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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 2021

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 2021 (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 2020 (“**2019/20**”).

HIGHLIGHTS

- The Group’s revenue increased by 5.9% to a historical high of HK\$2,692,460,000⁽¹⁾ (2019/20: HK\$2,542,384,000)⁽²⁾.
- Profit attributable to owners of the Company increased by 68.9% to HK\$254,918,000 (2019/20: HK\$150,927,000), including an income of HK\$71 million under Employment Support Scheme by the Government of the Hong Kong SAR.
- All three markets of the Group, Hong Kong, Singapore and Macau continued to be operated in profit.
- The Board has resolved to recommend payment of the final dividend of HK11.0 cents per share and special dividend of HK4.2 cents per share to celebrate JHC’s 30th anniversary. Together with the interim dividend of HK9.0 cents per share already paid, the total dividend for the Year would be HK24.2 cents per share (2019/20: HK16.5 cents per share).

Notes:

- 1. The outbreak of COVID-19 resulting in the closure of the Group’s Singapore stores from 7 April 2020 to 18 June 2020, representing a loss of 49 business days in this financial year*
- 2. Comparative figures for the financial year ended 30 April 2020 are shown as 2019/20 in brackets.*

CORPORATE PROFILE

Established in 1991, the Group is the largest houseware retail chain in Hong Kong, Singapore and Macau⁽¹⁾. It offers housewares, trend-based products, and personal care, snacks and household FMCG through an extensive retail network comprising 389 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), and Day Day Store (日記士多), as well as via the online platforms JHC eshop (日本城網購) and EasyBuy (易購點). Leveraging its extensive sourcing channels and portfolio 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 way for its transformation into convenience general merchandise stores (GMS).

FINANCIAL PERFORMANCE

To capture additional market opportunities and enlarge its customer base, the Group continued to expand the variety of merchandise it offers by introducing new products to customers. In addition, driven by the growth in overall comparable store sales, the opening of new stores and the increase in foot traffic brought about by the new product categories mentioned above, the Group’s revenue rose by 5.9% to a historical high of HK\$2,692,460,000 (2019/20: HK\$2,542,384,000).

Profit attributable to owners of the Company increased by 68.9% to HK\$254,918,000 (2019/20: HK\$150,927,000), mainly due to the Group’s continuous monitoring of purchase prices and the logistics costs of its sourcing activities, and the prudent management of its operating expenses. Furthermore, each of the overseas markets had operated in a profit position, as well as the recognition of income approximately HK\$71 million under Employment Support Scheme by the Government of the Hong Kong SAR, adding momentum for the growth.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 April 2021, the Group maintained a strong financial position with cash and cash equivalents of HK\$428,459,000 (30 April 2020: HK\$362,737,000). The majority of the Group’s cash and bank deposits were denominated in Hong Kong dollars, and were deposited with major banks in Hong Kong with maturities of less than three months. In order to overcome the challenges brought about by the pandemic, we continued to maintain a strong liquidity and cash flow position which is of paramount importance for our future development, particularly in these uncertain economic times.

The Group implements a stable treasury management policy and does not engage in any highly leveraged or speculative derivative products. It distributes the majority of its surplus cash as Hong Kong dollar bank deposits with appropriate maturity periods to meet future funding requirements. As at 30 April 2021, the Group’s current ratio was 1.5 (30 April 2020: 1.4). Total borrowings amounted to HK\$19,078,000 as at 30 April 2021 (30 April 2020: HK\$22,617,000). The Group was in a net cash position as at 30 April 2021 and its gearing ratio, as determined by total borrowings and loans from non-controlling shareholders divided by total equity, was 2.9% (30 April 2020: 3.3%).

Note:

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

OPERATING EFFICIENCIES

Despite the challenging operating environment, the Group achieved satisfactory comparable store sales growth⁽¹⁾ in Hong Kong of 4.4% (2019/20: 4.6%) during the Year.

In our continued effort to create a superior seamless shopping experience for our customers, The Group launched a new ERP system in early 2021 and executed a major revamp of the existing JHCeshop to merge our offline and online platforms, which will ensure a full integration of inventory records between our e-platform and physical stores. In addition, with strong brand recognition and product popularity among customers, the Group has more flexibility in choosing new store sites, and it has, therefore, been able to control rental expenses within its operation to better meet the requirements for future business growth.

