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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 APRIL 2017

The board of directors (the "Board" or "Directors") of International Housewares Retail Company Limited (the "Company" or "we") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 April 2017 (the "Year") prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules" and the "Stock Exchange" respectively), together with the comparative figures for the financial year ended 30 April 2016 ("2015/16").

HIGHLIGHTS

- The Group's revenue increased by 3.5% to HK$2,111,001,000 (2015/16[1]: HK$2,039,575,000).
- The Group achieved satisfactory comparable store sales growth[2] in Hong Kong of 3.0% (2015/16: 5.3%).
- The Group maintained a strong financial position with cash and cash equivalents of HK$403,753,000 (30 April 2016: HK$406,080,000).
- The Group's gross profit rose by 4.4% to HK$989,153,000 (2015/16: HK$947,577,000) and gross profit margin was up to 46.9% (2015/16: 46.5%).
- Profit attributable to owners of the Company increased 31.6% to HK$87,492,000 (2015/16: HK$66,492,000).
- The Board has resolved to recommend the payment of a final dividend of HK5.6 cents per share. Combined with the interim dividend of HK5.0 cents per share, the total annual dividend would be HK10.6 cents per share.

Notes:

1. *Comparative figures for the financial year ended 30 April 2016 are shown as 2015/16 in brackets.*
2. *Comparable store sales growth represents a comparison between the store sales of those stores that were open throughout the years being compared.*

CORPORATE PROFILE

Established in 1991, the Group is the largest houseware retail chain in Hong Kong, Singapore and Macau[1]. The Group offers quality houseware products through an extensive retail network comprising 366 stores in Hong Kong, Singapore, Macau, Cambodia, East Malaysia, Saudi Arabia and Australia under renowned brands including Japan Home Centre (日本城), City Life (生活提案), Epo Gifts & Stationery (文具世代), 123 by ELLA, and Japan Home (日本の家). Supported by extensive sourcing channels and high-margin private label products, the Group provides to customers a full range of houseware items at competitive prices, giving them "one-stop" shopping convenience.

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

FINANCIAL PERFORMANCE

The Group continued to increase the variety of product offerings to help it capture additional market opportunities and expand customer base. In addition, driven by opening new stores and growth in overall comparable store sales, as well as the increase in average spending per transaction for the Year, the Group's revenue rose by 3.5% to an historical high of HK$2,111,001,000 (2015/16: HK$2,039,575,000).

The discount driven marketplace had made more promotions and markdowns necessary and that presented considerable pressure on our gross profit margin. Fortunately, at the Group's continued effort to streamline logistics arrangement with suppliers and bargain for more favourable prices to reduce procurement cost, much of that pressure was alleviated. As a result, the Group managed to improve its gross profit margin. During the Year, the Group's gross profit rose by 4.4% to HK$989,153,000 (2015/16: HK$947,577,000) and gross profit margin was up to 46.9% (2015/16: 46.5%).

Boating brand recognition among consumers and popular product offerings, the Group was able to make record-high sales with operating expenses maintained at a stable level as a percentage of revenue during the Year. Coupled with prudence in managing expenses, the Group's operating expenses as a percentage of revenue reduced during the Year, standing at 42.9% (2015/16: 43.3%).

Profit attributable to owners of the Company increased 31.6% to HK$87,492,000 (2015/16: HK$66,492,000), owed mainly to the Group continuing to broaden its product portfolio, while constantly monitoring purchase prices and logistics costs of its sourcing activities, as well as prudently managing operating expenses. Furthermore, the Group closed down the business operations in West Malaysia and Mainland China to minimize negative effects on its retail business as a whole.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 April 2017, the Group had cash and cash equivalents amounting to HK$403,753,000 (30 April 2016: HK$406,080,000). 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.

The Group's treasury management policy is not to engage in any highly leveraged or speculative derivative products and it continues to place a large part of surplus cash in Hong Kong dollars bank deposit with appropriate maturity period to meet funding requirements in the future. The current ratio for the Group was 2.8 (30 April 2016: 2.8). Total borrowings amounted to HK$22,426,000 as at 30 April 2017 (30 April 2016: HK$44,373,000). The Group was in a net cash position as at 30 April 2017 and its gearing ratio as determined by total borrowings divided by total equity was 3.2% (30 April 2016: 6.4%).

