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International Housewares Retail Company Limited

國際家居零售有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1373)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 APRIL 2020

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 2020 (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 2019 (“**2018/19**”).

HIGHLIGHTS

- The Group’s revenue increased by 8.2% to HK\$2,542,384,000 (2018/19: HK\$2,350,351,000).
- Profit attributable to owners of the Company increased by 26.8% to HK\$150,927,000 (2018/19: HK\$119,052,000)⁽¹⁾.
- The Group’s gross profit rose by 9.6% to HK\$1,184,161,000 (2018/19: HK\$1,080,654,000), while gross profit margin was 46.6% (2018/19: 46.0%).
- The Board has resolved to recommend payment of a final dividend of HK11 cents per share. Together with the interim dividend of HK5.5 cents per share already paid, the total dividend for the Year would be HK16.5 cents per share (2018/19: HK14.3 cents per share).

Note:

1. Comparative figures for the financial year ended 30 April 2019 are shown as 2018/19 in brackets.

CORPORATE PROFILE

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 378 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, \$SMART (多來買), City Life (生活提案) as well as online platforms JHC eshop (日本城網購) and EasyBuy (易購點). 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 itself to become a chain of general merchandise stores (GMS).

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 mentioned above, the Group’s revenue rose by 8.2% to a historical high at HK\$2,542,384,000 (2018/19: HK\$2,350,351,000).

The Group’s gross profit rose by 9.6% to HK\$1,184,161,000 (2018/19: HK\$1,080,654,000), while gross profit margin was 46.6% (2018/19: 46.0%). Profit attributable to owners of the Company increased by 26.8% to HK\$150,927,000 (2018/19: HK\$119,052,000), mainly due 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 Singapore business has turned around to a profit making position and the positive financial contribution in the market added momentum for sound growth.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 April 2020, the Group maintained a strong financial position with cash and cash equivalents of HK\$362,737,000 (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.

The significant increase of finance expenses is totally due to the adoption of a new accounting standard HKFRS 16 “Leases” for the Year. After removing the impact so arising, the Group’s finance expenses were HK\$736,000 (2018/19: HK\$793,000).

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 1.4⁽²⁾ (30 April 2019: 2.7). Total borrowings amounted to HK\$22,617,000 as at 30 April 2020 (30 April 2019: HK\$39,816,000). The Group was in a net cash position as at 30 April 2020 and its gearing ratio as determined by total borrowings and loans from non-controlling shareholders divided by total equity was 3.3% (30 April 2019: 5.6%).

LIQUIDITY AND FINANCIAL RESOURCES (continued)

Notes:

1. In terms of revenue and number of stores the Group operated in the calendar year 2012 according to the Frost & Sullivan Report.
2. There were significant increases in right-of-use assets as well as non-current and current portions of lease liabilities under consolidated balance sheet as at 30 April 2020 reported under HKFRS 16 Leases (new standard). Related comparative figures for the financial year ended 30 April 2019 has not been restated, and they were prepared under HKAS 17 "Leases". Hence, comparison between the figures prepared under different bases of reporting would not be meaningful.

OPERATING EFFICIENCIES

Although the operating environment was challenging, the Group achieved satisfactory comparable store sales growth⁽¹⁾ in Hong Kong of 4.6% (2018/19: 4.8%) during the Year.

The Group launched the in-store online shopping iPanel "Easy Buy". This not only enables the sharing of inventory for on- and off-line channels, but also gives greater flexibility in choosing retail spaces and controlling overall rental expenses. In addition, with strong brand recognition and product popularity among customers, the Group has more flexibility in choosing new store sites, and hence it has been able to control rental expenses on its operation to meet the requirement for future business growth.

In addition, to mitigate the effects of the increase of employee expenses during the Year, the Group offers training programmes to employees to maximise their productivity and they are redeployed to different stores from time to time for monitoring store man-hour expenses. 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, the Group was able to reduce operating expenses as a percentage of revenue during the Year to 39.5% (2018/19: 40.8%).

