International Housewares Retail Company Limited
國際家居零售有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1373)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2019

The board of directors (the "**Board**" or "**Director(s)**") of International Housewares Retail Company Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 31 October 2019 (the "**Period**") prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**" and the "**Stock Exchange**" respectively), together with comparative figures for the six months ended 31 October 2018 ("**2018/19**").

FINANCIAL HIGHLIGHTS

- The Group's revenue rose by 7.2% to a historic high of HK$1,161,704,000 (2018/19[1]: HK$1,083,650,000) for the Period.
- Profit for the period was HK$48,932,000 (2018/19: HK$46,636,000), representing an increase of 4.9%.
- The Group maintained a strong financial position with cash and cash equivalents of HK$368,667,000.
- Positive financial contribution from the Singapore market.
- As at 31 October 2019, the Group had a total of 373 stores worldwide.
- The Board has resolved to declare an interim dividend of 5.5 HK cents per ordinary share (2018/19: an interim dividend of 5.3 HK cents per ordinary share).

Note:

1. *Comparative figures for the six months ended 31 October 2018 are shown as ("2018/19") in brackets.*

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

International Housewares Retail Company Limited and its subsidiaries achieved satisfactory financial results with record-breaking revenue and a solid financial position for the six months ended 31 October 2019. The Group continued to solidify its position as a leading houseware retail chain with a total of 373 stores worldwide.

Financial Performance

The Group continued to increase the variety of product offerings to help it capture additional market opportunities and expand its customer base. In addition, further driven by the opening of new stores and growth in overall comparable store sales for the Period, the Group's revenue rose by 7.2% to a historic high of HK$1,161,704,000 (2018/19: HK$1,083,650,000).

The Group's gross profit rose by 7.3% to HK$542,820,000 (2018/19: HK$506,078,000), while gross profit margin was at a healthy level of 46.7% (2018/19: 46.7%). Profit for the period was HK$48,932,000 (2018/19: HK$46,636,000), representing an increase of 4.9%, owing mainly to the Group continuing to broaden its product portfolio, while constantly monitoring purchase prices and managing operating expenses.

Liquidity and Financial Resources

As at 31 October 2019, the Group had cash and cash equivalents amounting to HK$368,667,000 (30 April 2019: HK$369,703,000). 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.

It is the Group's treasury management policy not to engage in any highly leveraged or speculative derivative products and it will continue to place the majority of its surplus cash in Hong Kong dollar bank deposits with appropriate maturity periods to meet the funding requirements in the future. The current ratio for the Group was 1.1 (30 April 2019: 2.7). Borrowings amounted to HK$27,272,000 as at 31 October 2019 (30 April 2019: HK$39,816,000). The Group was in net cash position as at 31 October 2019. Its gearing ratio as determined by total borrowings and loans from non-controlling shareholders divided by total equity was 4.0% (30 April 2019: 5.6%).

Operating Efficiencies

Recently, although rental negotiation with landlords appears easier than previously, when overall rental expenses in shopping malls and warehouses consistently rose the past several years, the Group has launched the in-store online shopping iPanel "Easy Buy", not only enabling the sharing of inventory for on- and off-line channels, but also giving greater flexibility in choosing retail spaces and controlling overall rental expenses. In addition, with strong brand recognition and product popularity among customers, the Group does not have to open new stores at prime locations and hence it has been able to minimise the impact of rental hikes on its operation.

In addition, to meet the requirement for future business growth, the Group has embarked on the development of its office centre adjacent to the Guangzhou South High Speed Train Station so as to provide more cost-efficient back-end support to its operations.

