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 2019

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 2019 (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 comparative figures for the financial year ended 30 April 2018 ("**2017/18**").

HIGHLIGHTS

- Profit for the Year increased by 17.1% to HK$118,271,000 (2017/18: HK$100,992,000)[1].
- The Singapore business has turned around to a profit making position in the second half of the financial year from a loss in the first half of the financial year.
- The Group's revenue increased by 5.4% to HK$2,350,351,000 (2017/18: HK$2,230,102,000).
- The Group achieved satisfactory comparable store sales growth[2] both in Hong Kong of 4.8% (2017/18: 4.5%) and Singapore of 6.1% (2017/18: 9.2%).
- The Board has resolved to recommend payment of a final dividend of HK9.0 cents per share. Together with the interim dividend of HK5.3 cents per share already paid, the total dividend for the Year would be HK14.3 cents per share (2017/18: HK12.2 cents per share).

Notes:

1. *Comparative figures for the financial year ended 30 April 2018 are shown as 2017/18 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, trendy and lifestyle personal products through an extensive retail network comprising 365 stores in Hong Kong, Singapore, Macau, East Malaysia, Cambodia, Australia and Vietnam under renowned brands including JHC (日本城), Japan Home (日本の家), 123 by ELLA, $mart (多來買) and City Life (生活提案). Supported by extensive sourcing channels and high-margin private label products, the Group is able to provide customers with a full range of houseware, trendy and lifestyle personal items at competitive prices, giving them a "one-stop" shopping convenience.

FINANCIAL PERFORMANCE

The Group continued to expand product offerings and introduce new product categories from snacks as well as FMCG such as personal and home care items during the Year to capture additional market opportunities and enlarge its customer base. In addition, driven by the growth in overall comparable store sales, opening of new stores and the increase of foot traffic brought about by new product categories above mentioned, the Group's revenue rose by 5.4% to a historical high at HK$2,350,351,000 (2017/18: HK$2,230,102,000).

Profit for the Year increased by 17.1% to HK$118,271,000 (2017/18: HK$100,992,000), thanks mainly to the Group's continued efforts in expanding its product portfolio, while constantly monitoring purchase prices and the logistics costs of its sourcing activities, as well as prudently managing operating expenses. Furthermore, the Group closed some unprofitable retail stores in Singapore to minimise the negative impact of underperforming stores on the overall retail operation. As a result, the Singapore business has turned around to a profit making position in the second half of the financial year from a loss in the first half of the financial year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 April 2019, the Group maintained a strong financial position with cash and cash equivalents of HK$369,703,000 (30 April 2018: HK$386,013,000), after considerations for acquisitions of certain property assets were paid. 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 implements a stable treasury management policy and does not engage in any highly leveraged or speculative derivative products. It places most of its surplus cash in Hong Kong dollar bank deposits with appropriate maturity period for meeting future funding requirements. The current ratio of the Group was 2.7 (30 April 2018: 2.6). Total borrowings amounted to HK$39,816,000 as at 30 April 2019 (30 April 2018: HK$33,009,000). The Group was in a net cash position as at 30 April 2019 and its gearing ratio as determined by total borrowings and loans from non-controlling shareholders divided by total equity was 5.6% (30 April 2018: 4.8%).

Note:

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

OPERATING EFFICIENCIES

Although the operating environment was challenging, the Group achieved satisfactory comparable store sales growth[(1)] in Hong Kong of 4.8% (2017/18: 4.5%) during the Year.

With overall rental expenses in shopping malls and warehouses consistently climbing, the Group has completed its project of installing the in-store online shopping iPanel "Easy Buy" at all of our JHC stores, which enables sharing of inventory on- and off-line, more importantly, gives it greater flexibility in choosing retail spaces and controlling overall rental expenses. In addition, enjoying strong brand recognition and with its products popular among customers, the Group does not have to open new stores at prime locations, hence it is able to minimise the impact of rental hikes on its operation.

