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 2014

FINANCIAL HIGHLIGHTS

- The revenue reached HK$901,349,000 (2013/14: HK$786,275,000), representing a significant growth of 14.6% over that of the same period last year.

- The Group's overall comparable store sales growth(1) of 8% was recorded (2013/14: 12%), among which Hong Kong sustained a double digit growth at 10% (2013/14: 12%).

- As at 31 October 2014, the Group had a total of 354 stores worldwide, with a net addition of 21 stores during the Period.

- The Group's gross profit margin rose slightly to 47.1% during the Period (2013/14: 46.8%).

- The profit attributable to equity holders was HK$44,828,000 (2013/14: HK$45,533,000, excluding net gain of HK$33,500,000 arising from one-off items (2)), representing a decrease of 1.5%.

Notes:

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

2. *The adjusted profit for the comparative period 2013/14, a non-HKFRS measure, eliminated the effect of one-off items, which is useful in gaining a more complete understanding of the Group's operational performance and of the underlying trends of its business. One-off items mainly represented listing expenses, gain on disposal of non-current asset held for sale and loss from financial assets at fair value through profit or loss.*

3. *Comparative figures for the six months ended 31 October 2013 are shown as 2013/14 in brackets in this announcement.*

The board of directors (the "Board" or "Directors") 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 2014 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 the comparative figures for the corresponding period in 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group achieved another half-year record high in revenue for the six months ended 31 October 2014 (the "Period") indicating the Group's capability to overcome short-term fluctuations and challenges in the markets. The revenue reached HK$901,349,000 (2013/14: HK$786,275,000), representing a significant growth of 14.6% over that of the same period last year. As at 31 October 2014, the Group had a total of 354 stores worldwide in Hong Kong, Singapore, Malaysia, Mainland China, Macau, Cambodia, Indonesia, Saudi Arabia and New Zealand, with a net addition of 21 stores during the Period.

FINANCIAL PERFORMANCE

For the Period, the Group's revenue increased by 14.6% to HK$901,349,000 (2013/14: HK$786,275,000). This was mainly due to the opening of new stores and growth in comparable store sales. Revenue was also driven by the growth in both the number of transactions and the average spending per transaction. In addition, we continued to increase variety of our product offerings to capture additional market opportunities and expand our customer base.

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 slightly to 47.1% during the Period (2013/14: 46.8%).

Operating expenses increased slightly from 42.1% to 42.5% as a percentage of revenue against the same period last year. This was primarily due to continuing increase of rental expenses and staff cost. Moreover, a number of new stores were opened during the Period and are still in their investment periods. In addition, certain expenses to tighten the Company's compliance with relevant regulatory requirements and related costs of internal control measures were incurred. In spite of these adverse dynamics, with our strong brand recognition and popular product offering, the Group has managed to deliver record-high sales to maintain costs as a stable percentage of revenue during the Period.

The profit attributable to equity holders for the Period was HK$44,828,000 (2013/14: HK$45,533,000, excluding net gain of HK$33,500,000 arising from one-off items [(1)]), representing a decrease of 1.5%. Profit attributable to equity holders for the Period was HK$44,828,000, representing a decrease of 43.3% (2013/14: HK$79,033,000).

Note:

1. *The adjusted profit for the comparative period 2013/14, a non-HKFRS measure, eliminated the effect of one-off items, which is useful in gaining a more complete understanding of the Group's operational performance and of the underlying trends of its business. One-off items mainly represented listing expenses, gain on disposal of non-current asset held for sale and loss from financial assets at fair value through profit or loss.*

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 October 2014, the Group had cash and cash equivalents amounting to HK$502,193,000 (30 April 2014: HK$466,432,000). Most of the Group's cash and bank deposits were denominated in Hong Kong dollars and Renminbi, and were deposited with major banks in Hong Kong with maturity dates falling within three months.

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 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 3.3 (30 April 2014: 3.0). Bank borrowings amounted to HK$65,122,000 as at 31 October 2014 (30 April 2014: HK$64,094,000). The Group was in net cash position as at 31 October 2014. The Group's gearing ratio as determined by bank borrowings divided by total equity was 8.9% (30 April 2014: 8.9%).