During the Period, distribution and advertising expenses, information technology improvements, PRC warehouse reallocation in the first quarter as well as a one-year long stores renovation project catering for product-mix (FMCG) restructuring have added varying degrees of expense rises. To address this, the Group has taken steps to bring the expenses under control. Stringent cost control measures continue to be adopted across each cost item and more new initiatives introduced to enhance cost efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Distribution Network

Established in 1991, the Group is the largest houseware retail chain in Hong Kong, Singapore and Macau[(1)]. It offers houseware, trendy items, personal care, snack and household FMCG through an extensive retail network comprising 373 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). Leveraging its extensive sourcing channels and series of private label products, the Group provides a full range of items at competitive prices, creating a "one-stop" shopping experience for customers, and paving the road to transform ourselves to be a chain of general merchandise stores (GMS).

The cumulative brand awareness that the Group has enjoyed over the years, its steadily-growing extensive retail network and large global supplier network have contributed and will continue to contribute to steady business development. The Group remains positive about its business prospects in the medium-to-long-term and plans to further expand its operations in Hong Kong, Singapore and Macau, focusing on opening new stores in areas with high potential. The following table sets forth the number of its stores worldwide:

	As at 31 October 2019	As at 30 April 2019	Net increase
The Group's Directly Managed Stores			
Hong Kong	311	305	6
Singapore	46	44	2
Macau	7	7	-
The Group's Licenced Stores	9	9	-
Total	373	365	8

Human Resources

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

As at 31 October 2019, the Group had approximately 2,240 employees (31 October 2018: 2,130 and 30 April 2019: 2,175). Total staff costs for the Period were HK$177,310,000 (2018/19: HK$156,069,000).

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Operational Review by Business Nature

The Group's business segments by nature include retail, wholesale and licencing and others. With the opening of new stores and growth in overall comparable store sales, retail revenue of the Group for the Period reached a record high with 7.3% growth, and continued to be the primary revenue driver. In addition, the Group continued to increase the variety of product offerings to help capture additional market opportunities and expand its customer base. These endeavours contributed to the retail revenue reaching HK$1,154,820,000 (2018/19: HK$1,076,210,000), which also included consignment sales commission income, accounting for 99.4% (2018/19: 99.3%) of the Group's total revenue.

The income of the wholesale business, from licensing and others together decreased by 7.5% to HK$6,884,000 (2018/19: HK$7,440,000) against the same period last year.

Operational Review by Geographical Locations

Operation Review – Hong Kong

Hong Kong remained the key market of the Group, accounting for 87.6% (2018/19: 87.9%) of its total revenue. Despite the impact of social incidents in Hong Kong resulting in some of its stores closing early and the subsequent reduction in business hours, the revenue for the Period continues to deliver growth through product diversification and enhancement of private label brands. In the meantime, the support of the revenue driver under the banners of "123 by ELLA" and "$mart" (多來買) in the Hong Kong market added momentum for sound growth. The revenue from Hong Kong for the Period reached a record high totaling HK$1,018,203,000 (2018/19: HK$952,019,000), a 7.0% increase, whereas comparable store sales(1) had a growth of 3.3%.

For distribution and advertising expenses, information technology improvements, PRC warehouse reallocation in the first quarter of this financial year as well as a one-year long store renovation project catering for product-mix (FMCG) restructuring have led to varying increases of expense. As a consequence, the net profit in Hong Kong for the Period was HK$44,973,000 (2018/19: HK$51,142,000), representing a decrease of 12.1% with the net profit margin of 4.4% (2018/19: 5.4%). The Group has taken steps to bring the expenses under control and stringent cost control measures will continue to be adopted across each cost item while new initiatives will further be introduced to enhance operational cost efficiency.

Operation Review – Singapore

The Group has continuously endeavored to attract customers in the Singapore market through the introduction of snacks and FMCG from global brand suppliers, increasing the customer traffic and thus serving as an effective driver of same-store sales(1), which grew by 15.3%, while revenue increased by 8.9% to HK$123,842,000 (2018/19: HK$113,758,000). At the same time, staff costs and other operating expenses as a percentage of revenue declined during the Period, in line with enhancing cost- efficiency resulting from the Group streamlining its organisational structure. At the same time, the Group has pushed forward to nurture local talent and strengthen the management team in Singapore. The Group continues to focus on opening new stores in areas with high potential on a cost effective basis to support the Singapore head office; increasing the value of products by making use of its sourcing arms in Hong Kong, Taiwan, Guangzhou and Yiwu; and enhancing cost- efficiency by utilization of it's warehouse facilities in China.