OPERATING EFFICIENCIES

Although the operating environment was ridden with challenges, the Group achieved satisfactory comparable store sales growth[(1)] in Hong Kong of 3.0% (2015/16: 5.3%) during the Year.

In the past few years, the overall rental expenses on shops in shopping malls continued to increase. Despite the adverse factor, enabled by the brand recognition the Group enjoys, its popular product offerings and decision to open new stores at less prime retail venues, the Group has been able to control rental expenses as it expands. We are also able to rent retail spaces of varying sizes, which gives us more flexibility in choosing retail spaces and controlling overall rental expenses. In addition, with salaries on general rise in recent years, we expect our employee expenses to increase alongside inflation. To mitigate the effects of increasing employee expenses, we have employee training programmes in place to maximise productivity and employees are redeployed to different stores from time to time to boost productivity further. As a result, the Group has been able to maintain employee expenses at a stable level as a percentage of revenue.

In spite of these adversities, enjoying brand recognition and boasting popular product offerings, the Group made record high sales with operating expenses maintained at a stable level as a percentage of revenue during the Year. Coupled with prudence in managing expenses, including closely monitoring store man-hour expenses and use of energy efficient lighting installations at retail stores which arise as a result of reduction in related operating expenses as a percentage of revenue against the last year, the Group's operating expenses reduced during the Year, standing at 42.9% (2015/16: 43.3%) as a percentage of revenue.

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

For the Year Ended 30 April	**2017**		**2016**		
	HK$	**(%) of revenue**	**HK$**	**(%) of revenue**	**Change (%)**
Distribution and advertising expenses	**53,252,000**	**2.5%**	56,981,000	2.8%	-6.5%
Administrative and other operating expenses	**851,628,000**	**40.4%**	826,453,000	40.5%	3.0%
Total operating expenses	**904,880,000**	**42.9%**	883,434,000	43.3%	2.4%

Note:

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

DISTRIBUTION NETWORK

The Group offers quality houseware products through an extensive retail network comprising 366 stores in Hong Kong, Singapore, Macau, Cambodia, East Malaysia, Saudi Arabia and Australia under renowned brands including Japan Home Centre (日本城), City Life (生活提案), Epo Gifts & Stationery (文具世代), 123 by ELLA, and Japan Home (日本の家). Supported by extensive sourcing channels and high-margin private label products, the Group provides to customers a full range of houseware items at competitive prices, giving them “one-stop” shopping convenience.

The Group believes that the cumulative brand awareness it enjoys over the years, its extensive and steadily growing retail network and large global supplier network have contributed and will continue to contribute to the Group’s continuous business development. The Group remains positive about its business prospects in the medium-to-long-term and plans to continue to expand its operations in Hong Kong, Singapore and Macau. At the same time, it will continue to restructure with caution its store portfolio in Singapore, closing down underperforming stores to minimise negative effects on its retail business as a whole, focusing on profitable stores and opening new stores in high potential areas. The following table sets forth the number of our stores worldwide:

	As at 30 April 2017	**As at 30 April 2016**	**Net increase/ (decrease)**
The Group’s directly managed stores			
Hong Kong	**290**	277	13
Singapore	**57**	62	(5)
Macau	**8**	8	-
Sub-total	**355**	347	8
The Group’s licensed stores			-
East Malaysia	**1**	1	-
Saudi Arabia	**5**	5	-
New Zealand	**-**	1	(1)
Indonesia	**-**	1	(1)
Cambodia	**3**	3	-
Australia	**2**	-	2
Sub-total	**11**	11	-
Total	**366**	358	8

HUMAN RESOURCES

To ensure that the Group attracts and retains staff capable of attaining optimum performance levels, remuneration packages are reviewed on a regular basis. Performance bonuses, share options and share awards could then be subsequently offered to qualified employees. A performance-based element is included in the award of annual discretionary bonus for all staff as well as in share options and share awards for supervisory and managerial staff. As at 30 April 2017, the Group had approximately 2,225 employees (30 April 2016: 2,236). Total employee benefit expense for the Year was HK$311,610,000 (2015/16: HK$303,839,000).