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

For the Year Ended 30 April	2020		2019		Change (%)
	HK\$	(%) of revenue	HK\$	(%) of revenue	
Distribution and advertising expenses	64,091,000	2.5%	59,176,000	2.5%	8.3%
Administrative and other operating expenses	941,809,000	37.0%	900,620,000	38.3%	4.6%
Total operating expenses	1,005,900,000	39.5%	959,796,000	40.8%	4.8%

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

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 378 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, \$SMART (多來買), City Life (生活提案) as well as online platforms JHC eshop (日本城網購) and EasyBuy (易購點). 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 into 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. For store network development, taking into account an overall rental adjustment becoming more widespread and the HKSAR Government stepping up efforts to increase housing supply, the Group will continue to look for suitable locations for opening new stores, particularly in newly-developed residential districts and housing estates. We believe these moves shall enable us to further increase our share of the Hong Kong retail market and maintain its position as one of the largest houseware retail chains in the region.

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 30 April 2020	As at 30 April 2019	Net increase
The Group's directly managed stores			
Hong Kong	312	305	7
Singapore	49	44	5
Macau	8	7	1
The Group's overseas licensed stores	9	9	0
Total	378	365	13

Note:

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

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 2020, the Group had approximately 2,295 employees (30 April 2019: 2,175) and the total employee benefit expense for the Year was HK\$372,157,000 (2018/19: HK\$338,563,000).

OPERATIONAL REVIEW BY BUSINESS SEGMENT

The Group operates retail, wholesale and licensing and others businesses. Revenue from retail business for the Year climbed by 8.0% 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\$2,524,699,000 (2018/19: HK\$2,338,140,000) (which included consignment sales commission income), accounting for 99.3% (2018/19: 99.5%) of the Group's total revenue.

Revenue from the wholesale business, licensing income and others as a whole increased by 44.8% against the previous year to HK\$17,685,000 (2018/19: HK\$12,211,000).

OPERATIONAL REVIEW BY GEOGRAPHICAL LOCATION

Operations Review – Hong Kong and Macau

Hong Kong remained the key market of the Group, accounting for 88.1% (2018/19: 88.1%) 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, as well as the recent outbreak of the coronavirus having an impact on the economy, especially on the weak retail environment, the revenue for the Year 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. Revenue from Hong Kong for the Year surged to a new high totalling HK\$2,239,162,000 (2018/19: HK\$2,071,443,000), a 8.1% increase, while comparable store sales⁽¹⁾ managed a relatively favourable 4.6% growth (2018/19: 4.8%).

During the Year, the Group's Macau revenue increased by 7.6% to HK\$44,343,000 (2018/19: HK\$41,193,000) and comparable store sales growth⁽¹⁾ was at 4.3% (2018/19: 17.7%).

Operations Review – Singapore

The Group is pleased that, through the concerted effort of employees in Singapore, the business achieved a profit making position. Revenue for the Year increased by 8.9%, as expressed in Hong Kong dollars, to HK\$258,879,000 (2018/19: HK\$237,715,000) and comparable store sales grew by 9.8% ⁽¹⁾ (2018/19: 6.1%). 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. 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 utilisation of its warehouse facilities in China. Singapore remains a strategic market and the Group is hopeful that the market there will sustain 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

“People”, “Products” and “Platform” are the pillars of the Group, echoing the key elements vital to achieving success in the retail industry. In the midst of the most uncertain economic period, the Group has achieved a continued growth in 2020 across all of our main financial metrics.

This year is an unprecedented year full of challenges with the incidents of social unrest starting from mid-2019 followed by the global spread of COVID-19. As for the incidents of social unrest, although some of our stores were forced to close earlier, we managed to maintain stable store operations with emergency measures by our dedicated front-line team. Threats that the COVID-19 pandemic posed to us is the interruption of the supply chain worldwide starting from late January 2020. I would like to express my gratitude to our excellent team who took swift actions to procure continuous supply of a wide variety of products including personal protection such as face masks, hand sanitizers and disinfectant and thereby fulfilled customer demand and significantly drove store traffic and the Group’s overall sales.

The Group has recently established our own mask factory and started production of protective face masks in July 2020 under our private brand of “SMILE 365”. In view of the COVID-19 pandemic lingering, our aim is to provide a stable local supply meeting on going customer demand, especially when global supplies are unable to be proceeded readily.