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Operation Review – Singapore (Continued)

The Group is pleased that, through the concerted effort of employees in Singapore, its business expenses in the market remained well under control, with a turnaround in sight and the positive financial contribution in the market will add momentum for sound growth in the future. Singapore remains a strategic market and the Group is optimistic about its business prospects for the mid-to-long-term.

Operation Review – Macau

The Group's revenue in Macau recorded a 10.0% increase to HK$19,659,000 (2018/19: HK$17,873,000) while comparable store sales grew(1) by 12.1% during the Period. Its operations in Macau are still achieving profitability and continued to deliver satisfactory results for the Period.

Prospects

Looking at the second half of this financial year, the consumer goods sector will continue to face challenges and uncertainties under the shadow of unfavorable economic environment which hinder the overall growth of the retail business. This, together with competitors' intensified discounting and promotional activities in the market, the overall operating environment will remain challenging. Against this backdrop, the Group's revenue for the Period continues to deliver growth through product diversification and enhancement of private label brands. In the meantime, the positive financial contribution among the Singapore and Macau markets, with a support of the revenue driver under the banner of "123 by ELLA" and "$mart" (多來買) in Hong Kong market will contribute sound momentum for the growth in future.

In combating economic uncertainties, the Group has continued to create a diversified product mix. In general, customer traffic is essential to the Group's retail business, and hence it has continuously endeavored to attract customer via stacking of a balanced portfolio globally-branded FMCG, subsequently increasing the customer traffic and thus the same-store sales. During the period under review, the Group's new categories business of snacks and FMCG continued to increase its contribution to the Group's total revenue. Concurrently, the Group continues to be on the lookout for new opportunities through adding new categories in its product mix, which is expected to transform ourselves to be a chain of general merchandise stores (GMS) while providing an additional boost to our future growth.

The Group will leverage its established corporate brand name and a large and strong global supplier network to enrich the range of its private label products, such as "MATSUSHO" electrical appliances, "DigiMOMO" mobile phone accessories, "EZ COOK Professional" cookware, "POLE BEAR" thermoses and "JAPAN HOME" a series of household OEM products. The Group is committed to constantly increasing its proportion of these products, improving the design and packaging as well as promotion advertising through e-media to draw more attention their patronage from customers. It believes that private labels are able to help in improving our profit margin and presenting carve modern and positive brand images and, ultimately, add value in the long-run.

Capitalising on young customers' penchant for trying out trendiness and value beauty products, we offer in our "123 by ELLA" stores, among others, global beauty products such as cosmetics and skin care items at affordable price to provide a wider choices for women buyers, which were well received by young customers being evidenced in the strong same-store sales growth. This move also involves the change of store format and design to cater for the new products mix and an overall upgrade of the store image.

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Prospects (Continued)

For Hong Kong market, with the momentum carried forward, sales growth remained robust in the first quarter of this financial year. In late July this year, we saw a slowdown in our Hong Kong business with the worsening market sentiment. The impact of social incidents in Hong Kong resulting in some of our stores being brought to an early close during business hour. For operating expenses, information technology improvements, PRC warehouse reallocation in the first quarter as well as a one-year long stores renovation project catering for product-mix (FMCG) restructuring have made varying degrees of expense growth. For this, we have taken steps to bring the expenses under control. Stringent cost control measures will continue to be adopted across each cost item and new initiatives will further be introduced to enhance cost efficiency.