In addition, the Group provided comprehensive in-house training to employees at all levels in order to retain experienced employees and maintain a committed workforce. Aside from strengthening skills, we also redeployed employees to different stores from time to time with the aim of 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.

With a well-recognized brand and products that are popular with customers, the Group has been able to achieve record 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 to 38.9% during the Year (2019/20: 39.5%).

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

For the Year Ended 30 April	2021		2020		Change (%)
	HK\$	(%) of revenue	HK\$	(%) of revenue	
Distribution and advertising expenses	67,512,000	2.5%	64,091,000	2.5%	5.3%
Administrative and other operating expenses	980,392,000	36.4%	941,809,000	37.0%	4.1%
Total operating expenses	1,047,904,000	38.9%	1,005,900,000	39.5%	4.2%

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 housewares, trend-based items, and personal care, snacks and household FMCG through an extensive retail network comprising 389 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), Day Day Store (日記士多) as well as via the online platforms JHC eshop (日本城網購) and EasyBuy (易購點). Leveraging its extensive sourcing channels and portfolio 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 way for its transformation into convenience general merchandise stores (GMS).

Regarding the store network development, the cumulative brand awareness that the Group has enjoyed over the past 30 years, its steadily growing extensive retail network and large global supplier network have all contributed, and will continue to contribute, to steady business development. With the HKSAR Government stepping up its efforts to increase housing supply, the Group will continue to look for suitable locations to open new stores, particularly in newly developed residential districts and housing estates. We believe these initiatives will enable us to further increase our share of the Hong Kong retail market and maintain the Group’s 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, with a focus on opening new stores in areas with high potential. The following table sets forth the number of its stores worldwide:

	As at 30 April 2021	As at 30 April 2020	Net increase/ (decrease)
The Group’s directly managed stores			
Hong Kong	322	312	10
Singapore	51	49	2
Macau	8	8	0
The Group’s overseas licensed stores	8	9	(1)
Total	389	378	11

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 an outstanding performance, the Group will review its remuneration packages regularly and qualified employees will receive performance bonuses, and be 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 2021, the Group had approximately 2,391 employees (30 April 2020: 2,295) and total employee benefit expenses for the Year were HK\$396,933,000 (2019/20: HK\$372,157,000).

OPERATIONAL REVIEW BY BUSINESS SEGMENT

The Group operates retail, wholesale and licensing and other businesses. Revenue from retail business for the Year climbed by 6.1% to a new record high and continued to be the primary sales driver of the Group. The increase was mainly due to a growth in comparable store sales, the opening of new stores and the increase of foot traffic. In order to capture additional market opportunities and enlarge its customer base, the Group continued to expand the variety of its merchandise by introducing new products based on current trends. These efforts resulted in retail revenue in the amount of HK\$2,677,789,000 (2019/20: HK\$2,524,699,000) (which included consignment sales commission income), accounting for 99.5% (2019/20: 99.3%) of the Group's total revenue.

Revenue from the wholesale business, licensing income and others as a whole amounted to HK\$14,671,000 (2019/20: HK\$17,685,000), representing a year-on-year decrease of 17.0%.

OPERATIONAL REVIEW BY GEOGRAPHICAL LOCATION

Operations Review – Hong Kong and Macau

It is imperative that the Group has in place a well-trained, adaptable and versatile workforce to maintain its market competitiveness and ensure its sustainability in order to seize any emerging opportunities, especially amid the ongoing economic adjustment of the retail environment in Hong Kong. In the meantime, the support of the Group's primary revenue driver through on-going e-platform enhancement, introducing new retail brands and enlarging product categories in the Hong Kong market, have added momentum for the growth. As a result, the revenue for the Year has continued to deliver growth. Revenue from Hong Kong for the Year surged to a new high, totaling HK\$2,386,352,000 (2019/20: HK\$2,239,162,000), representing an increase of 6.6%, while comparable store sales⁽¹⁾ managed a satisfactory 4.4% growth (2019/20: 4.6%). Hong Kong remained the Group's key market, accounting for 88.6% (2019/20: 88.1%) of its total revenue.