SHARES TRANSACTIONS

Subject to the terms and conditions of the sale and purchase agreement dated 23 October 2014, JHC ELLA LIMITED, a subsidiary of the Group, acquired certain business and assets of Union Way Trading Limited ("Acquisition").

The Acquisition, which includes the retailing, wholesale and distribution of accessories, stationery, toys and houseware products targeting younger customers, will help the expansion of our customer base to include customers in their twenties and thirties. We believe this is an opportunity that will bring reasonable returns by expanding of the Group's network, as well as optimising synergies between the parties in leasing, logistics, merchandising, information technology and marketing where the Group already has a strong platform in Hong Kong.

The consideration of the Acquisition comprised cash of HK$3,000,000 and 800,000 ordinary shares of the Company with issue price of HK$2.50 per share to Union Way Trading Limited on 5 December 2014. Details of the Acquisition are set out in the announcement of the Company dated 23 October 2014.

ACQUISITION OF PROPERTY

On 1 December 2014, the Group entered into a formal sale and purchase agreement with an independent third party, pursuant to which, the Group agreed to acquire a property situated at Caine Road in Hong Kong (the "Property") for a purchase price of HK$39,000,000. The Group will hold the Property for self use by providing spaces for retail store.

OTHERS

Notwithstanding the foregoing, financial policies, contingent liabilities and charges on the Group's assets did not differ materially during the Period from the information presented in the last published annual report.

OPERATING EFFICIENCIES

The Group's overall comparable store sales growth(1) for the Period was 8% (2013/14: 12%), among which Hong Kong sustained a double digit growth at 10% (2013/14: 12%).

In the past few years, the overall rental expenses increased significantly, particularly for prime retail locations. Rental expenses constitute a significant portion of our operating expenses. Despite this adverse dynamic, the Group managed to maintain rental costs as a stable percentage of revenue historically, as through leveraging our strong brand recognition and popular product offerings, we can open new stores with less prime retail space and thereby control our rental expenses as we expand. We are also able to rent retail spaces of varying sizes, which gives us more flexibility in choosing retail spaces and controlling our overall rental expenses. In addition, the salaries of employees have generally increased in recent years. We expect our employee expenses to increase along with inflation. In order to mitigate the effects of increasing employee expenses, we have employee training programmes in place to maximise productivity and we may redeploy our employees to different stores from time to time in order to further maximise productivity. As a result, the Group managed to maintain stable staff costs within a reasonable percentage range of revenue.

In spite of these adverse dynamics, with our strong brand recognition and popular product offering, the Group has managed to deliver record-high sales to maintain costs as a stable percentage of revenue during the Period. The Group's operating expenses as a percentage of revenue only increased slightly during the Period, accounting for 42.5% of its revenue (2013/14: 42.1%). The Group is confident that operating expenses as a percentage of revenue will improve in the light of the festive shopping spree in the second half of the Group's financial year.

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

For the six months ended 31 October	2014		2013		
	HK$	(%) of revenue	HK$	(%) of revenue	Increase %
Distribution and advertising expenses	23,553,000	2.6%	19,296,000	2.5%	22.1%
Administrative and other operating expenses					
Rental expenses – retails stores	142,007,000	15.7%	118,475,000	15.1%	19.9%
Employee benefit expenses	126,111,000	14.0%	106,444,000	13.5%	18.5%
Other expenses	91,846,000	10.2%	86,678,000	11.0%	6.0%
Total operating expenses	383,517,000	42.5%	330,893,000	42.1%	15.9%

Note:

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

DISTRIBUTION NETWORK

We plan to continue to expand our operations in Hong Kong, Singapore and Macau by leveraging the strength of our brand, our extensive retail network and large global supplier network. The Group intends to focus on improving operational efficiencies in West Malaysia, and capture exponential growth in revenue in Mainland China market by online shopping platforms in order to bring extra revenue to the Group.