In order to further diversify our product categories, we have introduced FMCG products, such as food and personal care items, which have contributed strong sales increase for the Year. We have seen a growing demand from our customers and strong market development potential in our stores. For store network expansion, taking into account an overall rental adjustment becoming more widespread and the HKSAR Government stepping up efforts to increase housing supply, the Group will continue to look for suitable locations for opening new stores, particularly in newly-developed residential districts and housing estates. We believe these moves shall enable us to further strengthen our leading position in the market.

LOOKING FORWARD (continued)

Over recent years, the Group has been responding briskly and with innovation to the trend of the increasing on-line shopping to strengthen our competitive advantages. The outbreak of COVID-19 has accelerated this trend which is evident in the sharp traffic increase on our e-platform. The Group has already been well-prepared for the fast-growing demand and has been continuing its shift towards O2O integration. This new retail model has been accompanied by linking “J-Fun” membership scheme, JHC eshop and EasyBuy online platforms together with our extensive store network.

Our Singapore business reached a milestone in the financial year under review. Despite facing the challenges posed by COVID-19, it managed to turn around, contributing profits to the Group. Over the past few years, having taken steps to increase value-added products by tapping the Group’s sourcing facilities in Hong Kong, Taiwan, Guangzhou and Yiwu; enhancing cost-efficiency by utilization of the Group’s warehouses in China; allying with global brand FMCG traders to diversify our product offerings; building a solid local management team; etc., we have seen a significant improvement in operational efficiency in Singapore.

This year was an important year for our group as we further strengthened our fundamentals to grow and improve our business. We have a unique, resilient, and diversified business model, which provides us financial flexibility and compelling growth opportunities. We believe those who are more responsive and adaptive during crises will be winners. The COVID-19 pandemic has accelerated changes on the ways that businesses operate and the everyday life of individuals. To achieve sustainable growth, we shall be swift and decisive to realize changes and be better prepared to meet the challenges ahead.

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2020**

		Year ended 30 April	
	Note	2020 HK\$'000	2019 HK\$'000
Revenue	3	2,542,384	2,350,351
Cost of sales	4	(1,358,223)	(1,269,697)
Gross profit		1,184,161	1,080,654
Other income		29,065	15,432
Other (losses)/gains - net		(8,182)	2,230
Distribution and advertising expenses	4	(64,091)	(59,176)
Administrative and other operating expenses	4	(941,809)	(900,620)
Operating profit		199,144	138,520
Finance income		5,138	5,801
Finance expenses		(21,963)	(826)
Finance (expenses)/income - net		(16,825)	4,975
Profit before income tax		182,319	143,495
Income tax expense	5	(26,255)	(25,224)
Profit for the year		156,064	118,271
Profit/(loss) attributable to:			
Owners of the Company		150,927	119,052
Non-controlling interests		5,137	(781)
		156,064	118,271
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 21.1 cents	HK 16.6 cents
Diluted earnings per share	6	HK 21.0 cents	HK 16.5 cents

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2020**

	Year ended 30 April	
	2020	2019
	HK\$'000	HK\$'000
Profit for the year	156,064	118,271
	-----	-----
Other comprehensive losses		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(2,175)	(2,019)
	-----	-----
Other comprehensive losses for the year, net of tax	(2,175)	(2,019)
	-----	-----
Total comprehensive income for the year	153,889	116,252
	=====	=====
Attributable to:		
Owners of the Company	148,245	117,000
Non-controlling interests	5,644	(748)
	-----	-----
Total comprehensive income for the year	153,889	116,252
	=====	=====

CONSOLIDATED BALANCE SHEET
AS AT 30 APRIL 2020

		As at 30 April	
	Note	2020	2019
		HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Land use rights		-	3,470
Property, plant and equipment		137,632	143,004
Right-of-use assets		476,943	-
Investment properties		34,176	38,532
Intangible assets		35,803	26,558
Deferred income tax assets		5,467	6,466
Non-current prepayment and deposits	8	61,220	63,655
		751,241	281,685
Current assets			
Inventories		335,899	288,303
Trade and other receivables	8	90,079	91,817
Bank deposits with initial terms of over three months		388	392
Cash and cash equivalents		362,737	369,703
		789,103	750,215
Total assets		<u>1,540,344</u>	<u>1,031,900</u>
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital and share premium		585,750	585,123
Reserves		179,606	165,298
		765,356	750,421
Non-controlling interests		3,688	(448)
Total equity		<u>769,044</u>	<u>749,973</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30 APRIL 2020