Taking in to account of the constant monitoring of purchase prices and the careful management of operating expenses, profit for the Year in the Hong Kong market was HK\$241,092,000 (2019/20: HK\$133,705,000), representing an increase of 80.3%, which included an income of HK\$71 million under Employment Support Scheme by the Government of the Hong Kong SAR.

During the Year, the Group's revenue from Macau increased by 6.7% to HK\$47,320,000 (2019/20: HK\$44,343,000) and achieved a profit-making position.

Note:

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

Operations Review – Singapore

Despite the outbreak of COVID-19 resulting in the closure of the Group's Singapore stores from 7 April 2020 to 18 June 2020, representing a loss of 49 business days in this financial year, as well as the weak retail environment, the Group is pleased to note that its Singapore business achieved a profit. This shows that the Group is well positioned within the market, and its focus on providing a wide variety of products, alongside its constant assortment enrichment through the use of its sourcing arms in Hong Kong, Taiwan, Guangzhou and Yiwu and its cost-efficiency enhancements through the utilization of its warehouse facilities in China, have proved effective. Revenue for the Year, as expressed in Hong Kong dollars, was HK\$258,788,000 (2019/20: HK\$258,879,000).

The Group continues to develop, improve and expand the operation capacity of its supply chain and human capital according to business needs within the Singapore market in order to underpin its mission of sustainable development in the future. The Group plans to relocate a new warehouse in Singapore with the aim of using it as a central processing base for its merchandise to further enhance the accuracy and efficiency of its product distribution. Singapore remains a strategic market and the Group is therefore optimistic that it will enable continuous growth and profitability.

LOOKING FORWARD

ENCHANCING OUR OMNICHANNEL DEVELOPMENT

In our continued effort to create a superior seamless shopping experience for our customers, The Group launched a new ERP system in early 2021 and is currently executing a major revamp of the existing JHC eshop to merge our offline and online platforms, which will ensure a full integration of inventory records between our e-platform and physical stores.

The Group is also broadening its online presence by collaborating with foodpanda mall and YOHO, two leading e-commerce retailers in Hong Kong. We expect to expand upon future collaboration opportunities with third parties to foster development of our business and operation, aiming to give customers greater convenience and faster delivery of a wide range of products in 2021.

BUILDING OUR PRODUCT PORTFOLIO

As part of the strategic growth initiative, The Group seeks to further drive sales and enhance gross margin through a greater assortment of FMCG categories and OEM products, and adding new categories, such as health & wellness and smart living products. We will continue to stay alert of the market trends and swiftly respond to our customers' needs and changing appetites as we have done in recent years.

In addition, we have begun repositioning “\$mart” stores into “Day Day” stores so as to offer a new upscale retail brand featuring specialty food and FMCG products. This development will contribute to the Group's expansion into food and personal care categories.

LOOKING FORWARD

DEVELOPING AND SOLIDIFYING OUR TEAM

The Group always regards employees as one of its core pillars. Our success is owed much to the loyalty and diligence of our employees and our well-established fast-paced working culture. Having the ability to seize and flexibly respond to new market trends, the Group focuses on recruiting new talent with specific skills in a variety of fields, such as e-marketing, IT infrastructure, new product sourcing and category development in line with market trends. Apart from skills, we also emphasize team building – bringing employees old and new together in pursuing a common goal and delivering job duties effectively.

In addition to the employee appreciation bonuses in March 2021, we continue to train and develop our team in order to better position them for future success. We believe that developing retail talent remains a strong competitive advantage in the market.

We expect to face new challenges in 2021, but we believe the Group is well-prepared to steadfastly deliver value for our customers, employees and shareholders.