OPERATIONAL REVIEW BY BUSINESS SEGMENT

The Group's business segments by nature include retail, wholesale and licensing and others. Retail revenue for the Year climbed to a record-high and continued to be the primary sales driver of the Group with a 3.5% growth. This was mainly due to the opening of new stores and growth in comparable store sales. Revenue was also driven by growth in average spending per transaction. In addition, we continued to increase the variety of our merchandise to capture additional market opportunities and expand customer base. These combined efforts resulted in HK$2,086,386,000 (2015/16: HK$2,015,960,000) of retail revenue which included consignment sales commission income, accounting for 98.8% (2015/16: 98.8%) of total revenue.

The revenue from wholesale business, licensing income and others as a whole increased by 4.2% against the previous year to HK$24,615,000 (2015/16: HK$23,615,000).

OPERATIONAL REVIEW BY GEOGRAPHICAL LOCATIONS

Operations Review – Hong Kong

Hong Kong remained the key market of the Group, accounting for 87.4% (2015/16: 86.1%) of its total revenue. Revenue from Hong Kong for the Year was a record high totalling at HK$1,844,576,000 (2015/16: HK$1,755,007,000), a 5.1% increase, while comparable store sales[(1)] managed a relatively healthy growth of 3.0% (2015/16: 5.3%).

Operations Review – Singapore

At the effort of our devoted staff in Singapore, the operation achieved a positive 6.8% revenue growth in the second half of the Year from a drop of 8.9% in the first half of the Year, compared with the same period last year. However, as the decrease in revenue during the first half of the Year was rather marked, even with a satisfactory increase in the second half of the Year, overall revenue for the Year still declined slightly by 1.3% to, expressed in Hong Kong dollars, HK$228,073,000 (2015/16: HK$231,115,000).

The Group intends to continue to focus on exercising prudent cost control. During the Year, the narrowing of operating expenses was achieved by streamlining organisational structure, closing unprofitable retail stores, and negotiating for lower rental for a number of stores. Singapore remains a strategic market of the Group and is expected to achieve moderate growth as the Group is optimistic in achieving profitability in the medium- to long-term.

Operations Review – Macau

During the Year, the Group's Macau revenue fell by 2.5% to HK$38,352,000 (2015/16: HK$39,341,000), while comparable store sales growth[(1)] was negative at 2.5% (2015/16: 1.3%). The net profit in Macau increased by 15% from previous year, with the Group's efforts to narrow down operating expenses during the Year.

Note:

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

LOOKING FORWARD

Building on our over 25 years' experience in housewares retailing, our solid relationship with suppliers, plus our global merchandising capability and professional team, we are one of the largest housewares retail chains in Hong Kong, Macau and Singapore today. "Success is story of yesterday, persistence prepares us for the future" has always been our motto. Innovative technologies are surfacing ever so quickly and our markets are changing all the time, compounded challenges presented by the economy. Heeding all that, as a market leader, we have to consistently stay alert, keep our mind open, and, persevere and exert our best so that we can seize and turn opportunities into rewarding results and maximise overall returns to the Group and shareholders.

Strengthening Corporate Image

Despite the weak retail market environment, necessary demand for housewares and quality products has remained stable. Thus, we have worked hard at broadening our focus onto "necessary demand plus innovative living". We believe that our new "JHC ideas. Living" company logo can better reflect on the Group's upgraded business, in order to give the Group a clearer defined positioning and also strengthen its corporate image, all to the benefit of future business development. We are happy to announce that, adopting the concept of "fast-retailing" of trendy and lifestyle items at a range of fixed prices, we have completed the rebranding of "ELLA" transforming it into "123 by ELLA". We have now 27 "123 by ELLA" stores in Hong Kong and the continuous expansion of "123 by ELLA" will turn it into one of the Group's sales growth drivers in the years to come. In addition, starting from the very basic level, we ensure that every little service detail is attended to as we work to create unique shopping experiences and a pleasant shopping environment for our customers.