Meanwhile, for Singapore market, the Group is in study to launch the in-store shopping iPanel "Easy Buy" that will strengthen the overall sale channel with the physical stores by offering a more convenient, highly flexible and easy-to-use retail channel to customers. At the same time, the Group has pushed forward to nurture local talent and strengthen the management team in Singapore. The Group will continue to focus on optimising the store number by retaining profitable stores and opening new stores in areas with high potential areas on a cost effective basis to support the Singapore head office; increasing the value products by making use of its sourcing arms in Hong Kong, Taiwan, Guangzhou and Yiwu; and enhancing cost- efficiency by utilization of the Group's warehouse facilities in China. Singapore remains our strategic market and the Group remains optimistic about its business prospects for the near term.

The Group continues to develop, improve and expand the operation capacity of its supply chain and human capital according to business needs to underpin its mission of sustainable development and seize new market opportunities in the future. The logistics and distribution centre, situated in Yiwu and Guangzhou warehouse sites, are targeted to become a central processing base of its merchandise in China to further enhance the accuracy and efficiency of product distribution. This enables just-in-time inventory replenishment of its retail network. In addition, to meet the requirement for future business growth, the Group has embarked on the development of its office centre adjacent to the Guangzhou South High Speed Train Station so as to provide more cost-efficiency back-room supports to its operations.

Hong Kong has remained the key market for the Group. The Group intends to continue to focus on this geographic market in the future. The Group expected "JHC" will continue to maintain its leading position in Hong Kong, while "123 by ELLA" and "$mart" will become growing engines in the years to come. Going forward, despite the weak retail environment, the Group sees opportunities and potential for its growth and expansion. Many of the products the Group offers are affordable household necessities with a steady demand without significant fluctuation regardless of changes in overall market conditions. In addition, the strong Hong Kong dollar and depreciating Renminbi or other foreign currencies will reduce the procurement cost, which will benefit the Group.

Looking ahead, the Group believe that continuing to step up efforts in these areas will enhance the its competitiveness in a soft market and strengthen its performance.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 OCTOBER 2019

	Note	Unaudited six months ended 31 October 2019 HK$'000	2018 HK$'000
Revenue	4	1,161,704	1,083,650
Cost of sales		(618,884)	(577,572)
Gross profit		542,820	506,078
Other income		13,437	9,413
Other losses, net		(417)	(163)
Distribution and advertising expenses		(29,087)	(22,423)
Administrative and other operating expenses		(459,665)	(434,898)
Operating profit	5	67,088	58,007
Finance income		2,844	2,928
Finance costs		(11,295)	(300)
Profit before income tax		58,637	60,635
Income tax expense	6	(9,705)	(13,999)
Profit for the period		48,932	46,636
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		(1,480)	(3,788)
Total comprehensive income for the period		47,452	42,848
Profit/(loss) for the period attributable to:			
Owners of the Company		48,135	48,831
Non-controlling interests		797	(2,195)
		48,932	46,636
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		46,673	44,949
Non-controlling interests		779	(2,101)
		47,452	42,848
Earnings per share attributable to owners of the Company (expressed in HK cents per share)	7		
Basic earnings per share		6.74	6.80
Diluted earnings per share		6.69	6.79

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 31 OCTOBER 2019

	Note	**Unaudited 31 October 2019** HK$'000	**Audited 30 April 2019** HK$'000
ASSETS			
Non-current assets			
Land use right		-	3,470
Property, plant and equipment		145,984	143,004
Right-of-use assets		492,706	-
Investment properties		38,664	38,532
Intangible assets		26,230	26,558
Deferred income tax assets		6,473	6,466
Non-current prepayments and deposits	8	67,673	63,655
		777,730	281,685
Current assets			
Inventories		258,398	288,303
Trade and other receivables	8	94,763	91,817
Bank deposits with initial terms of over three months		392	392
Cash and cash equivalents		368,667	369,703
		722,220	750,215
Total assets		1,499,950	1,031,900
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		585,750	585,123
Reserves		120,910	165,298
		706,660	750,421
Non-controlling interests		(730)	(448)
Total equity		705,930	749,973