In addition, with salaries generally rising in recent years, the Group expects employee expenses to increase alongside inflation. To mitigate the effects of increasing employee expenses, the Group offers training programmes to employees to maximise their productivity and they are redeployed to different stores from time to time. As a result, the Group was able to maintain employee expenses at a stable level as a percentage of revenue for the Year.

Despite such difficulties, with a brand well-recognised and products well-appreciated by customers, the Group has achieved record high revenue for the Year. Moreover, through the above-mentioned efforts and prudence exercised in managing expenses, including closely monitoring store man-hour expenses, the Group was able to reduce operating expenses as a percentage of revenue during the Year to 40.8% (2017/18: 41.9%).

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

For the Year Ended 30 April	**2019**		**2018**		
	HK$	**(%) of revenue**	**HK$**	**(%) of revenue**	**Change (%)**
Distribution and advertising expenses	**59,176,000**	2.5%	57,202,000	2.6%	3.5%
Administrative and other operating expenses	**900,620,000**	38.3%	876,998,000	39.3%	2.7%
Total operating expenses	**959,796,000**	40.8%	934,200,000	41.9%	2.7%

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, trendy and lifestyle personal products through an extensive retail network comprising 365 stores in Hong Kong, Singapore, Macau, East Malaysia, Cambodia, Australia and Vietnam under renowned brands including JHC (日本城), Japan Home (日本の家), 123 by ELLA, $mart (多來買) and City Life (生活提案). Supported by extensive sourcing channels and high-margin private label products, the Group is able to provide customers with a full range of merchandise at competitive prices, offering "one-stop" shopping convenience.

The Group believes that its extensive and steadily growing retail network, large global supplier network and stable and well-experienced staff and management team will contribute to the continuous development of its business with the strong brand reputation it has built over the years. The Group thus remains positive about its business prospects in the medium-to-long-term. At the same time, with the successful experience in the implementation of our FMCG strategy in Macau market, we see the potential there and are looking for right location for the new store openings. The following table sets forth the number of stores of the Group worldwide:

	As at 30 April 2019	**As at 30 April 2018**	**Net increase/ (decrease)**
The Group's directly managed stores			
Hong Kong	**305**	290	15
Singapore	**44**	48	(4)
Macau	**7**	8	(1)
The Group's overseas licensed stores	**9**	7	2
Total	**365**	353	12

HUMAN RESOURCES

To ensure it is able to attract and retain staff capable of delivering outstanding performance, the Group will review its remuneration packages regularly and qualified employees will receive performance bonuses, and/or granted share options and share awards. In awarding annual discretionary bonuses to employees and share options and share awards to supervisory and managerial staff, the performance of the individual concerned will be taken into consideration. As at 30 April 2019, the Group had approximately 2,175 employees (30 April 2018: 2,145) and the total employee benefit expense for the Year was HK$338,563,000 (2017/18: HK$327,708,000).

OPERATIONAL REVIEW BY BUSINESS SEGMENT

The Group operates retail, wholesale and licensing and others businesses. Revenue from retail business for the Year climbed by 5.6% to a new record high, and continued to be the primary sales driver of the Group. The increase was mainly due to growth in comparable store sales, opening of new stores and the increase of foot traffic. In addition, the Group continued to expand the variety of its merchandise by introducing new product categories from snacks as well as FMCG such as personal and home care items to capture additional market opportunities and enlarge its customer base. These efforts resulted in retail revenue in the amount of HK$2,338,140,000 (2017/18: HK$2,213,549,000) (which included consignment sales commission income), accounting for 99.5% (2017/18: 99.3%) of the Group's total revenue.

Revenue from wholesale business, licensing income and others as a whole decreased by 26.2% against the previous year to HK$12,211,000 (2017/18: HK$16,553,000).

OPERATIONAL REVIEW BY GEOGRAPHICAL LOCATION

Operations Review – Hong Kong and Macau

Hong Kong remained the key market of the Group, accounting for 88.2% (2017/18: 87.0%) of its total revenue. Revenue from Hong Kong for the Year surged to a new high totalling HK$2,071,443,000 (2017/18: HK$1,941,285,000), a 6.7% increase, while comparable store sales[(1)] managed a relatively favourable 4.8% growth (2017/18: 4.5%).