Standardising Operation

Adopting a standardised and intensive operation mode, we are able to run our well-laid out retail business cost-effectively and with consistency. We have standardised our operations replicating proven retail practices to help improve operational efficiency and overall customer satisfaction, while remaining flexible in accommodating the different demands of our customers. At our headquarters, for certain standardised operations, we implement intensive management that covers planning, directing, supervising and evaluation of processes and operational quality. We believe the standardisation and intensive operation strategy we implement can help mitigate the impact of rising costs on our retail operations and improve our overall profit margin. These relevant measures have enabled us to respond well to customers' needs and in turn boosted customer recognition of the brand, giving us an important competitive advantage over other industry players.

Perfecting Talent Pipeline

The Group has placed strong emphasis on employees' development. We will keep perfecting our talent pipeline in order to provide the personnel the Group requires to achieve its sustainable development. We will build a comprehensive career development platform for employees and align personal career development with the company development. This long-held approach of tying grooming of talent with business needs has permitted us to effectively boost the capabilities of our employees and help them grow quickly. Based on findings of reviews of internal and external conditions and human resources status, we are able to gradually build multi-type staff development and training system. We see the importance of combining theory and practice in training and, via the offer of "mentorship", training is threaded through employees' daily work.

Enhancing Product Offer

Furthermore, the Group has strived to step up efforts in promoting its private label products and enhance their brand reputation, by boosting the product portfolio, types and packaging which in turn can help raise its profit margin. As an example, through different channels, we have recently rolled out under our private label "EZ Cook Professional" a few series of high quality cookware including a range of Korean made ceramic-coated cookware in the colour of oasis, which has attracted a high level of awareness. "Pole Bear" is another private label of ours specifically for thermos products, which quality and sales in our stores are comparable to those of international brands. For supply chain management, a mechanism for managing good selling product items being in short supply has been established to assure inventory adequacy, reduce out-of-stock rate and enhance the benefits from coordinated production and sales. At the same time, we also effectively monitor and control replenishment of stock that we may achieve the goal of reducing inventory turnover days.

Integrating Omni-Channel

We endeavour to sell our products on an interactive, comprehensive and integrated omni-channel backed platform, meaning we will continue to exploit our complete retail presence in Hong Kong and online sales networks, including JHCeshop (日本城網購) (e-commerce platform), Easy Buy (易購點) (in-store purchase i-Panel), as well as our J Fun APPs and Facebook interactive service platforms, for marketing and sales purposes. We will continue to build an omni-channel based operating platform in the future.

Looking ahead, in order to maximise return on capital, we will continue to manage expenses in a prudent manner. We strongly believe that, with the good brand reputation we have built over the years, an extensive retail network and a steady growth track record, plus a large global supplier network, we will see our business continue to develop healthily. With a strong cash flow, we are ready to pursue potential investment opportunities that promise to bring higher returns, thus generating greater returns for shareholders.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2017

	Note	**Year ended 30 April** **2017** **HK$'000**	2016 HK$'000
Revenue	3	**2,111,001**	2,039,575
Cost of sales	4	**(1,121,848)**	(1,091,998)
Gross profit		**989,153**	947,577
Other income - net		**13,098**	15,916
Other loss - net		**(733)**	(6,565)
Distribution and advertising expenses	4	**(53,252)**	(56,981)
Administrative and other operating expenses	4	**(851,628)**	(826,453)
Operating profit		**96,638**	73,494
Finance income		**1,612**	3,239
Finance expenses		**(1,004)**	(1,935)
Finance income - net		**608**	1,304
Profit before income tax		**97,246**	74,798
Income tax expense	5	**(20,750)**	(20,642)
Profit for the year		**76,496**	54,156
Profit/(loss) attributable to:			
Owners of the Company		**87,492**	66,492
Non-controlling interests		**(10,996)**	(12,336)
		76,496	54,156
Earnings per share attributable to the owners of the Company for the year (expressed in HK cents per share)			
Basic earnings per share	6	**HK 12.2 cents**	HK 9.2 cents
Diluted earnings per share	6	**HK 12.2 cents**	HK 9.2 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2017

