one of the founders of the Group, the Board believes that it is in the best interest of the Group to have Mr. LAU taking up both roles for continuous effective management of the Board and business development of the Group.

REVIEW OF INTERIM RESULTS

The audit committee (the “**Audit Committee**”) of the Company consists of two independent non-executive Directors namely, Mr. TSUI Ka Yiu, and Dr. LO Wing Yan William J.P., and one non-executive Directors, Mr. YEUNG Yiu Keung and is chaired by Mr. TSUI Ka Yiu. The Company has adopted written terms of reference in compliance with the Listing Rules. The Group’s unaudited interim results for the six months ended 31 October 2013 were reviewed by the members of the Audit Committee prior to the submission to the Board for approval.

In addition, the independent auditor of our Company has reviewed the unaudited interim results for the six months ended 31 October 2013 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 HKICPA.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Since the Listing Date and up to 31 October 2013, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DIVIDENDS

The Board has resolved to declare an interim dividend of 2.0 HK cents (six months ended 31 October 2012: Nil) per ordinary share and a special dividend of 4.0 HK cents (six months ended 31 October 2012: Nil) per ordinary share, representing a total payout of approximately HK\$ 43.4 million (six months ended 31 October 2012: Nil). Shareholders whose names appear on the register of members of the Company on Tuesday, 7 January 2014 will be entitled to the interim dividend and special dividend which will be paid on or around Tuesday, 28 January 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 6 January 2014 to Tuesday, 7 January 2014, (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the interim dividend and special 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 Friday, 3 January 2014.

PUBLICATION

The interim results announcement of the Company for the six months ended 31 October 2013 is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.japanhome.com.hk) respectively. The 2013 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.

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

Hong Kong, 17 December 2013

As at the date of this announcement, the executive Directors are Mr. LAU Pak Fai Peter, Ms. NGAI Lai Ha and Mr. CHENG Sing Yuk, the non-executive Directors are Mr. CHUNG Tak Wai and Mr. YEUNG Yiu Keung, and the independent non-executive Directors are Mr. TSUI Ka Yiu, Dr. LO Wing Yan William, J.P. and Mr. HUANG Lester Garson, J.P.