During the Year, the Group's Macau revenue increased by 3.0% to HK$41,193,000 (2017/18: HK$39,976,000) and comparable store sales growth[(1)] was at 17.7% (2017/18: negative 5.4%).

Operations Review – Singapore

In keeping with a drop in retail store number to 44 at the end of this financial year from 48 at the end of the last financial year, revenue for the Year decreased by 4.5%, as expressed in Hong Kong dollars, to HK$237,715,000 (2017/18: HK$248,841,000) and comparable store sales grew[(1)] by 6.1% (2017/18: 9.2%).

At the same time, staff costs and other operating expenses declined during the Year, in line with a leaner workforce resulting from the Group streamlining organisational structure and closing unprofitable retail stores. The Group is pleased that, through the concerted effort of employees in Singapore, its business expenses in the market were well under control. Thanks to the above-mentioned efforts, the business turned around from loss in the first half of the financial year to profit in the second half of the financial year. Singapore remains a strategic market and the Group is hopeful that the market will resume continuous growth and profitability.

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

This has been a very transformational year for the Group. Facing the rising operating costs from rental, labour and logistics cost increments and the increasing number of e-commerce operators in the houseware product market during recent years, we believe the key to success is having the ability to flexibly respond to new market trends. On the back of our strong and extensive store network, we have been stepping up our e-platform development and continuing to widen our product categories with an aim to transform ourselves into an omnichannel general merchandise store (GMS) retailer focused on the convenient provision of houseware.

Optimising O2O integration

Driven by changing customer behavior, the Group has prepared to take appropriate rapid actions to adapt in a timely manner so as to make the most of the opportunities presented. In this respect, we have completed our project of installing Easy Buy at all of our JHC stores and rolled out a cross-docking logistics solution. As for developing an e-platform, our JHC eshop is intended to attract both younger customers and online shoppers, while Easy Buy aims at enlarging our SKUs to satisfy the needs of our in-store traditional customer group, thereby encouraging growth for customers buying via our e-platform.

Enhancing private label brands

Having built a large and strong global supplier network over the decades, the Group now has the capability to secure a wide variety of the retail branded products at competitive prices. Going forward, to complement the retail branded products which can generate immediate sales, one of the Group's merchandising strategies is to place a greater emphasis on private label brands such as "MATSUSHO" electrical appliances, "EZ COOK" cookware and "POLE BEAR" thermoses. By strengthening its product mix, improving the design and packaging of products as well as promotion advertising through e-media. We believe our private labels are able to help in improving our profit margin and presenting unique brand images and value in the long-run.

Diversifying product mix – new categories of snacks and FMCG

Customer traffic is essential to the Group's retail business, and hence it has continuously endeavored to attract customers through the introduction of FMCG from global brand suppliers, increasing the customer traffic and thus serving as an effective same-store sales driver. We also wish to provide shopping convenience to and induce additional purchases by customers during their visits to our stores. In addition, seeing the opportunity from the new combined FMCG as well as personal care categories, we are in the process of extending this strategy to all of our stores. For these new categories, we have been taking steps to optimise our store layout in order to generate more in-store sales.

Furthermore, the Group has launched a new retail brand "$mart", which concentrates on serving FMCG global brands, snack and personal care needs at four stores in Hong Kong. Aside from opening separate $mart stores, we also set up "$mart" corners in selected JHC stores with suitable locations in order to attract traffic and to allow bulk purchases from our suppliers at better prices. The Group is confident that these new categories will become a revenue driver in the near future.

LOOKING FORWARD (continued)

Differentiating the “123 by ELLA” brand

To constantly evolve and refine during the on-going development and enhancement under the banner of “123 by ELLA”, we have embarked on a new initiative under the name “ELLA3.0”, focusing on trendy personal accessories and adding new global beauty product categories such as cosmetics and skin care items, for which we shall optimise the store layout and upgrade the shelving and display to accommodate these new products.