		As at 30 April	
	Note	2020	2019
		HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		584	1,289
Loan due to a non-controlling shareholder of a subsidiary		-	605
Provision for reinstatement cost	9	3,224	3,210
Borrowings		-	419
Lease liabilities		210,130	-
		213,938	5,523
Current liabilities			
Trade and other payables	9	210,182	204,611
Contract liabilities		5,343	7,164
Amount due to a non-controlling shareholder of a subsidiary		-	268
Loans due to non-controlling shareholders of subsidiaries		3,087	1,549
Borrowings		22,617	39,397
Lease liabilities		288,342	-
Current income tax liabilities		27,791	23,415
		557,362	276,404
Total liabilities		771,300	281,927
Total equity and liabilities		1,540,344	1,031,900

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 29 July 2020.

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.

(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 2019.

HKFRS 9	Prepayment Features with Negative Compensation (amendments)
HKFRS 16	Leases (new standard)
HKAS 19	Plan Amendment, Curtailment or Settlement (amendments)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(i) New and amended standards adopted by the Group (Continued)

HKAS 28	Long-term Interests in Associates and Joint Ventures (amendments)
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments (new interpretation)
Amendments to Annual Improvements Project	Annual Improvements 2015-2017 Cycle

The impact of the adoption of the HKFRS 16 is disclosed in Note 2.2. The other standards did not have any significant impact to the financial position and results of the Group and did not require retrospective adjustments.

(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 2019 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of material	1 January 2020
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge accounting (amendments)	1 January 2020
HKFRS 3 (Amendments)	Definition of business	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be announced

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 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 on the Group's financial statements.

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 consolidated 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 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 liabilities recognised as at 1 May 2019	554,733
Of which are:	
Current lease liabilities	199,079
Non-current lease liabilities	355,654

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 consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

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

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 HK\$'000	Impact on initial adoption of HKFRS 16 HK\$'000	As at 1 May 2019 As restated 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)

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (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 HK\$'000	Lease liabilities included in segment liabilities 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 2020 is as follows:

	Retail				
	Hong Kong and Macau	Singapore	Wholesales	Licencing and others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue (all from external customers)	2,265,820	258,879	17,495	190	2,542,384
Cost of sales	(1,206,606)	(140,438)	(11,179)	-	(1,358,223)
Segment results	1,059,214	118,441	6,316	190	1,184,161
Gross profit %**	46.75%	45.75%	36.10%	-	46.58%
Other income					29,065
Other losses - net					(8,182)
Distribution and advertising expenses					(64,091)
Administrative and other operating expenses					(941,809)
Operating profit					199,144
Finance income					5,138
Finance expenses					(21,963)
Profit before income tax					182,319
Income tax expense					(26,255)
Profit for the year					156,064

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Segment information (Continued)

The segment information provided to the executive directors for the reportable segments for the year ended 30 April 2019 is as follows:

	Retail			Licencing and others	Total
	Hong Kong and Macau	Singapore	Wholesales	HK\$'000	HK\$'000
	HK\$'000	HK\$'000	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

** 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 years ended 30 April 2020 and 2019. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Revenues include sales of goods of HK\$2,531,726,000 (2019:HK\$2,343,026,000), revenue arising from customer loyalty programme of HK\$9,143,000 (2019:HK\$5,484,000) and consignment sales commission of HK\$1,515,000 (2019: HK\$1,841,000).

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 2020 and 2019.

All of the Group's revenues are recognised at a point in time for the years ended 30 April 2020 and 2019.

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. During the year ended 30 April 2020 and 2019, all brought-forward contract liabilities at the beginning of the financial year were fully recognised as revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Segment information (Continued)

The following tables present segment assets and liabilities as at 30 April 2020 and 30 April 2019 respectively.

As at 30 April 2020					
	Retail			Licencing and others	Total
	Hong Kong and Macau	Singapore	Wholesales	and others	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	976,615	155,610	4,427	4	1,136,656
Segment liabilities	636,931	96,526	6,035	346	739,838
As at 30 April 2019					
	Retail			Licencing and others	Total
	Hong Kong and Macau	Singapore	Wholesales	and others	
	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

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 cost, lease liabilities, borrowings, trade and other payables and contract liabilities.