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2021**

	Note	Year ended 30 April	
		2021 HK\$'000	2020 HK\$'000
Revenue	3	2,692,460	2,542,384
Cost of sales	4	(1,475,949)	(1,358,223)
Gross profit		1,216,511	1,184,161
Other income		134,437	29,065
Other gains/(losses) - net		1,959	(8,182)
Distribution and advertising expenses	4	(67,512)	(64,091)
Administrative and other operating expenses	4	(980,392)	(941,809)
Operating profit		305,003	199,144
Finance income		2,914	5,138
Finance expenses		(20,219)	(21,963)
Finance expenses - net		(17,305)	(16,825)
Profit before income tax		287,698	182,319
Income tax expense	5	(29,856)	(26,255)
Profit for the year		257,842	156,064
Profit attributable to:			
Owners of the Company		254,918	150,927
Non-controlling interests		2,924	5,137
		257,842	156,064
Earnings per share attributable to the owners of the Company for the year (expressed in HK cents per share)			
Basic earnings per share	6	HK35.6 cents	HK21.1 cents
Diluted earnings per share	6	HK35.3 cents	HK21.0 cents

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2021**

	Year ended 30 April	
	2021 HK\$'000	2020 HK\$'000
Profit for the year	257,842	156,064
Other comprehensive income/(loss)		
Item that may be reclassified to profit or loss		
Currency translation differences	4,330	(2,175)
Other comprehensive income/(loss) for the year, net of tax	4,330	(2,175)
Total comprehensive income for the year	262,172	153,889
Attributable to:		
Owners of the Company	259,040	148,245
Non-controlling interests	3,132	5,644
Total comprehensive income for the year	262,172	153,889

**CONSOLIDATED BALANCE SHEET
AS AT 30 APRIL 2021**

		As at 30 April	
	Note	2021 HK\$'000	2020 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		191,208	137,632
Right-of-use assets		508,605	476,943
Investment properties		40,567	34,176
Intangible assets		35,430	35,803
Deferred income tax assets		5,666	5,467
Prepayment and deposits	8	44,043	61,220
		<hr/>	<hr/>
		825,519	751,241
		<hr/>	<hr/>
Current assets			
Inventories		374,830	335,899
Trade and other receivables, prepayments and deposits	8	108,422	90,079
Bank deposits with initial terms of over three months		388	388
Cash and cash equivalents		428,459	362,737
		<hr/>	<hr/>
		912,099	789,103
		<hr/>	<hr/>
Total assets		<u>1,737,618</u>	<u>1,540,344</u>
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital and share premium		586,866	585,750
Reserves		299,610	179,606
		<hr/>	<hr/>
		886,476	765,356
Non-controlling interests		6,820	3,688
		<hr/>	<hr/>
Total equity		<u>893,296</u>	<u>769,044</u>
		<hr/>	<hr/>

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30 APRIL 2021

		As at 30 April	
	Note	2021 HK\$'000	2020 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		865	584
Provision for reinstatement cost	9	4,021	3,224
Lease liabilities		221,718	210,130
		<u>226,604</u>	<u>213,938</u>
Current liabilities			
Trade and other payables	9	244,072	210,182
Contract liabilities	9	7,166	5,343
Loans due to non-controlling shareholders of subsidiaries		6,681	3,087
Borrowings		19,078	22,617
Lease liabilities		305,494	288,342
Current income tax liabilities		35,227	27,791
		<u>617,718</u>	<u>557,362</u>
Total liabilities		<u>844,322</u>	<u>771,300</u>
Total equity and liabilities		<u>1,737,618</u>	<u>1,540,344</u>

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 2021.

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 2020.

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Interest Rate Benchmark Reform – Phase 1
HKFRS 3 (Amendments)	Definition of a Business
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

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

The Group has early adopted HKFRS 16 (Amendments) “Covid-19-Related Rent Concessions” retrospectively from 1 May 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments due on or before 30 June 2022; and c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions approximately HK\$35,358,000 have been accounted for as negative variable lease payments and recognised in other income in the consolidated statement of comprehensive income for the year ended 30 April 2021, with a corresponding adjustment to the lease liabilities. There is no impact on the opening balance of equity at 1 May 2020.