Improving supply chain and human capital capacity

The Group continues to develop, improve and expand the operation capacity of its supply chain and human capital in line with business needs to underpin its mission of sustainable development and to seize new market opportunities in the future. The logistics and distribution centres, situated in Qianhai, Yiwu and Guangzhou warehouse sites, are intended to become a central processing base of the products merchandised in China in order to further enhance the accuracy and efficiency of product distribution. This facilitates just-in-time inventory replenishment of merchandise across its retail network. In addition, to meet the future business growth, the Group has embarked on the development of its office centre situated next to the Guangzhou South High Speed Train Station so as to provide more cost-effective back-room support.

Overseas Markets

Thanks to the efforts of the management and staff team in Singapore, we have experienced an initial achievement of substantially narrowing the gap in this financial year. To drive the sales, we have set up a “shop-within-a-shop”, “Must Buy Corner” offering snacks and FMCG; as well as pushing top-selling house brands, in particular electrical appliances, from Hong Kong to Singapore. We are confident that Singapore shall bring a positive financial contribution to the Group in the near term.

Macau has been operating with a profit through all these years. With the successful implementation of the FMCG strategy, the Group sees the potential there and is looking for the right locations for new store openings.

Looking ahead, we will continue to carefully control expenses and promote high-margin private label products so as to drive overall profit margin and differentiate for itself a unique brand image in the long run. Drawing on our strong brand recognition and extensive retail network built over the years and also our e-commerce development, we are confident of transforming into a general merchandise store and omni-channel retailer focusing on selling houseware and continue to maintain our leadership position as one of the largest houseware retail chains in Hong Kong.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2019

	Note	**Year ended 30 April**	
		2019	2018
		HK$'000	HK$'000
Revenue	3	**2,350,351**	2,230,102
Cost of sales	4	**(1,269,697)**	(1,187,063)
Gross profit		**1,080,654**	1,043,039
Other income		**15,432**	13,429
Other gains/(losses) - net		**2,230**	(1,624)
Distribution and advertising expenses	4	**(59,176)**	(57,202)
Administrative and other operating expenses	4	**(900,620)**	(876,998)
Operating profit		**138,520**	120,644
Finance income		**5,801**	2,940
Finance expenses		**(826)**	(827)
Finance income - net		**4,975**	2,113
Profit before income tax		**143,495**	122,757
Income tax expense	5	**(25,224)**	(21,765)
Profit for the year		**118,271**	100,992
Profit/(loss) attributable to:			
Owners of the Company		**119,052**	104,845
Non-controlling interests		**(781)**	(3,853)
		118,271	100,992
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 16.6 cents**	HK 14.6 cents
Diluted earnings per share	6	**HK 16.5 cents**	HK 14.6 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2019

	Year ended 30 April	
	2019	2018
	HK$'000	HK$'000
Profit for the year	**118,271**	100,992
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss		
Currency translation differences	**(2,019)**	2,145
Other comprehensive (loss)/income for the year, net of tax	**(2,019)**	2,145
Total comprehensive income for the year	**116,252**	103,137
Attributable to:		
Owners of the Company	**117,000**	106,664
Non-controlling interests	**(748)**	(3,527)
Total comprehensive income for the year	**116,252**	103,137

CONSOLIDATED BALANCE SHEET
AS AT 30 APRIL 2019

	Note	As at 30 April **2019** HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Land use rights		**3,470**	-
Property, plant and equipment		**143,004**	134,097
Investment properties		**38,532**	10,534
Intangible assets		**26,558**	27,724
Deferred income tax assets		**6,466**	7,186
Non-current prepayment and deposits	8	**63,655**	98,668
		281,685	278,209
Current assets			
Inventories		**288,303**	275,747
Trade and other receivables	8	**91,817**	73,423
Amounts due from shareholders		**-**	726
Income tax recoverable		**-**	1,397
Bank deposits with initial terms of over three months		**392**	392
Cash and cash equivalents		**369,703**	386,013
		750,215	737,698
Total assets		**1,031,900**	1,015,907
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital and share premium		**585,123**	581,758
Reserves		**165,298**	146,067
		750,421	727,825
Non-controlling interests		**(448)**	300
Total equity		**749,973**	728,125