The following tables present segment assets and liabilities as at 30 April 2020 and 30 April 2019 respectively.

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

	As at	
	30 April 2020	30 April 2019
	HK\$'000	HK\$'000
Segment assets	1,136,656	607,782
Investment properties	34,176	38,532
Prepayment for purchase of property, plant and equipment	920	-
Prepayment for purchase of intangible asset	-	9,025
Deferred income tax assets	5,467	6,466
Bank deposits with initial terms of over three months	388	392
Cash and cash equivalents	362,737	369,703
Total assets	1,540,344	1,031,900

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Segment information (Continued)

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

	30 April 2020 HK\$'000	As at 30 April 2019 HK\$'000
Segment liabilities	739,838	254,801
Deferred income tax liabilities	584	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	3,087	1,549
Current income tax liabilities	27,791	23,415
Total liabilities	<u>771,300</u>	<u>281,927</u>

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

	Year ended 30 April 2020 HK\$'000	2019 HK\$'000
Hong Kong	2,239,162	2,071,443
Singapore	258,879	237,715
Macau	44,343	41,193
	<u>2,542,384</u>	<u>2,350,351</u>

The total of non-current assets, other than intangible assets and deferred income tax assets of the Group as at 30 April 2020 and 2019 are as follows:

	Year ended 30 April 2020 HK\$'000	2019 HK\$'000
Hong Kong	574,737	184,275
Mainland China	44,871	49,296
Singapore	80,671	13,974
Macau	9,692	1,116
	<u>709,971</u>	<u>248,661</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4 Expenses by nature

	Year ended 30 April	
	2020	2019
	HK\$'000	HK\$'000
Auditors' remuneration		
- Audit services	2,505	2,305
- Non-audit services	398	459
Air conditioning expenses	10,178	15,553
Advertising and promotion expenses	8,912	13,261
Amortisation of intangible assets	2,761	629
Amortisation of land use rights	-	34
Building management fees	46,402	37,645
Cost of inventories sold	1,355,329	1,269,697
Write down of inventories	2,894	-
Delivery charges	53,765	44,076
Depreciation of owned property, plant and equipment	31,045	28,778
Depreciation of right-of-use assets	357,616	-
Employee benefit expenses (including directors' emoluments)	372,157	338,563
Government rates	12,735	12,120
Legal and professional fee	2,927	2,355
Operating lease rental	-	385,908
Short-term lease expense	22,605	-
Repair and maintenance	13,799	11,445
Utility expenses	22,806	24,783
Net exchange gains	(1,433)	(4,136)
Others	46,722	46,018
Total cost of sales, distribution and advertising expenses, and administrative and other operating expenses	2,364,123	2,229,493

5 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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	
	2020	2019
	HK\$'000	HK\$'000
Current income tax		
- Hong Kong profits tax	25,425	22,234
- Overseas taxation	799	620
	26,224	22,854
(Over)/under provision in prior years		
- Hong Kong profits tax	(194)	3,525
- Overseas taxation	(105)	(227)
	(299)	3,298
Deferred income tax	330	(928)
	26,255	25,224

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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	
	2020	2019
	HK\$'000	HK\$'000
Profit attributable to owners of the Company	150,927	119,052
Weighted average number of ordinary shares in issue (in thousands) (Note (i))	714,404	716,708
Basic earnings per share attributable to owners of the Company (HK cents per share)	21.1	16.6

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.

(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	
	2020	2019
	HK\$'000	HK\$'000
Profit attributable to owners of the Company	150,927	119,052
Weighted average number of ordinary shares in issue (in thousands)	714,404	716,708
Adjustments for:		
- Share options and share awards (in thousands)	4,214	4,554
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	718,618	721,262
Diluted earnings per share attributable to owners of the Company (HK cents per share)	21.0	16.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 Dividend

The dividends paid in 2020 and 2019 were HK\$103,566,000 (HK14.5 cents per share) and HK\$88,180,000 (HK12.3 cents per share) respectively. A dividend in respect of the year ended 30 April 2020 of HK11 cents per share, amounting to a total dividend of HK\$78,472,000, is to be proposed at the annual general meeting on 23 September 2020. These consolidated financial statements do not reflect this dividend payable.