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)
AS AT 31 OCTOBER 2019

	Note	**Unaudited 31 October 2019** HK$'000	**Audited 30 April 2019** HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		1,252	1,289
Loan due to a non-controlling shareholder of a subsidiary		-	605
Provision for reinstatement costs		3,641	3,210
Borrowings		-	419
Lease liabilities		156,389	-
		161,282	5,523
Current liabilities			
Trade and other payables	9	205,266	204,611
Contract liabilities		8,463	7,164
Amount due to a non-controlling shareholder of a subsidiary		-	268
Loans due to non-controlling shareholders of subsidiaries		1,154	1,549
Borrowings		27,272	39,397
Lease liabilities		357,594	-
Current income tax liabilities		32,989	23,415
		632,738	276,404
Total liabilities		794,020	281,927
Total equity and liabilities		1,499,950	1,031,900

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

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

The Company is a limited liability company incorporated in Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

This interim financial information is presented in HK dollars, unless otherwise stated. This interim financial information was approved for issue on 20 December 2019.

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

2 Basis of presentation

The condensed consolidated interim financial information for the six months ended 31 October 2019 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting".

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30 April 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 Principal accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 April 2019, as described in those annual financial statements.

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

3 Principal accounting policies (Continued)

3.1 Adoption of new or revised HKFRSs and HKASs

(a) Adoption of new or revised HKFRSs and HKASs effective on 1 May 2019

The following new or revised HKFRSs, have been issued and are mandatory for the Group's financial statement for the financial year beginning on 1 May 2019.

		Effective for accounting period beginning on or after
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
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
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

The impact of the adoption of the HKFRS 16 is disclosed in Note 3.2. The other standards did not have any significant impact to the financial position and results of the Group and did not require retrospective adjustments.

(b) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

		Effective for accounting period beginning on or after
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

Management is in the process of making an assessment of the financial impact of adoption of these new standards and amendments to existing standards. The management will adopt the new standards and amendments to standards when they become effective.

3 Principal accounting policies (Continued)

3.2 Impact and changes in accounting policies upon adoption of new HKFRS

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 May 2019 in note 3.2(i) below.

The Group has adopted HKFRS 16 retrospectively from 1 May 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 May 2019.

(i) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 May 2019. The weighted average incremental borrowing rates applied to the lease liabilities in relation to leases in Hong Kong, Macau and Singapore on 1 May 2019 were 3.65%, 3.65% and 5.75% respectively. The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. The recognised right-of-use assets of the Group relate to properties leases.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	HK$'000
Operating lease commitments disclosed as at 30 April 2019	595,947
Discounted using the lessee's incremental borrowing rate of at the date of initial application	563,816
Add: finance lease liabilities recognised as at 30 April 2019	601
(Less): short-term leases recognised on a straight-line basis as expense	(604)
(Less): contracts reassessed as service agreements	(9,080)
Lease liability recognised as at 1 May 2019	554,733
Of which are:	
Current lease liabilities	199,079
Non-current lease liabilities	355,654

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3 Principal accounting policies (Continued)

3.2 Impact and changes in accounting policies upon adoption of new HKFRS (Continued)

(i) Adjustments recognised on adoption of HKFRS 16 (Continued)

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 April 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated balance sheet:

Consolidated balance sheet (extract)

	As at 30 April 2019 As originally presented	Impact on initial adoption of HKFRS 16	As at 1 May 2019 As restated
	HK$'000	HK$'000	HK$'000
Non-current assets			
Land use right	3,470	(3,470)	-
Property, plant and equipment	143,004	(512)	142,492
Right-of-use assets	-	531,553	531,553
Non-current liabilities			
Borrowings	419	(419)	-
Lease liabilities	-	355,654	355,654
Current liabilities			
Borrowings	39,397	(182)	39,215
Lease liabilities	-	199,079	199,079
Equity			
Reserves	165,298	(25,500)	139,798
Non-controlling interests	(448)	(1,061)	(1,509)