We believe that our comparable store sales growth in Hong Kong as well as the increasing revenue from our operations in Singapore, West Malaysia, Mainland China and Macau demonstrate our growth potential in these regions. As at 31 October 2014, the Group had a presence in 10 jurisdictions throughout the world. The number of stores increased by 21 to 354 during the Period, of which 343 stores were directly managed by the Group and 11 stores were licenced stores. The following table sets forth the number of our stores worldwide:

Our stores	31 October 2014	30 April 2014
Hong Kong	247	241
Singapore	60	52
West Malaysia	15	15
Mainland China	13	9
Macau	8	6
Sub-total	343	323
Our licenced stores		
East Malaysia	2	2
Saudi Arabia	5	5
New Zealand	1	1
Indonesia	1	1
Cambodia	2	1
Sub-total	11	10
Total	354	333

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. As at 31 October 2014, the Group employed approximately 2,217 employees (30 April 2014: 2,010). Total staff costs for the Period were HK$126,111,000 (2013/14: HK$106,444,000).

OPERATIONAL REVIEW BY BUSINESS SEGMENTS

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

Retail revenue for the Period achieved a record-high revenue and continued to be the primary sales driver for the Group with a growth of 14.7%. This was mainly due to the opening of new stores and growth in comparable store sales. Revenue was also driven by the growth in both the number of transactions and the average spending per transaction. In addition, we continued to increase the variety of our product offerings to capture additional market opportunities and expand our customer base. This resulted in HK$888,136,000 (2013/14: HK$774,012,000) of retail revenue which included consignment sales commission income, accounting for 98.5% (2013/14: 98.4%) of total revenue.

The wholesale business, licencing income and others as a whole increased by 7.7% from the same period last year to HK$13,213,000 (2013/14: HK$12,263,000).

OPERATIONAL REVIEW BY GEOGRAPHICAL LOCATIONS

Operation Review – Hong Kong

Hong Kong remained the key market for the Group, representing 83.4% (2013/14: 84.9%) of the Group's total revenue. Revenue in Hong Kong for the Period achieved a record-high total revenue of HK$751,767,000 (2013/14: HK$667,586,000) with a 12.6% increase, while comparable store sales(1) showed a relatively healthy growth of 10.0% (2013/14: 12.0%).

The profit in Hong Kong for the Period increased to HK$50,618,000 (2013/14: HK$44,780,000, excluding net gain of HK$34,430,000 arising from one-off items (2)), a growth of 13.0% from the same period last year, with the adjusted net profit(2) margin of 6.7% (2013/14: 6.7%). Our profit in Hong Kong for the Period decreased to HK$50,618,000 (2013/14: HK$79,210,000), a decline of 36.1% from the same period last year, with a net profit margin of 6.7% (2013/14: 11.9%).

Operation Review – Singapore

In Singapore, while the revenue grew by 30.4% to HK$119,182,000 (2013/14: HK$91,384,000) during the Period, comparable store sales growth(1) recorded a drop of 6.8% (2013/14: a growth of 14.5%), given a conservative consumer spending patterns and a temporary bottleneck in our supply chain management and logistics operations, despite having been fully resolved.

To address these, the Group has undertaken initiatives to bolster and simplify its supply chain management and logistics operations, improve the existing work procedures to implement better inventory planning, more responsive merchandising allocation and more efficient physical distribution functions. These steps have helped teams respond faster to market trends and execute replenishment orders and more efficiently distribute goods to our retail stores. They have also enabled the Group to simplify its operations and fuel further business growth in Singapore.

During the Period, we have been focusing on retail network expansion in order to achieve a faster and broader coverage. Over these few years, the Group has been expanding our retail network in the market progressively, from acquisition of the business of 17 stores by the Group in November 2011 to 60 stores as at 31 October 2014. Recognizing that the second half of this financial year will be challenging, the Group intends to focus on improving operational efficiencies, including putting employee training programmes in place to maximise productivity and further leverage our strategic strengths in system integration. We will continue our all-out effort in expanding of the market in Singapore after strengthening the Group's position in this market. Singapore will remain our important market and the Group expects to achieve moderate growth and holds an optimistic view on its business for the mid- to long-term.

Operation Review – Mainland China

With respect to Mainland China, the Group's business there recorded revenue growth of 28.5% to HK$2,616,000 (2013/14: HK$2,036,000), while comparable store sales growth[1] was 30.9% (2013/14: 18.2%) during the Period.