	Year ended 30 April	
	2020	2019
	HK\$'000	HK\$'000
Interim dividend paid of HK 5.5 cents (2019: HK5.3 cents) per ordinary share	39,310	37,928
Proposed final dividend of HK 11 cents (2019: HK9.0 cents) per ordinary share	78,472	64,256
	<u>117,782</u>	<u>102,184</u>

8 Trade and other receivables

	As at 30 April	
	2020	2019
	HK\$'000	HK\$'000
Trade receivables	14,894	11,176
Less: provision for impairment of trade receivables	(2,463)	(2,463)
	<u>12,431</u>	<u>8,713</u>
Prepayments	11,961	27,348
Deposits and other receivables	126,907	119,411
	<u>151,299</u>	<u>155,472</u>
Less non-current portion:		
Deposits	(60,300)	(54,630)
Prepayment for property, plant and equipment	(920)	-
Prepayment for purchase of intangible asset	-	(9,025)
	<u>(61,220)</u>	<u>(63,655)</u>
Current portion	<u>90,079</u>	<u>91,817</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8 Trade and other receivables (Continued)

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	
	2020	2019
	HK\$'000	HK\$'000
Up to 3 months	12,404	8,713
3 to 6 months	27	-
6 to 12 months	2,463	2,463
	14,894	11,176
Less: provision for impairment of receivables	(2,463)	(2,463)
	12,431	8,713

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	As at 30 April	
	2020	2019
	HK\$'000	HK\$'000
Current		
Trade payables	152,674	155,937
Other payables and accruals	48,243	41,242
Deposit received	27	389
Provision for employee benefits	9,238	7,043
	<u>210,182</u>	<u>204,611</u>
Non-current		
Provision for reinstatement cost	3,224	3,210
	<u>213,406</u>	<u>207,821</u>
Contract liabilities		
Receipts in advance and cash coupons	2,477	3,359
Deferred revenue arising from customer loyalty programs	2,866	3,805
	<u>5,343</u>	<u>7,164</u>

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

	As at 30 April	
	2020	2019
	HK\$'000	HK\$'000
0 - 30 days	104,063	100,547
31 - 60 days	24,419	36,811
61 - 90 days	19,667	15,751
91 - 120 days	4,404	2,828
Over 120 days	121	-
	<u>152,674</u>	<u>155,937</u>

OTHER INFORMATION

DIVIDENDS

An interim dividend of HK5.5 cents (2018/19: interim dividend of HK5.3 cents) per ordinary share, representing a total payout of approximately HK\$39,310,000 was paid by the Company on 24 January 2020. The Board has resolved to recommend payment of a final dividend of HK11 cents per ordinary share to shareholders whose names appear on the register of members of the Company on Monday, 5 October 2020 which will be paid on or around Monday, 19 October 2020, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on Wednesday, 23 September 2020. Taking into account of the interim dividend payment, the total dividend for the Year would amount to HK16.5 cents (2018/19: HK14.3 cents) per ordinary share, totaling approximately HK\$117,782,000 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, 23 September 2020 will be closed from Wednesday, 16 September 2020 to Wednesday, 23 September 2020, 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, 15 September 2020.

Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on Wednesday, 23 September 2020, 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 Monday, 5 October 2020 and the register of members of the Company will be closed from Tuesday, 29 September 2020 to Monday, 5 October 2020, (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, 28 September 2020.

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

During the Year, the Company repurchased a total of 1,000,000 shares of the Company on the Stock Exchange on 24 March 2020 at the highest and lowest prices of HK\$1.69 and HK\$1.64 per share respectively at an aggregate consideration of approximately HK\$1,673,000. All the repurchased shares were subsequently cancelled by the date of this announcement. The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the earnings per share of the Company.

OTHER INFORMATION (Continued)

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

Besides, under the share award scheme of the Company 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 1,744,000 shares of the Company at a total consideration of about HK\$3.4 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 2020.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the consolidated financial statements for the year ended 30 April 2020. 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 2020 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 2020. 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.

OTHER INFORMATION (Continued)

PUBLICATION

The annual results announcement of the Company for the year ended 30 April 2020 is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jhc.com.hk) respectively. The 2020 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 contributions throughout the year. My gratitude also goes to our customers, business partners and shareholders for their full support and trust. We look forward to enjoying your continuous backing in the coming years.

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

Hong Kong, 29 July 2020

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.