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30 APRIL 2019

	Note	**As at 30 April** **2019** **HK$'000**	2018 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**1,289**	3,016
Loan due to a non-controlling shareholder of a subsidiary		**605**	285
Provision for reinstatement cost	9	**3,210**	2,905
Borrowings		**419**	618
		5,523	6,824
Current liabilities			
Trade and other payables	9	**204,611**	221,983
Contract liabilities		**7,164**	-
Amount due to a non-controlling shareholder of a subsidiary		**268**	276
Loans due to non-controlling shareholders of subsidiaries		**1,549**	1,813
Borrowings		**39,397**	32,391
Current income tax liabilities		**23,415**	24,495
		276,404	280,958
Total liabilities		**281,927**	287,782
Total equity and liabilities		**1,031,900**	1,015,907

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 Ms. Ngai Lai Ha and Mr. Lau Pak Fai, Peter.

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 30 July 2019.

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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(i) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 May 2018.

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS4 Insurance Contracts
HKFRS 9	Financial instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to Annual Improvements Project	Annual Improvements 2014-2016 Cycle

The adoption of these amended standards did not result in substantial changes to the Group's accounting policies nor have any material impact on the consolidated financial statements.

(ii) New and amended standards and interpretations not yet adopted

The following new and amended standards that are not effective for periods commencing on or after 1 May 2018 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to Annual Improvements Project	Annual Improvements 2015-2017 Cycle	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

The Group is currently assessing the impact of the adoption of the above new standards, amendments to standards and interpretations that have been issued but are not effective for annual periods beginning on 1 May 2018.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(ii) New and amended standards and interpretations not yet adopted (Continued)

HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

HKFRS 16 provides new provisions for the accounting treatment of leases and will no longer allow lessees to recognise certain leases outside the consolidated balance sheet in the future. 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). The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheet to the Group upon initial adoption. As for the financial impact in the consolidated income statement, rental expenses will be replaced with straight-line depreciation expense on the right-of-use asset and interest expenses on the lease liability. The combination of the straightline 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 consolidated income statement in the initial years of the lease, and a lower total charge during the latter part of the lease term.

The accounting for lessors will not significantly change.

As at reporting date, the Group has non-cancellable operating lease commitments of HK$595,947,000.

The new standard is mandatory for the Group for financial years commencing on or after 1 May 2019. The Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies

(a) HKFRS 9, 'Financial instruments'

Classification and measurement

On 1 May 2018 (the date of initial adoption of the new HKFRSs), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate categories of the new HKFRSs.

Trade receivables

The Group applies the new HKFRSs simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Trade receivables from customers are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

The Group has assessed the expected credit loss model applied to the trade receivables as at 1 May 2018 and the change in impairment methodologies has no significant impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables. The Group has assessed the expected credit loss model apply to the other receivables as at 1 May 2018 and the change in impairment methodologies has no significant impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

(b) HKFRS 15, 'Revenue from contracts with customers'

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11 Construction contracts, which specified the accounting for construction contracts.

The adoption of HKFRS 15 have resulted in changes in accounting policies and presentation of contract liabilities. In accordance with the transition provision in HKFRS 15, the Group elected to use a modified retrospective approach which allows the Group to recognise the accumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings as at 1 May 2018. Thus, the comparative figures has not been restated.

The impacts of the adoption of HKFRS 15 are as follows:

Presentation of contract liabilities

The receipts in advance and cash coupons and provision for customer loyalty programs of HK$8,360,000 as at 1 May 2018 was reclassified to contract liabilities.

Timing of revenue recognition

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sale of goods.