3 Principal accounting policies (Continued)

3.2 Impact and changes in accounting policies upon adoption of new HKFRS (Continued)

(ii) Impact on segment disclosure

Segment assets and segment liabilities as at 1 May 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The following segments were affected by the change in policy:

	Right-of-use Assets included in segment assets	Lease liabilities included in segment liabilities
	HK$'000	HK$'000
Retail – Hong Kong and Macau	475,871	497,211
Retail – Singapore	55,682	57,522
	531,553	554,733

(iii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the accounting for some operating leases with a remaining lease term of less than 12 months as at 1 May 2019 as short-term leases
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 Determining whether an Arrangement contains a Lease.

3 Principal accounting policies (Continued)

3.2 Impact and changes in accounting policies upon adoption of new HKFRS (Continued)

(iv) Accounting policies

The Group leases various properties including shop premises offices and warehouse. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Before the adoption of HKFRS 16, leases of property, plant and equipment were classified as either finance or operating leases. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to condensed consolidated income statement on a straight-line basis over the period of the lease. Commitments under operating leases for future periods were not recognised by the Group as liabilities.

Under HKFRS 16, leases are recognised as a right-of-use asset and the corresponding liabilities at the dates at which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to condensed consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are amortised over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

3 Principal accounting policies (Continued)

3.2 Impact and changes in accounting policies upon adoption of new HKFRS (Continued)

(iv) Accounting policies (Continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(v) Critical judgements in determining the lease term and discount rate

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

4 Segment information

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

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

(i) Retail – Hong Kong and Macau*

Retail – Singapore*

(ii) Wholesales

(iii) Licencing and others

The executive directors assess the performance of the operating segments based on revenue and gross profit percentage of each segment. In the current period, a further breakdown by geographic location under the retail segment is disclosed to enhance the presentation of segment information.

* Including consignment sales commission income.

4 Segment information (Continued)

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

	Retail		Wholesales	Licencing and others	Total
	Hong Kong and Macau	Singapore			
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue (all from external customers)	1,030,978	123,842	6,824	60	1,161,704
Cost of sales	(541,281)	(71,904)	(5,699)	-	(618,884)
Segment results	489,697	51,938	1,125	60	542,820
Gross profit % **	47.50%	41.94%	16.50%	-	46.73%
Other income					13,437
Other losses, net					(417)
Distribution and advertising expenses					(29,087)
Administrative and other operating expenses					(459,665)
Operating profit					67,088
Finance income					2,844
Finance costs					(11,295)
Profit before income tax					58,637
Income tax expense					(9,705)
Profit for the period					48,932

4 Segment information (Continued)

The segment information provided to the executive directors for the reportable segments for the six months ended 31 October 2018 is as follows:

	Retail		Wholesales	Licencing and others	Total
	Hong Kong and Macau	Singapore			
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue (all from external customers)	962,452	113,758	7,340	100	1,083,650
Cost of sales	(507,415)	(64,262)	(5,895)	-	(577,572)
Segment results	455,037	49,496	1,445	100	506,078
Gross profit % **	47.28%	43.51%	19.69%	-	46.70%
Other income					9,413
Other losses, net					(163)
Distribution and advertising expenses					(22,423)
Administrative and other operating expenses					(434,898)
Operating profit					58,007
Finance income					2,928
Finance costs					(300)
Profit before income tax					60,635
Income tax expense					(13,999)
Profit for the period					46,636

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

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the six months ended 31 October 2019 and 2018. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The retail sales include sales of goods of HK$1,152,676,000 (2018: HK$1,073,618,000), revenue arising from customer loyalty programme of HK$1,364,000 (2018: HK$1,670,000) and consignment sales commission of HK$780,000 (2018: HK$922,000).

The revenue from the Group's largest customer accounted for less than 10% of the Group's total revenue for the six months ended 31 October 2019 and 2018.