	Year ended 30 April	
	2017	2016
	HK$'000	HK$'000
Profit for the year	**76,496**	54,156
Other comprehensive loss		
Items that may be reclassified to profit or loss		
Currency translation differences	**(249)**	(2,831)
Other comprehensive loss for the year, net of tax	**(249)**	(2,831)
Total comprehensive income for the year	**76,247**	51,325
Attributable to:		
Owners of the Company	**87,198**	64,466
Non-controlling interests	**(10,951)**	(13,141)
Total comprehensive income for the year	**76,247**	51,325

CONSOLIDATED BALANCE SHEET
AS AT 30 APRIL 2017

	Note	As at 30 April **2017** **HK$'000**	 2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**105,145**	103,345
Investment property		**12,980**	13,782
Intangible assets		**27,229**	28,480
Deferred income tax assets		**6,678**	6,187
Non-current prepayment and deposits	8	**78,282**	64,738
		230,314	216,532
Current assets			
Inventories		**252,842**	280,240
Trade and other receivables	8	**71,285**	59,846
Amount due from shareholders		**465**	465
Current income tax recoverable		**1,555**	-
Pledged bank deposits		**6,067**	6,555
Bank deposits with initial terms of over three months		**389**	372
Cash and cash equivalents		**403,753**	406,080
		736,356	753,558
Total assets		**966,670**	970,090
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital and share premium		**581,565**	581,051
Reserves		**125,960**	114,684
		707,525	695,735
Non-controlling interests		**(6,637)**	(966)
Total equity		**700,888**	694,769

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30 APRIL 2017

	Note	**2017**	2016
		As at 30 April	
		HK$'000	HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**2,741**	2,773
Loan due to a non-controlling shareholder of a subsidiary		**572**	-
Provision for reinstatement cost	9	**3,007**	2,637
Borrowings		**759**	-
		7,079	5,410
Current liabilities			
Trade and other payable	9	**211,721**	203,156
Amount due to a non-controlling shareholder of a subsidiary		**260**	-
Loans due to non-controlling shareholders of subsidiaries		**485**	3,064
Borrowings		**21,667**	44,373
Current income tax liabilities		**24,570**	19,318
		258,703	269,911
Total liabilities		**265,782**	275,321
Total equity and liabilities		**966,670**	970,090

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

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

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

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 28 July 2017.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(i) The following standards and amendments to standards are mandatory for the Group's financial year beginning on 1 May 2016. The adoption of these amendments has not had any significant impact to the results and financial position of the Group, except that certain disclosure has been extended.

Amendment to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendment to HKAS 27	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 10 and HKAS 28	Sales or contribution of assets between an investor and its associates or joint venture
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations
HKFRS 14	Regulatory deferred accounts
Annual improvements to HKFRSs	Annual improvements 2012 - 2014 cycle

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(ii) The following standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 May 2016 and have not been early adopted by the Group:

		Effective for the accounting period beginning on or after
Amendment to HKAS 7	Disclosure Initiative	1 January 2017
Amendment to HKAS 12	Recognition of deferred tax assets for unrealised losses	1 January 2017
Amendment to HKAS 40	Transfers of Investment Property	1 January 2018
Amendment to HKFRS 2	Classifcation and Measurement of Share-based Payment Transactions	1 January 2018
Amendment to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 15	Revenue from contracts with customers	1 January 2018
Amendment to HKFRS 15	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Annual Improvement Project	Annual Improvement 2014-2016 Cycle	1 January 2017 or 1 January 2018, as appropriate

The Group is currently assessing the impact of the adoption of the above new standards and amendments to standards that have been issued but are not effective for annual periods beginning on 1 May 2016.

HKFRS 9, ‘Financial instruments’

HKFRS 9 “Financial instrument” addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities, there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability’s own credit risk are recognised in the other comprehensive income, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets and financial liabilities.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(ii) The following standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 May 2016 and have not been early adopted by the Group: (Continued)

HKFRS 9, 'Financial instruments'
There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. For trade receivables, contract assets and lease receivables, a simplified approach can be selected by the Group to measure the lifetime expected credit losses. Despite that the new impairment model may result in an earlier recognition of credit losses, based on management's current assessment, the adoption of the new model is unlikely to have significant impact on the Group's financial performance and position.

HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and the "hedged ratio" to be the same as that used by management for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39.

The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group does not plan to early adopt this standard.

HKFRS 15, 'Revenue from contracts with customers'
HKFRS 15 "Revenue from contracts with customers" replaces the previous revenue standards HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identity the contract(s) with customer; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognise revenue when performance obligation is satisfied. The core principal is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset-liability" approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under HKFRS 15, an entity normally recognises revenue when a performance obligation is satisfied. Impact on the revenue recognition may arise when multiple performance obligation are identified. The Group has assessed the impact of the adoption of HKFRS 15 and does not expect the adoption would have a material impact other than presenting more disclosures.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(ii) The following standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 May 2016 and have not been early adopted by the Group: (Continued)

HKFRS 16, 'Leases'
HKFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on the consolidated balance sheet for lessees. HKFRS 16 provides a new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the consolidated balance sheets. Instead, when the Group is the lessee, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated balance sheets. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation.

The Group is a lessee of various properties which are currently classified as operating leases. As at 30 April 2017, the Group's total operating lease commitments amounted to HK$576,182,000. The new standard will therefore result in an increase in assets and financial liabilities in the Group's consolidated balance sheets upon adoption. As for the financial performance impact in the Group' consolidated statements of comprehensive income, straight-line depreciation expense on the right-of-use asset and the interest expenses on the lease liability are recognised and no rental expenses will be recognised. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the Group's profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3 Segment information

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

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

(i) Retail*

(ii) Wholesales

(iii) Licencing and others

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

* Including consignment sales commission income.

The segment information provided to the executive directors for the reportable segments for the year ended 30 April 2017 is as follows:

	Retail HK\$'000	Wholesales HK\$'000	Licencing and others HK\$'000	Total HK\$'000
Segment revenue (all from external customers)	2,086,386	23,987	628	2,111,001
Cost of sales	(1,102,323)	(19,525)	-	(1,121,848)
Segment results	984,063	4,462	628	989,153
Gross profit %**	47.17%	18.60%	-	46.86%
Other income				13,098
Other losses, net				(733)
Distribution and advertising expenses				(53,252)
Administrative and other operating expense				(851,628)
Operating profit				96,638
Finance income				1,612
Finance costs				(1,004)
Profit before income tax				97,246
Income tax expense				(20,750)
Profit for the year				76,496

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

3 Segment information (Continued)

The segment information provided to the executive directors for the reportable segments for the year ended 30 April 2016 is as follows:

	Retail HK$'000	Wholesales HK$'000	Licencing and others HK$'000	Total HK$'000
Segment revenue (all from external customers)	2,015,960	23,223	392	2,039,575
Cost of sales	(1,072,692)	(19,306)	-	(1,091,998)
Segment results	943,268	3,917	392	947,577
Gross profit %**	46.79%	16.87%	-	46.46%
Other income				15,916
Other losses, net				(6,565)
Distribution and advertising expenses				(56,981)
Administrative and other operating expense				(826,453)
Operating profit				73,494
Finance income				3,239
Finance costs				(1,935)
Profit before income tax				74,798
Income tax expense				(20,642)
Profit for the year				54,156

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

Segment revenue reported above represents revenue generated from external customers. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The revenue from the Group's largest customer amounted to less than 10% of the Group's total revenue for each of the years ended 30 April 2017 and 2016.