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 2019 is as follows:

	Retail				
	Hong Kong and Macau HK$'000	Singapore HK$'000	Wholesales HK$'000	Licencing and others HK$'000	Total HK$'000
Segment revenue (all from external customers)	2,100,425	237,715	12,051	160	2,350,351
Cost of sales	(1,127,163)	(132,816)	(9,718)	-	(1,269,697)
Segment results	973,262	104,899	2,333	160	1,080,654
Gross profit %**	46.34%	44.13%	19.36%	-	45.98%
Other income					15,432
Other gains - net					2,230
Distribution and advertising expenses					(59,176)
Administrative and other operating expenses					(900,620)
Operating profit					138,520
Finance income					5,801
Finance expenses					(826)
Profit before income tax					143,495
Income tax expense					(25,224)
Profit for the year					118,271

3 Segment information (Continued)

The segment information provided to the executive directors for the reportable segments for the year ended 30 April 2018 is as follows:

	Retail Hong Kong and Macau HK$'000	Singapore HK$'000	Wholesales HK$'000	Licencing and others HK$'000	Total HK$'000
Segment revenue (all from external customers)	1,964,708	248,841	16,378	175	2,230,102
Cost of sales	(1,032,358)	(140,885)	(13,820)	-	(1,187,063)
Segment results	932,350	107,956	2,558	175	1,043,039
Gross profit %**	47.45%	43.38%	15.62%	-	46.77%
Other income					13,429
Other losses - net					(1,624)
Distribution and advertising expenses					(57,202)
Administrative and other operating expenses					(876,998)
Operating profit					120,644
Finance income					2,940
Finance expenses					(827)
Profit before income tax					122,757
Income tax expense					(21,765)
Profit for the year					100,992

** 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 year ended 30 April 2019 and 2018. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Revenues include sales of goods of HK$2,343,026,000 (2018: HK$2,214,318,000), revenue arising from customer loyalty programme of HK$5,484,000 (2018: HK$4,810,000) and consignment sales commission of HK$1,841,000 (2018: HK$10,974,000).

The revenue from the Group's largest customer accounted for less than 10% of the Group's total revenue for each of the years ended 30 April 2019 and 2018.

All of the Group's revenues are recognised at a point in time for the year ended 30 April 2019 and 2018.

3 Segment information (Continued)

Contract liabilities represents advanced payments received from customers for goods that have not been transferred to the customers and cash coupons and provision for customer loyalty programs. The contract liabilities as at 1 May 2018 amounted to HK$8,360,000. During the year ended 30 April 2019, all brought-forward contract liabilities at the beginning of the financial year were fully recognised as revenue.

The following tables present segment assets and liabilities as at 30 April 2019 and 30 April 2018 respectively.

	As at 30 April 2019				
	Retail		Wholesales	Licencing and others	Total
	Hong Kong and Macau	Singapore			
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	531,235	73,496	3,047	4	607,782
Segment liabilities	223,055	25,695	5,705	346	254,801

	As at 30 April 2018				
	Retail		Wholesales	Licencing and others	Total
	Hong Kong and Macau	Singapore			
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	482,503	84,440	5,186	4	572,133
Segment liabilities	226,528	26,223	4,800	346	257,897

Segment assets include intangible assets, land use rights, property, plant and equipment, trade and other receivables and inventories. Segment liabilities include provision for reinstatement cost, borrowings, trade and other payables and contract liabilities.

3 Segment information (Continued)

The following tables present segment assets and liabilities as at 30 April 2019 and 30 April 2018 respectively.

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

	As at 30 April	
	2019	2018
	HK$'000	HK$'000
Segment assets	607,782	572,133
Investment properties	38,532	10,534
Prepayment for purchase of property, plant and equipment	-	37,526
Prepayment for purchase of intangible asset	9,025	-
Deferred income tax assets	6,466	7,186
Amounts due from shareholders	-	726
Income tax recoverable	-	1,397
Bank deposits with initial terms of over three months	392	392
Cash and cash equivalents	369,703	386,013
Total assets	1,031,900	1,015,907

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

	As at 30 April	
	2019	2018
	HK$'000	HK$'000
Segment liabilities	254,801	257,897
Deferred income tax liabilities	1,289	3,016
Loan due to a non-controlling shareholder of a subsidiary	605	285
Amount due to a non-controlling shareholder of a subsidiary	268	276
Loans due to non-controlling shareholders of subsidiaries	1,549	1,813
Current income tax liabilities	23,415	24,495
Total liabilities	281,927	287,782