A number of new or amended standards became applicable for the current reporting period. Except for the HKFRS 16 (Amendments) set out above, the Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

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

The following new and amended standards and interpretations that are not effective for periods commencing on or after 1 May 2020 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform - Phase 2	1 January 2021
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvement Project	Annual Improvements to HKFRSs Cycle 2018 to 2020	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

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

		Effective for accounting periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HK Interpretation 5 (2020)	Presentation of Financial Statement - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	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 determined

The Group is in process of making an assessment of the impact of these new and amended standards and interpretations upon initial application, and has concluded on a preliminary basis that the adoption of these new and amended standards and interpretations is not expected to have a significant impact on the Group's results of operations or financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 have determined the operating segments based on these reports.

Prior to 1 May 2020, the Group had three operating segments, namely (i) Retail; (ii) Wholesales and (iii) Licencing and others.

For the year ended 30 April 2021, the executive directors reassessed the performance of the operating segments based on 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, licencing and others

The impact of the abovementioned change in the Group's reportable operating segments for the year ended 30 April 2020 is considered retrospectively and the Group's operating segment information is restated as if the Group had been operating as two operating segments in that period.

The executive directors assess the performance of the operating segments based on revenue and gross profit percentage of each segment.

* Including consignment sales commission income.

The segment information provided to the executive directors for the reportable segments for the year ended 30 April 2021 is as follows:

	Retail		Wholesales, licencing and others	Total
	Hong Kong and Macau HK\$'000	Singapore HK\$'000		
Segment revenue (all from external customers)	2,419,001	258,788	14,671	2,692,460
Cost of sales	(1,310,201)	(155,874)	(9,874)	(1,475,949)
Segment results	1,108,800	102,914	4,797	1,216,511
Gross profit %**	45.84%	39.77%	32.70%	45.18%
Other income				134,437
Other gains - net				1,959
Distribution and advertising expenses				(67,512)
Administrative and other operating expenses				(980,392)
Operating profit				305,003
Finance income				2,914
Finance expenses				(20,219)
Profit before income tax				287,698
Income tax expense				(29,856)
Profit for the year				257,842

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Segment information (Continued)

The segment information provided to the executive directors for the reportable segments for the year ended 30 April 2020 is as follows:

	Retail		Wholesales, licencing and others (Restated) HK\$'000	Total HK\$'000
	Hong Kong and Macau	Singapore		
	HK\$'000	HK\$'000		
Segment revenue (all from external customers)	2,265,820	258,879	17,685	2,542,384
Cost of sales	(1,206,606)	(140,438)	(11,179)	(1,358,223)
Segment results	1,059,214	118,441	6,506	1,184,161
Gross profit %**	46.75%	45.75%	36.79%	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).

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the years ended 30 April 2021 and 2020. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Revenues include sales of goods of HK\$2,680,223,000 (2020: HK\$2,531,726,000), revenue arising from customer loyalty programme of HK\$10,437,000 (2020: HK\$9,143,000) and consignment sales commission of HK\$1,800,000 (2020: HK\$1,515,000).

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 2021 and 2020.

All of the Group's revenues are recognised at a point in time for the years ended 30 April 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Segment information (Continued)

Contract liabilities represents advanced payments received from customers for goods that have not been transferred to the customers and cash coupons and provision for customer loyalty programs. During the year ended 30 April 2021 and 2020, all brought-forward contract liabilities at the beginning of the financial year were fully recognised as revenue.

The following tables present segment assets and liabilities as at 30 April 2021 and 30 April 2020 respectively.

	As at 30 April 2021			
	Retail		Wholesales, licencing and others HK\$'000	Total HK\$'000
	Hong Kong and Macau HK\$'000	Singapore HK\$'000		
Segment assets	1,087,010	169,586	5,942	1,262,538
Segment liabilities	688,424	105,878	7,247	801,549

	As at 30 April 2020			
	Retail		Wholesales, licencing and others HK\$'000 (Restated)	Total HK\$'000
	Hong Kong and Macau HK\$'000	Singapore HK\$'000		
Segment assets	976,615	155,610	4,431	1,136,656
Segment liabilities	636,931	96,526	6,381	739,838

Segment assets include intangible assets, property, plant and equipment, right-of-use assets, trade and other receivables, prepayments and deposits 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 2021 and 30 April 2020 respectively.