The store network has been reviewed and certain under-performing stores have now been consolidated. The Group will launch its e-business platform on "T-Mall" as scheduled. More new channels are explored in order to complement our existing e-business platforms and the Group's brand. We believe that the expansion in Mainland China market by online shopping platforms can capture exponential growth in revenue and bring extra revenue to the Group.

Operation Review – West Malaysia

The revenue for our West Malaysia operations was HK$11,755,000 (2013/14: HK$9,360,000), an increase of 25.6% over the same period last year while comparable store sales growth[1] dropped by 5.0% (2013/14: a growth of 15.4%).

Operation Review – Macau

During the Period, the Group's Macau revenue recorded a slight increase of 0.8% to HK$16,029,000 (2013/14: HK$15,909,000), while comparable store sales growth[1] was 3.7% (2013/14: n/a[3]).

Notes:

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

2. *The adjusted profit for the comparative period 2013/14, a non-HKFRS measure, eliminated the effect of one-off items, which is useful in gaining a more complete understanding of the Group's operational performance and of the underlying trends of its business. One-off items mainly represented listing expenses, gain on disposal of non-current asset held for sale and loss from financial assets at fair value through profit or loss.*

3. *We have no comparable store sales data as our first financial interim period of operation in Macau is the financial interim period ended 31 October 2013.*

FUTURE PROSPECTS

Looking ahead, the Group will continue to strengthen its market position as the leading houseware retail chain in Hong Kong, Singapore and Macau. With this in mind, we intend to reinforce its brand recognition by implementing various marketing initiatives and promotional campaigns so as to more effectively reach out to its current and potential customers to drive future growth.

Harnessing the potential competitive edge offered by online-to-offline (O2O) business, the Group will soon launch its e-commerce business in late 2014. The e-shop named "JHCeshop", targeting online shoppers, is to serve as another convenient, highly flexible and accessible retail channel for customers to purchase our products. We will closely monitor and adapt to market trends and offer a genuine and convenient "one-stop" shopping experience to gain more customers who prefer shopping online. We are poised to seize the enormous potential opportunities from the Internet.

The membership programme "JHC HomePass" has also been launched on schedule. With a broad geographical presence and a great number of highly loyal customers, the Group is confident in building up a sizeable membership base. By offering members valuable benefits such as rebates, birthday special discounts or special priced items for members, JHC HomePass is aimed at boosting the number of transactions and the average spending per transaction, thus broadening the Group's revenue stream. The membership programme will also enhance our understanding of customers' spending behaviour and preferences and subsequently formulate even more effective marketing promotions.

As the Group has built a strong renowned quality brand, we have greater flexibility in choosing new store sites anywhere in any size we require. We are delighted to introduce the first retail shop in a MTR station in November 2014, and planning for more new stores along the MTR route is underway to serve passengers' daily needs for household products. By tapping into the MTR train network, we hope to leverage the heavy traffic in these prime locations to attract a wider range of customers and drive further growth. We believe the Group can further benefit from additional retail shops along MTR routes, which should enable us to maintain stable growth and profitability in Hong Kong.

To fuel further business growth, the Group has been exploring potential and appropriate acquisition and partnership opportunities in Hong Kong and overseas to strengthen its overall market presence as well as to accelerate the expansion of its customer base. During the Period, the Group undertook a partnership project ("ELLA") in Hong Kong. Currently this project has been successfully integrated into the Group's network, ready for proactive development in the next stage. The settlement of the ELLA acquisition was completed on 5 December 2014. Its retail stores in Hong Kong have been successfully integrated into the Group. Due to the young generation market positioning of the ELLA brand, the Group plans to maintain its relative independence, consistency of the brand and sufficient differentiation of the merchandise while the Group will take measures that it considers appropriate to monitor its operation. Leveraging our strengths, the Group will provide sufficient support in supply chain integration, channel development and retail management, to help the ELLA brand lower procurement cost, enhance product quality, improve managerial efficiency, and above all, further expand its coverage across Hong Kong. We believe this will help the expansion of our existing diversified product offering, and customer base to include customers in their twenties and thirties, as well as optimising synergy between the parties in leasing, logistics, merchandising, information technology and marketing where the Group already has a strong platform in Hong Kong.