All of the Group's revenues are recognised at a point in time for the six months ended 31 October 2019 and 2018.

4 Segment information (Continued)

The following tables present segment assets and liabilities as at 31 October 2019 and 30 April 2019 respectively.

	As at 31 October 2019				
	Retail Hong Kong and Macau HK$'000	Singapore HK$'000	Wholesales HK$'000	Licencing and others HK$'000	Total HK$'000
Segment assets	947,870	123,011	4,946	4	1,075,831
Segment liabilities	675,149	76,944	6,236	296	758,625

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

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

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

	As at	
	31 October 2019 HK$'000	**30 April 2019** HK$'000
Segment assets	1,075,831	607,782
Investment properties	38,664	38,532
Prepayment for purchase of property, plant and equipment	9,923	9,025
Deferred income tax assets	6,473	6,466
Bank deposits with initial terms of over three months	392	392
Cash and cash equivalents	368,667	369,703
Total assets	1,499,950	1,031,900

4 Segment information (Continued)

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

	As at	
	31 October 2019	**30 April 2019**
	HK$'000	HK$'000
Segment liabilities	758,625	254,801
Deferred income tax liabilities	1,252	1,289
Loan due to a non-controlling shareholder of a subsidiary	-	605
Amount due to a non-controlling shareholder of a subsidiary	-	268
Loans due to non-controlling shareholders of subsidiaries	1,154	1,549
Current income tax liabilities	32,989	23,415
Total liabilities	794,020	281,927

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

	Six months ended 31 October	
	2019	**2018**
	HK$'000	HK$'000
Hong Kong	1,018,203	952,019
Singapore	123,842	113,758
Macau	19,659	17,873
	1,161,704	1,083,650

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

	As at	
	31 October 2019	**30 April 2019**
	HK$'000	HK$'000
Hong Kong	624,119	184,275
Mainland China	49,779	49,296
Singapore	63,641	13,974
Macau	7,488	1,116
	745,027	248,661

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 Operating profit

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

	For the six months ended 31 October	
	2019	**2018**
	HK$'000	HK$'000
Employee benefit expenses (including directors' emoluments)	177,310	156,069
Operating lease payment	9,471	190,865
Depreciation of property, plant and equipment	13,475	13,240
Depreciation of right-of-use assets	179,421	-
Amortisation of intangible assets	312	315
Loss on disposal of property, plant and equipment	417	163
Net exchange (gain)/loss	(1,483)	998

6 Income tax expense

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

	For the six months ended 31 October	
	2019	**2018**
	HK$'000	HK$'000
Hong Kong profits tax		
- Current year	9,458	10,324
- Under-provision in prior years	24	3,938
Overseas taxation		
- Current year	17	23
- Under/(over)-provision in prior years	212	(442)
	9,711	13,843
Deferred income tax	(6)	156
Income tax expense	9,705	13,999

7 Earnings per share

(a) Basic

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

	Six months ended 31 October	
	2019	**2018**
	HK$'000	HK$'000
Profit attributable to owners of the Company (HK$'000)	48,135	48,831
Weighted average number of shares in issue ('000)	714,324	717,593
Basic earnings per share (HK cents)	6.74	6.80

(b) Diluted

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

	Six months ended 31 October	
	2019	**2018**
	HK$'000	HK$'000
Profit attributable to owners of the Company (HK$'000)	48,135	48,831
Weighted average number of shares for diluted earnings per share ('000)	719,093	719,332
Diluted earnings per share (HK cents)	6.69	6.79

8 Trade and other receivables

	As at 31 October 2019 HK$'000	As at 30 April 2019 HK$'000
Trade receivables	8,181	11,176
Less: provision for impairment of trade receivables	(2,463)	(2,463)
	5,718	8,713
Prepayments	36,402	27,348
Deposits and other receivables	120,316	119,411
	162,436	155,472
Less non-current portion:		
Deposits	(57,750)	(54,630)
Prepayment for purchase of intangible asset	(9,923)	(9,025)
	(67,673)	(63,655)
Current portion	94,763	91,817