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

	As at 30 April	
	2021 HK\$'000	2020 HK\$'000
Segment assets	1,262,538	1,136,656
Investment properties	40,567	34,176
Prepayment for purchase of property, plant and equipment	-	920
Deferred income tax assets	5,666	5,467
Bank deposits with initial terms of over three months	388	388
Cash and cash equivalents	428,459	362,737
Total assets	1,737,618	1,540,344

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Segment information (Continued)

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

	As at 30 April	
	2021	2020
	HK\$'000	HK\$'000
Segment liabilities	801,549	739,838
Deferred income tax liabilities	865	584
Loans due to a non-controlling shareholder of a subsidiary	6,681	3,087
Current income tax liabilities	35,227	27,791
	<u>844,322</u>	<u>771,300</u>
Total liabilities	<u><u>844,322</u></u>	<u><u>771,300</u></u>

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

	Year ended 30 April	
	2021	2020
	HK\$'000	HK\$'000
Hong Kong	2,386,352	2,239,162
Singapore	258,788	258,879
Macau	47,320	44,343
	<u>2,692,460</u>	<u>2,542,384</u>
	<u><u>2,692,460</u></u>	<u><u>2,542,384</u></u>

The total of non-current assets, other than intangible assets and deferred income tax assets of the Group as at 30 April 2021 and 2020 are as follows:

	Year ended 30 April	
	2021	2020
	HK\$'000	HK\$'000
Hong Kong	583,387	574,737
Mainland China	51,458	44,871
Singapore	93,907	80,671
Macau	55,671	9,692
	<u>784,423</u>	<u>709,971</u>
	<u><u>784,423</u></u>	<u><u>709,971</u></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

4 Expenses by nature

	Year ended 30 April	
	2021 HK\$'000	2020 HK\$'000
Auditors' remuneration		
- Audit services	2,511	2,505
- Non-audit services	2,238	398
Air conditioning expenses	10,277	10,178
Advertising and promotion expenses	7,540	8,912
Amortisation of intangible assets	3,633	2,761
Building management fees	43,900	46,402
Cost of inventories sold	1,473,611	1,355,329
Write-downs of inventories	2,338	2,894
Delivery charges	58,883	53,765
Depreciation of owned property, plant and equipment	30,335	31,045
Depreciation of right-of-use assets	350,086	357,616
Employee benefit expenses (including directors' emoluments)	396,933	372,157
Government rates	10,294	12,735
Legal and professional fee	3,154	2,927
Short-term lease expense	49,435	22,605
Repair and maintenance	13,254	13,799
Utility expenses	16,811	22,806
Net exchange losses/(gains)	3,872	(1,433)
Others	44,748	46,722
	<hr/>	<hr/>
Total cost of sales, distribution and advertising expenses, and administrative and other operating expenses	2,523,853	2,364,123
	<hr/> <hr/>	<hr/> <hr/>

5 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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	
	2021 HK\$'000	2020 HK\$'000
Current income tax		
- Hong Kong profits tax	30,007	25,425
- Overseas taxation	633	799
	<hr/>	<hr/>
	30,640	26,224
Over provision in prior years		
- Hong Kong profits tax	(835)	(194)
- Overseas taxation	(4)	(105)
- Deferred income tax	(415)	-
	<hr/>	<hr/>
	(1,254)	(299)
Deferred income tax	470	330
	<hr/>	<hr/>
	29,856	26,255
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	
	2021	2020
Profit attributable to owners of the Company (HK\$'000)	254,918	150,927
Weighted average number of ordinary shares in issue (in thousands) (Note (i))	715,878	714,404
Basic earnings per share attributable to owners of the Company (HK cents per share)	<u>35.6</u>	<u>21.1</u>

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	
	2021	2020
Profit attributable to owners of the Company (HK\$'000)	254,918	150,927
Weighted average number of ordinary shares in issue (in thousands)	715,878	714,404
Adjustment for:		
- Share options and share awards (in thousands)	5,424	4,214
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	<u>721,302</u>	<u>718,618</u>
Diluted earnings per share attributable to owners of the Company (HK cents per share)	<u>35.3</u>	<u>21.0</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Dividend

The dividends paid in 2021 and 2020 were HK\$143,518,000 (HK20.0 cents per share) and HK\$103,566,000 (HK14.5 cents per share) respectively. In respect of the year ended 30 April 2021, the final dividend of HK11.0 cents per share and special dividend of HK4.2 cents per share, amounting to a total dividend of HK\$ 109,038,000, is to be proposed at the annual general meeting on 23 September 2021. These consolidated financial statements do not reflect this dividend payable.