In the future, we will continue to optimise business growth by leveraging the high recognition of the Group's brand and further expanding its retail network, thus creating stable and healthy returns for our shareholders.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 OCTOBER 2014

	Note	Unaudited six months ended 31 October **2014** HK$'000	**2013** HK$'000
Revenue	4	901,349	786,275
Cost of sales		(476,718)	(418,349)
Gross profit		424,631	367,926
Other income		9,175	8,466
Other (losses)/gains, net		(339)	42,998
Distribution and advertising expenses		(23,553)	(19,296)
Administrative and other operating expenses		(359,964)	(311,597)
Operating profit	5	49,950	88,497
Finance income		3,207	662
Finance costs		(649)	(683)
Profit before income tax		52,508	88,476
Income tax expense	6	(9,476)	(10,145)
Profit for the period		43,032	78,331
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		(522)	28
Total comprehensive income for the period		42,510	78,359
Profit/(loss) for the period attributable to:			
Equity holders of the Company		44,828	79,033
Non-controlling interests		(1,796)	(702)
		43,032	78,331
Total comprehensive income for the period attributable to:			
Equity holders of the Company		44,675	78,917
Non-controlling interests		(2,165)	(558)
		42,510	78,359
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share)	7		
Basic earnings per share		6.20	13.71
Diluted earnings per share		6.17	13.65
Dividends	8	32,551	151,000

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 31 OCTOBER 2014

	Note	**Unaudited 31 October 2014** HK$'000	**Audited 30 April 2014** HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		79,099	72,552
Intangible assets		28,875	29,716
Deferred income tax assets		4,524	4,919
Non-current prepayment and deposits		77,492	62,830
		189,990	170,017
Current assets			
Inventories		240,189	308,735
Trade and other receivables	9	46,202	47,938
Amounts due from shareholders		465	-
Pledged bank deposits		6,524	6,517
Bank deposits with initial terms of over three months		-	51
Cash and cash equivalents		502,193	466,432
		795,573	829,673
Total assets		985,563	999,690
EQUITY			
Equity attributable to equity holders of the Company			
Share capital and share premium	10	592,087	589,400
Reserves		121,087	106,702
		713,174	696,102
Non-controlling interests		18,587	22,578
Total equity		731,761	718,680

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)
AS AT 31 OCTOBER 2014

	Note	**Unaudited 31 October 2014** HK$'000	**Audited 30 April 2014** HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		2,866	2,989
Loans due to non-controlling shareholders of subsidiaries		3,097	481
Provision for reinstatement costs		3,383	-
		9,346	3,470
Current liabilities			
Trade and other payables	11	137,203	177,958
Amount due to a director of a subsidiary		247	247
Loan due to a non-controlling shareholder of a subsidiary		-	2,587
Borrowings		65,122	64,094
Current income tax liabilities		41,884	32,654
		244,456	277,540
Total liabilities		253,802	281,010
Total equity and liabilities		985,563	999,690
Net current assets		551,117	552,133
Total assets less current liabilities		741,107	722,150

NOTES TO THE CONDENSED CONSOLIDATED 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 Islands. The Company is an investment holding company. Its subsidiaries are engaged in retail sales and trading of houseware 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 44.70% of the Company's issued shares. The ultimate controlling parties of the Group are Mr. Lau Pak Fai, Peter and Ms. Ngai Lai Ha.

This interim financial information is presented in HK dollars, unless otherwise stated. This interim financial information was approved by the Board for issue on 18 December 2014.

This interim financial information has been reviewed, not audited.

2 Basis of presentation

The condensed consolidated interim financial information for the six months ended 31 October 2014 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 2014, 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 2014, 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.

3 Principal accounting policies (Continued)

(a) Amended standards adopted by the Group

The following amendments to standards are mandatory for the financial year beginning 1 May 2014 and have been adopted by the Group:

		Effective for accounting period beginning on or after
HKAS 32 (Amendment)	Financial Instruments: Presentation on Asset and Liability Offsetting	1 January 2014
HKAS 36 (Amendment)	Impairment of Assets on Recoverable Amount Disclosure	1 January 2014

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

(b) The following new standards and amendments to standards are mandatory for the financial year beginning 1 May 2014 but not relevant to the Group:

		Effective for accounting period beginning on or after
HKFRS 10, 12 and HKAS 27 (Amendment)	Consolidation for Investment Entities	1 January 2014
HKAS 39 (Amendment)	Financial Instruments : Recognitions and Measurement - Novation of derivatives	1 January 2014
HK (IFRIC) 21	Levies	1 January 2014

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 May 2014 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contribution	1 July 2014
HKFRS 11 (Amendment)	Accounting for Acquisition of Interest in Joint Operations	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 10 and HKAS 28 (Amendment)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue of Contracts from Customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018
Annual Improvements Project	Annual Improvements 2010-2012 Cycle and Annual Improvements 2011-2013 Cycle	1 July 2014
Annual Improvements Project	Annual Improvements 2012-2014 Cycle	1 January 2016

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 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 wholesale 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 2014 is as follows:

	Retail	**Wholesales**	**Licencing and others**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue (all from external customers)	888,136	13,113	100	901,349
Cost of sales	(465,494)	(11,224)	-	(476,718)
Segment results	422,642	1,889	100	424,631
Gross profit % **	47.59%	14.41%	-	47.11%
Other income				9,175
Other loss, net				(339)
Distribution and advertising expenses				(23,553)
Administrative and other operating expenses				(359,964)
Operating profit				49,950
Finance income				3,207
Finance costs				(649)
Profit before income tax				52,508
Income tax expense				(9,476)
Profit for the period				43,032

** 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 2014. 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 2014.

4 Segment information (Continued)

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

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

	Six months ended 31 October	
	2014	**2013**
	HK$'000	HK$'000
Hong Kong	751,767	667,586
Mainland China	2,616	2,036
Singapore	119,182	91,384
Malaysia	11,755	9,360
Macau	16,029	15,909
	901,349	786,275

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 2014 HK$'000	30 April 2014 HK$'000
Hong Kong	92,263	79,343
Mainland China	17,772	15,285
Singapore	34,304	28,737
Malaysia	9,651	9,970
Macau	2,601	2,047
	156,591	135,382

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 2014 HK$'000	2013 HK$'000
Employee benefit expenses (including directors' emoluments)	126,111	106,444
Operating lease rental in respect of		
- office premises and warehouses	13,253	9,450
- retails shops	142,007	118,475
Depreciation of property, plant and equipment	16,082	12,453
Amortisation of intangible assets	307	307
Loss on disposal of property, plant and equipment	339	87
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
Net exchange (gain)/loss	(1,607)	384
Listing expense	-	9,477

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	
	2014	**2013**
	HK$'000	HK$'000
Hong Kong profits tax		
- current year	9,313	9,415
- over-provision in prior years	(224)	-
Overseas taxation	54	217
	9,143	9,632
Deferred income tax	333	513
Income tax expense	9,476	10,145

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 2015 is 15.7% (the estimated tax rate used for the year ended 30 April 2014 and applied to the six months ended 31 October 2013 was 16.3%).

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 2007/08 to the three subsidiaries, demanding tax totalling HK$13,550,000. These assessments were protective assessments issued before the expiry of the statutory time-barred period pending the result of the field audit.

Management has recorded income tax provision of HK$2,113,000 (as at 30 April 2014: HK$1,648,000) in the Group's condensed consolidated interim balance sheet as at 31 October 2014 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, 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 and Ms. Ngai Lai Ha, directors of the Company, and Red Home Holding Limited, a shareholder of the Company, have agreed to indemnify the Group in respect of such amount and any cost or liabilities arising out of the additional assessment for which the Group may be liable in relation to the tax audit.

7 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.

	Six months ended 31 October 2014	2013
Profit attributable to equity holders of the Company (HK$'000)	44,828	79,033
Weighted average number of shares in issue ('000)	723,479	576,620
Basic earnings per share (HK cents)	6.20	13.71

(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.

	Six months ended 31 October 2014	2013
Profit attributable to equity holders of the Company (HK$'000)	44,828	79,033
Weighted average number of shares for diluted earnings per share ('000)	725,965	578,842
Diluted earnings per share (HK cents)	6.17	13.65

8 Dividends

In the current period, a final dividend of HK$32,551,000 in relation to the year ended 30 April 2014 was declared and paid.