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

	Year ended 30 April 2017 HK$'000	2016 HK$'000
Hong Kong	1,844,576	1,755,007
Mainland China	-	4,822
Singapore	228,073	231,115
Malaysia	-	9,290
Macau	38,352	39,341
	2,111,001	2,039,575

3 Segment information (Continued)

The total of non-current assets, other than intangible assets and deferred income tax assets of the Group as at 30 April 2017 and 2016 are as follows:

	As at 30 April 2017 HK$'000	2016 HK$'000
Hong Kong	145,553	137,385
Mainland China	23,278	13,782
Singapore	26,463	28,745
Macau	1,113	1,953
	196,407	181,865

The amounts provided to the executive directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

4 Expenses by nature

	Year ended 30 April 2017 HK$'000	2016 HK$'000
Auditors' remuneration		
- Audit services	2,528	2,376
- Non-audit services	392	406
Air conditioning expenses	14,357	13,045
Advertising and promotion expenses	15,380	14,587
Amortisation of trademark	613	614
Building management fees	33,416	32,004
Cost of inventories sold	1,121,848	1,091,998
Delivery charges	35,653	40,000
Depreciation expense		
- owned property, plant and equipment	30,265	31,993
Employee benefit expense (including directors' emoluments)	311,610	303,839
Government rates	12,388	11,162
Legal and professional fee	2,513	2,813
Operating lease rental	365,846	349,682
Repair and maintenance	15,248	13,280
Utility expenses	25,538	26,129
Net exchange (gains)/losses	(1,429)	5,690
Provision for impairment of trade receivables	2,463	-
Others	38,099	35,814
Total cost of sales, distribution and advertising expenses, and administrative and other operating expenses	2,026,728	1,975,432

5 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	Year ended 30 April 2017 HK$'000	2016 HK$'000
Current income tax		
- Hong Kong profits tax	21,815	20,631
- Overseas taxation	529	530
- Over provisions in prior years	(1,163)	(34)
Deferred income tax	(431)	(485)
	20,750	20,642

6 Earnings per share

(a) Basic

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

	Year ended 30 April 2017 HK$'000	2016 HK$'000
Profit attributable to owners of the Company (HK$'000)	87,492	66,492
Weighted average number of ordinary shares in issue (in thousands) (Note (i))	716,060	719,414
Basic earnings per share attributable to owners of the Company (HK cents per share)	12.2	9.2

Note (i):

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

6 Earnings per share (Continued)

(b) Diluted

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

	Year ended 30 April	
	2017	2016
	HK$'000	HK$'000
Profit attributable to owners of the Company (HK$'000)	87,492	66,492
Weighted average number of ordinary shares in issue (in thousands)	716,060	719,414
Adjustments for:		
- Share options and share awards (thousands)	1,833	929
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	717,893	720,343
Diluted earnings per share attributable to owners of the Company (HK cents per share)	12.2	9.2

7 Dividend

The dividends paid in 2017 and 2016 were HK$75,907,000 (HK10.6 cents per share) and HK$76,092,000 (HK10.6 cents per share) respectively. A dividend in respect of the year ended 30 April 2017 of HK5.6 cents per share, amounting to a total dividend of HK$40,130,000, is to be proposed at the annual general meeting on 25 September 2017. These financial statements do not reflect this dividend payable.

	Year ended 30 April	
	2017	2016
	HK$'000	HK$'000
Interim dividend paid of HK5.0 cents (2016: HK5.0 cents) per ordinary share	35,834	35,797
Proposed final dividend of HK5.6 cents (2016: HK5.6 cents) per ordinary share	40,130	40,073
	75,964	75,870

8 Trade and other receivables

	As at 30 April 2017 HK$'000	2016 HK$'000
Trade receivables	11,590	8,680
Less: provision for impairment of trade receivables	(2,463)	-
	9,127	8,680
Prepayments	22,514	3,351
Deposits and other receivables	117,926	112,553
	149,567	124,584
Less non-current portion:		
Deposits	(60,684)	(64,738)
Prepayment for purchase of property, plant and equipment	(17,598)	-
	(78,282)	(64,738)
Current portion	71,285	59,846

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

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

	As at 30 April 2017 HK$'000	2016 HK$'000
Up to 3 months	9,010	8,680
3 to 6 months	-	-
6 to 12 months	2,580	-
	11,590	8,680
Less: provision for impairment of receivables	(2,463)	-
	9,127	8,680

As of 30 April 2017, trade receivables of HK$1,540,000 (2016: HK$3,210,000) were past due but not impaired. These relate to a number of independent franchisees and customers for whom there is no recent history of default. The ageing analysis of these trade receivables based on invoice dates is as follows:

	As at 30 April 2017 HK$'000	2016 HK$'000
Up to 3 months	1,423	3,210
3 to 6 months	-	-
6 to 12 months	117	-
	1,540	3,210

8 Trade and other receivables (Continued)

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

	As at 30 April 2017 HK$'000	2016 HK$'000
At beginning of the year	-	-
Provision for impairment receivables	2,463	-
At end of the year	2,463	-

The creation and release of provision for impaired receivables has been included in "administrative and other operating expenses" in the consolidated income statement (Note 4). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying values of each class of receivable (excluding prepayments) mentioned above. The Group does not hold any collateral as security.

9 Trade and other payables and provision for reinstatement cost

	As at 30 April 2017 HK$'000	2016 HK$'000
Current		
Trade payables	160,702	159,591
Other payables and accruals	36,332	32,646
Deposit received	170	148
Receipts in advance and cash coupons	4,067	2,225
Provision for customer loyalty programs	3,576	2,179
Provision for employee benefits	6,874	6,367
	211,721	203,156
Non-current		
Provision for reinstatement cost	3,007	2,637
	214,728	205,793

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

	As at 30 April 2017 HK$'000	2016 HK$'000
0 - 30 days	84,273	72,887
31 - 60 days	45,077	38,850
61 - 90 days	21,248	31,442
91 - 120 days	6,084	14,443
Over 120 days	4,020	1,969
	160,702	159,591

OTHER INFORMATION

DIVIDENDS

An interim dividend of HK5.0 cents per ordinary share (2015/16: interim dividend of HK5.0 cents), representing a total payout of approximately HK$35,834,000 was paid by the Company on 27 January 2017. The Board has resolved to recommend the payment of a final dividend of HK5.6 cents per ordinary share to shareholders whose names appear on the register of members of the Company on Wednesday, 4 October 2017 which will be paid on or around Friday, 20 October 2017, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on Monday, 25 September 2017. Taking into account of the interim dividend payment, the total dividend for the Year would amount to HK10.6 cents per share, totaling approximately HK$75,964,000 for the Year.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company for the forthcoming annual general meeting of the Company to be held on Monday, 25 September 2017 will be closed from Monday, 18 September 2017 to Monday, 25 September 2017, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the forthcoming annual general meeting of the Company, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 15 September 2017.

Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on Monday, 25 September 2017, the proposed final dividend will be payable to the shareholders of the Company whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Wednesday, 4 October 2017 and the register of members of the Company will be closed from Friday, 29 September 2017 to Wednesday, 4 October 2017, (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents, accompanied by the relevant share certificates lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 28 September 2017.

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 "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 150,000 shares of the Company at a total consideration of about HK$240,000. Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the year ended 30 April 2017.

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.

In view of the amendment of CG Code relating to risk management and internal control aspects, the Company has conducted in-depth review and extensive engagement with the directors and senior management.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry with all of the Directors, Directors confirmed that they had been in compliance with the required standard set out in the Model Code during the year ended 30 April 2017.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the consolidated financial statements for the year ended 30 April 2017. The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 30 April 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION

The annual results announcement of the Company for the year ended 30 April 2017 is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.japanhome.com.hk) respectively. The 2017 annual 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

Twenty-five years had gone by in a blink of the eye. Last but not least, I would like to express my sincere gratitude to all shareholders, the board of directors, our customers, staff and business partners for their continuous support. I would also like to take this opportunity to give my heartfelt appreciation to our now Honorary Chairman Mr. Lau Pak Fai Peter, who resigned as Chairman during the year, for his leadership and contribution to the Group in past years.

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

Hong Kong, 28 July 2017

As at the date of this announcement, the executive Directors are Mr. LAU Pak Fai Peter, Ms. NGAI Lai Ha, Mr. CHENG Sing Yuk and Mr. CHONG Siu Hong, and the independent non-executive Directors are Mr. MANG Wing Ming Rene, Mr. NEO Sei Lin Christopher and Mr. YEE Boon Yip.