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

	Year ended 30 April	
	2019	2018
	HK$'000	HK$'000
Hong Kong	2,071,443	1,941,285
Singapore	237,715	248,841
Macau	41,193	39,976
	2,350,351	2,230,102

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 2019 and 2018 are as follows:

	As at 30 April 2019 HK$'000	2018 HK$'000
Hong Kong	184,275	174,723
Mainland China	49,296	48,060
Singapore	13,974	18,932
Macau	1,116	1,584
	248,661	243,299

These assets are allocated based on the operations of the segment and the physical location of the assets.

4 Expenses by nature

	Year ended 30 April 2019 HK$'000	2018 HK$'000
Auditors' remuneration		
- Audit services	2,305	2,104
- Non-audit services	459	1,818
Air conditioning expenses	15,553	14,504
Advertising and promotion expenses	13,261	16,498
Amortisation of trademark	629	633
Amortisation of land use rights	34	-
Building management fees	37,645	35,278
Cost of inventories sold	1,269,697	1,187,063
Delivery charges	44,076	38,636
Depreciation expense		
- owned property, plant and equipment	28,778	29,336
Employee benefit expenses (including directors' emoluments)	338,563	327,708
Government rates	12,120	12,901
Legal and professional fee	2,355	2,470
Operating lease rental	385,908	379,685
Repair and maintenance	11,445	14,433
Utility expenses	24,783	24,631
Net exchange gains	(4,136)	(4,590)
Others	46,018	38,155
Total cost of sales, distribution and advertising expenses, and administrative and other operating expenses	2,229,493	2,121,263

5 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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	
	2019	2018
	HK$'000	HK$'000
Current income tax		
- Hong Kong profits tax	22,234	21,819
- Overseas taxation	620	342
	22,854	22,161
Under/(over) provision in prior years		
- Hong Kong profits tax	3,525	(57)
- Overseas taxation	(227)	53
	3,298	(4)
Deferred income tax	(928)	(392)
	25,224	21,765

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	
	2019	2018
	HK$'000	HK$'000
Profit attributable to owners of the Company	119,052	104,845
Weighted average number of ordinary shares in issue (in thousands) (Note (i))	716,708	716,704
Basic earnings per share attributable to owners of the Company (HK cents per share)	16.6	14.6

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	
	2019	2018
	HK$'000	HK$'000
Profit attributable to owners of the Company	119,052	104,845
Weighted average number of ordinary shares in issue (in thousands)	716,708	716,704
Adjustments for:		
- Share options and share awards (in thousands)	4,554	2,750
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	721,262	719,454
Diluted earnings per share attributable to owners of the Company (HK cents per share)	16.5	14.6

7 Dividend

The dividends paid in 2019 and 2018 were HK$88,180,000 (HK12.3 cents per share) and HK$77,374,000 (HK10.8 cents per share) respectively. A dividend in respect of the year ended 30 April 2019 of HK9.0 cents per share, amounting to a total dividend of HK$64,323,000, is to be proposed at the annual general meeting on 25 September 2019. These consolidated financial statements do not reflect this dividend payable.

	Year ended 30 April	
	2019	2018
	HK$'000	HK$'000
Interim dividend paid of HK5.3 cents (2018: HK5.2 cents) per ordinary share	37,928	37,297
Proposed final dividend of HK9.0 cents (2018: HK7.0 cents) per ordinary share	64,323	50,252
	102,251	87,549

8 Trade and other receivables

	As at 30 April 2019 HK$'000	2018 HK$'000
Trade receivables	11,176	9,096
Less: provision for impairment of trade receivables	(2,463)	(2,463)
	8,713	6,633
Prepayments	27,348	43,144
Deposits and other receivables	119,411	122,314
	155,472	172,091
Less non-current portion:		
Deposits	(54,630)	(61,142)
Prepayment for purchase of property, plant and equipment	-	(37,526)
Prepayment for purchase of intangible asset	(9,025)	-
	(63,655)	(98,668)
Current portion	91,817	73,423