On 18 December 2014, the Board resolved to declare an interim dividend of 4.9 HK cents (2013: interim dividend of 2.0 HK cents and special dividend of 4.0 HK cents), totaling of approximately HK$35,556,000 (2013: interim dividend of HK$14,461,000 and special dividend of HK$28,922,000). The proposed dividend has not been recognized as a liability in this interim financial information but will be reflected as an appropriation of retained profits for the year ending 30 April 2015.

9 Trade and other receivables

	As at 31 October 2014 HK$'000	As at 30 April 2014 HK$'000
Trade receivables	4,118	3,356
Prepayments	18,096	17,408
Deposits and other receivables	101,480	90,004
	123,694	110,768
Less non-current portion:		
Deposits	(64,756)	(50,549)
Prepayment for purchase of property, plant and equipment	(12,736)	(12,371)
	(77,492)	(62,830)
Current portion	46,202	47,938

The Group normally makes sales to customers on a cash on delivery basis for retail sales. At 31 October 2014 and 30 April 2014, the ageing analysis of trade receivables based on invoice date for wholesales was as follows:

	As at 31 October 2014 HK$'000	As at 30 April 2014 HK$'000
Up to 3 months	4,118	3,356

10 Share capital and share premium

	Number of shares (thousands)	Share capital HK$'000	Share premium HK$'000	Total HK$'000
As at 1 May 2014	723,216	72,322	517,078	589,400
Exercise of options (note (a))	1,620	162	2,525	2,687
At 31 October 2014	724,836	72,484	519,603	592,087
As at 1 May 2013	1	1	-	1
Issue of new shares to then equity holders (note (b))	9,999	999	104,863	105,862
Capitalisation issue (note (c))	530,000	53,000	(53,000)	-
Issue of new shares to the public (note (d))	180,000	18,000	487,800	505,800
Exercise of options (note (a))	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	723,038	72,304	516,244	588,548

Notes:

(a) During the current period, approximately 1,620,000 (2013: 3,038,000) shares were issued and allotted upon the exercise of options granted under the share option scheme.

(b) 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 shares of Matusadona.

(c) 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 530,000,0000 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.

(d) 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 on 25 September 2013 for a total cash consideration, before related issuance expense, of approximately HK$505,800,000.

11 Trade and other payables

	As at 31 October 2014 HK$'000	As at 30 April 2014 HK$'000
Trade payables	106,619	143,616
Accrual for cost of initial public offering	27	427
Other payables and accruals	23,715	25,282
Deposits received	218	177
Receipts in advance	743	747
Provision for employee benefits	5,881	7,709
	137,203	177,958

(a) The carrying values of trade and other payables approximate their fair values as at 31 October 2014.

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

	As at 31 October 2014 HK$'000	As at 30 April 2014 HK$'000
0 - 30 days	34,892	45,916
31 - 60 days	26,169	48,365
61 - 90 days	26,969	20,387
91 - 120 days	16,752	23,732
Over 120 days	1,837	5,216
	106,619	143,616

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules" and the "Stock Exchange" respectively) . 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 during the Period, 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 Peter is both the Chairman and the Chief Executive Officer of the Company. As Mr. LAU Pak Fai Peter 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 Pak Fai Peter 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 two independent non-executive Directors and one non-executive Director 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 consolidated interim results of the Group for the Period. 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

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDENDS

The Board has resolved to declare an interim dividend of 4.9 HK cents per ordinary share (2013/14: interim and special dividends of 2.0 HK cents and 4.0 HK cents per share respectively), representing a total payout of approximately HK$35,556,000 (2013/14: approximately HK$43,400,000). Shareholders whose names appear on the register of members of the Company on Friday, 23 January 2015 will be entitled to the interim dividend which will be paid on or around Thursday, 29 January 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 21 January 2015 to Friday, 23 January 2015, (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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 20 January 2015.

PUBLICATION

The interim results announcement of the Company for the six months ended 31 October 2014 is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.japanhome.com.hk) respectively. The 2014/2015 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 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
LAU Pak Fai Peter
Chairman and Executive Director

Hong Kong, 18 December 2014

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 Director is Mr. YEUNG Yiu Keung, and the independent non-executive Directors are Dr. LO Wing Yan William, J.P., Mr. HUANG Lester Garson, J.P. and Mr. MANG Wing Ming Rene.