The Group conducts sales to customers on a cash-on-delivery basis for retail sales. The balance at period end represents credit card receivables and receivables from wholesales customers. At 31 October 2019 and 30 April 2019, the ageing analysis of trade receivables based on invoice date is as follows:

	As at 31 October 2019 HK$'000	As at 30 April 2019 HK$'000
Up to 3 months	5,718	8,713
3 - 12 months	-	-
Over 12 months	2,463	2,463
	8,181	11,176
Less: provision for impairment of receivables	(2,463)	(2,463)
	5,718	8,713

9 Trade and other payables and contract liabilities

	As at 31 October 2019 HK$'000	As at 30 April 2019 HK$'000
Trade and other payables		
Trade payables	158,622	155,937
Other payables and accruals	39,472	41,242
Deposits received	129	389
Provision for employee benefits	7,043	7,043
	205,266	204,611
Contract liabilities		
Receipts in advance and cash coupons	4,660	3,359
Deferred revenue arising from customer loyalty programs	3,803	3,805
	8,463	7,164

(a) The carrying values of trade and other payables approximate their fair values as at 31 October 2019 and 30 April 2019.

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

	As at 31 October 2019 HK$'000	As at 30 April 2019 HK$'000
0 - 30 days	93,504	100,547
31 - 60 days	55,117	36,811
61 - 90 days	8,616	15,751
91 - 120 days	1,385	2,828
	158,622	155,937

10 Dividends

In the current period, a final dividend of HK$64,256,000 in relation to the year ended 30 April 2019 was declared and paid.

On 20 December 2019, the Board resolved to declare an interim dividend of 5.5 HK cents (2018: 5.3 HK cents) per share, totaling HK$39,310,000 (2018: HK$37,928,000). The proposed dividend has not been recognised as a liability in this interim financial information but will be reflected as an appropriation of retained profits for the year ending 30 April 2020.

OTHER INFORMATION

Compliance with Corporate Governance Code

The Company has adopted the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules. The Directors recognise the importance of good corporate governance in the management of the Group. The Board will review and monitor the corporate governance practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

The Board is of the view that the Company has met the code provisions set out in the CG Code, except that there is no separation of the roles of Chairman and Chief Executive Officer as stipulated in the code provision A.2.1 of the CG Code. Currently, Ms. Ngai Lai Ha is both the Chairman and the Chief Executive Officer of the Company. As Ms. Ngai is one of the founders of the Group, the Board believes that it is in the best interest of the Group to have Ms. Ngai taking up both roles for continuous effective management of the Board and business development of the Group.

Review of Financial Statements

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

Compliance with the Model Code for Securities Transactions

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

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

The share award scheme of the Company was adopted by the Board on 24 July 2015 (the "Share Award Scheme"). The trustee of the Share Award Scheme, pursuant to the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 1,344,000 shares of the Company at a total consideration of about HK$2.7 million. Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the Period.

Interim Dividends

The Board has resolved to declare an interim dividend of 5.5 HK cents per share (2018/19: interim dividend of 5.3 HK cents per share), representing a total payout of approximately HK$39,310,000 (2018/19: approximately HK$38,045,000). Shareholders whose names appear on the register of members of the Company on Friday, 17 January 2020 will be entitled to the interim dividend which will be paid on or around Friday, 24 January 2020.

OTHER INFORMATION (Continued)

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 14 January 2020 to Friday, 17 January 2020, (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 13 January 2020.

Publication

The interim results announcement of the Company for the six months ended 31 October 2019 is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jhc.com.hk) respectively. The 2019/20 interim report will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

Appreciation

On behalf of the Board, I would like to thank all our management team members and staff for their commitment and contributions. I also greatly appreciate the constant support of our customers, business partners and shareholders. We shall be grateful for your continuing trust and support in the years to come.

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

Hong Kong, 20 December 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.