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 2019 HK$'000	2018 HK$'000
Up to 3 months	8,713	6,633
3 to 6 months	-	-
6 to 12 months	2,463	2,463
	11,176	9,096
Less: provision for impairment of receivables	(2,463)	(2,463)
	8,713	6,633

8 Trade and other receivables (Continued)

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

	As at 30 April	
	2019	2018
	HK$'000	HK$'000
At beginning of the year	2,463	2,463
Provision for impairment receivables	-	-
At end of the year	2,463	2,463

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. 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 Group does not hold any collateral as security.

The carrying amounts of trade and other receivables approximated their fair values.

9 Trade and other payables, provision for reinstatement cost and contract liabilities

	As at 30 April	
	2019	2018
	HK$'000	HK$'000
Current		
Trade payables	155,937	166,434
Other payables and accruals	41,242	40,036
Deposit received	389	149
Receipts in advance and cash coupons	-	3,894
Provision for customer loyalty programs	-	4,466
Provision for employee benefits	7,043	7,004
	204,611	221,983
Non-current		
Provision for reinstatement cost	3,210	2,905
	207,821	224,888
Contract liabilities		
Receipts in advance and cash coupons	3,359	-
Deferred revenue arising from customer loyalty programs	3,805	-
	7,164	-

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

	As at 30 April	
	2019	2018
	HK$'000	HK$'000
0 - 30 days	100,547	90,837
31 - 60 days	36,811	48,398
61 - 90 days	15,751	14,364
91 - 120 days	2,828	10,053
Over 120 days	-	2,782
	155,937	166,434

OTHER INFORMATION

DIVIDENDS

An interim dividend of HK5.3 cents per ordinary share (2017/18: interim dividend of HK5.2 cents), representing a total payout of approximately HK$37,928,000 was paid by the Company on 25 January 2019. The Board has resolved to recommend payment of a final dividend of HK9.0 cents per ordinary share to shareholders whose names appear on the register of members of the Company on Friday, 4 October 2019 which will be paid on or around Friday, 18 October 2019, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on Wednesday, 25 September 2019. Taking into account of the interim dividend payment, the total dividend for the Year would amount to HK14.3 cents per share (2017/18: HK12.2 cents per share), totaling approximately HK$102,251,000 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 Wednesday, 25 September 2019 will be closed from Wednesday, 18 September 2019 to Wednesday, 25 September 2019, 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 Tuesday, 17 September 2019.

Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on Wednesday, 25 September 2019, 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 Friday, 4 October 2019 and the register of members of the Company will be closed from Wednesday, 2 October 2019 to Friday, 4 October 2019, (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 Monday, 30 September 2019.

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

The share award scheme of the Company was adopted by the Board on 24 July 2015 (the “Share Award Scheme”). The trustee of the Share Award Scheme, pursuant to the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 5,977,000 shares of the Company at a total consideration of about HK$10.9 million. Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s securities during the Year.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules. The Directors recognise the importance of good corporate governance in the management of the Group. The Board will review and monitor the corporate governance practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company. The Board is of the view that the Company has met the code provisions set out in the CG Code, except that there is no separation of the roles of Chairman and Chief Executive Officer as stipulated in the code provision A.2.1 of the CG Code. Currently, Ms. Ngai Lai Ha is both the Chairman and the Chief Executive Officer of the Company. As Ms. Ngai is one of the founders of the Group, the Board believes that it is in the best interest of the Group to have Ms. Ngai taking up both roles for continuous effective management of the Board and business development of the Group.

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 2019.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the consolidated financial statements for the year ended 30 April 2019. 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 2019 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 ended 30 April 2019. 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 2019 is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jhc.com.hk) respectively. The 2019 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

On behalf of the Board, I would like to thank our management team and staff for their hard work and contribution in the past year. My gratitude also goes to our customers, business partners and shareholders for their full support and trust. We look forward to having your continuous backing in the coming years.

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

Hong Kong, 30 July 2019

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