	Year ended 30 April	
	2021 HK\$'000	2020 HK\$'000
Interim dividend paid of HK9.0 cents (2020: HK5.5 cents) per ordinary share	64,533	39,310
Proposed final dividend of HK11.0 cents and special dividend of HK4.2 cents (2020: HK11 cents) per ordinary share	109,038	78,985
	<u>173,571</u>	<u>118,295</u>

8 Trade and other receivables, prepayments and deposits

	As at 30 April	
	2021 HK\$'000	2020 HK\$'000
Trade receivables, net	9,362	12,431
Prepayments	9,586	11,961
Deposits and other receivables	133,517	126,907
	<u>152,465</u>	<u>151,299</u>
Less non-current portion:		
Deposits	(44,043)	(60,300)
Prepayment for property, plant and equipment	-	(920)
	<u>(44,043)</u>	<u>(61,220)</u>
Current portion	<u>108,422</u>	<u>90,079</u>

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	
	2021 HK\$'000	2020 HK\$'000
Up to 3 months	9,253	12,404
3 to 6 months	109	27
6 to 12 months	-	2,463
	<u>9,362</u>	<u>14,894</u>
Less: provision for impairment of receivables	-	(2,463)
	<u>9,362</u>	<u>12,431</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	As at 30 April	
	2021 HK\$'000	2020 HK\$'000
Current		
Trade payables	186,164	152,674
Other payables and accruals	47,522	48,243
Deposit received	19	27
Provision for employee benefits	10,367	9,238
	<u>244,072</u>	<u>210,182</u>
Non-current		
Provision for reinstatement cost	4,021	3,224
	<u>248,093</u>	<u>213,406</u>
Contract liabilities		
Receipts in advance and cash coupons	3,711	2,477
Deferred revenue arising from customer loyalty programs	3,455	2,866
	<u>7,166</u>	<u>5,343</u>

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

	As at 30 April	
	2021 HK\$'000	2020 HK\$'000
0 - 30 days	121,458	104,063
31 - 60 days	47,684	24,419
61 - 90 days	13,478	19,667
91 - 120 days	3,544	4,404
Over 120 days	-	121
	<u>186,164</u>	<u>152,674</u>

OTHER INFORMATION

An interim dividend of HK9.0 cents (2019/20: interim dividend of HK5.5 cents) per ordinary share, representing a total payout of approximately HK\$64,533,000 was paid by the Company on 25 January 2021. The Board has resolved to recommend payment of the final dividend of HK11.0 cents per share and special dividend of HK4.2 cents per share to shareholders whose names appear on the register of members of the Company on Tuesday, 5 October 2021 which will be paid on or around Tuesday, 19 October 2021, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on Thursday, 23 September 2021. Taking into account of the interim dividend payment, the total dividend for the Year would amount to HK24.2 cents (2019/20: HK16.5 cents) per ordinary share, totaling approximately HK\$173,571,000 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 Thursday, 23 September 2021 will be closed from Thursday, 16 September 2021 to Thursday, 23 September 2021, 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, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 15 September 2021.

Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on Thursday, 23 September 2021, 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 on Tuesday, 5 October 2021 and the register of members of the Company will be closed from Wednesday, 29 September 2021 to Tuesday, 5 October 2021, (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, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 28 September 2021.

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

During the Year, 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 1,850,000 shares of the Company at a total consideration of about HK\$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.

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.

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 2021.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the consolidated financial statements for the year ended 30 April 2021. 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 2021 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 2021. 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

PUBLICATION

The annual results announcement of the Company for the year ended 30 April 2021 is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ihr.com.hk) respectively. The 2021 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 2021

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, and the independent non-executive Directors are Mr. MANG Wing Ming Rene, Mr. YEE Boon Yip and Mr. YEUNG Yiu Keung.