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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)**

### **ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2022**

The board of directors (the “Board” or “Director(s)”) of International Housewares Retail Company Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 October 2022 (the “Period”) prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules” and the “Stock Exchange” respectively), together with comparative figures for the six months ended 31 October 2021 (“2021/22”).

#### **Financial Highlights**

- The Group’s revenue increased by 5.5% to a historical high of HK\$1,386,665,000 (2021/22(1): HK\$1,314,301,000), with an improvement in business across all regions.
- Profit attributable to owners for the Period increased by 16.0% to HK\$110,350,000 (2021/22: HK\$95,141,000).
- Excluding subsidies in relation to COVID-19 and the change of financial assets at fair value through profit or loss, the adjusted profit for the Period was HK\$83,744,000 (2021/22: HK\$75,901,000), representing an increase of 10.3%.
- The Group’s gross profit rose by 5.0% to HK\$646,953,000 (2021/22: HK\$616,416,000).
- The Board has resolved to declare an interim dividend of 12.0 HK cents per share. Excluding the special dividend of 4.2 HK cents per share declared in 2021/22, the payout represents an increase of 14.3%.

Note:

1. *Comparative figures for the six months ended 31 October 2021 are shown as (“2021/22”) in brackets.*

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

International Housewares Retail Company Limited and its subsidiaries achieved satisfactory financial results and remained in a solid financial position for the six months ended 31 October 2022. The Group continued to reinforce its position as an omni-channel retail chain of general merchandise stores (“GMS”) with a total of over 380 stores worldwide.

### Financial Performance

The Group has benefited from the fact that many of the products it offers are affordable household necessities that enjoy steady demand and which does not significantly fluctuate regardless of changes in overall market conditions. The Group aims to become a more responsive and flexible entity that is able to adapt to unpredictable changes and is armed with stronger fundamentals to solidify and grow its business.

In addition, the Group has continued to optimize its product mix, provide well-defined areas for each product category, and improve space management in order to increase its sales, which in turn facilitates sales growth for each physical store. This was reflected by the satisfactory comparable store sales growth for the Period. In addition, the Group has more focused on sales efficiency by better deployment of its sales and marketing resources as well as through sales uplift analysis for each promotion and marketing event.

Aside from proactively enlarging its product categories, the Group has also reviewed its product mix to ensure it closely aligned with current trends. Moreover, the Group has increased the proportion of OEM products in order to capture additional market opportunities and expand its customer base. In addition, driven by the growth in overall comparable store sales and the increase in the average ticket size, the Group’s revenue has increased by 5.5% to a historical high of HK\$1,386,665,000 (2021/22: HK\$1,314,301,000), with an improvement in business across all regions.

The Group’s gross profit rose by 5.0% to HK\$646,953,000 (2021/22: HK\$616,416,000). Following the relaxation of COVID-19 social distancing measures and travel restrictions to prepare for the “return to normal,” the Group has quickly shifted its focus to global sourcing of new products in different categories. Leveraging the favorable procurement costs for products sourced from global suppliers such as Japan and Korea due to the strong Hong Kong dollar, the Group has been actively enhancing its globally sourced product offerings by expanding its product portfolio and adding new categories in its product mix to ensure close alignment with current trends, which could have a positive impact on its gross margins.

The Group continues to drive sales and enhance gross margins through a greater range of FMCG categories and OEM products, along with new ranges of private label products that tap different categories as part of its strategic growth initiative. The Group is also committed to enriching its products by improving their design and packaging, as well as employing advertising promotions through online channels to boost their profit margins, create more modern and positive brand images, and ultimately, add long-term value. In terms of enriching its assortment of products, the Group has been actively exploring new product categories such as food, 3C products, health and smart living products. As in recent years, the Group’s experienced sourcing team has consistently kept abreast of market trends and swiftly responded to customers’ needs and changing tastes. Separately, the Group has been investing in an e-platform and integrating online and offline operations over the past years to provide new shopping experiences for its customers. Leveraging the strong physical store network and its gradual, steady and certain convergence with the e-platform, the Group will continue to bolster its position as an omni-channel retail chain of general merchandise stores (“GMS”).

Owing to the constant enrichment of products, building of sales channels, monitoring of purchase prices and the careful management of operating expenses, profit attributable to owners for the Period increased by 16.0% to HK\$110,350,000 (2021/22: HK\$95,141,000). Excluding subsidies in relation to COVID-19 and the change of financial assets at fair value through profit or loss, the adjusted profit for the Period was HK\$83,744,000 (2021/22 : HK\$75,901,000), representing an increase of 10.3%.

## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

### **Liquidity and Financial Resources**

In order to meet the challenges brought by the pandemic, the Group has continued to maintain a strong liquidity and cash flow position, which is of paramount importance for its future development, particularly amid such uncertain economic times. As at 31 October 2022, the Group had cash and cash equivalents amounting to HK\$468,846,000 (30 April 2022: HK\$416,923,000). 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 maturity dates falling within three months.

It is the Group's treasury management policy to not engage in any highly leveraged or speculative derivative products and it will continue to place the majority of its surplus cash in Hong Kong dollar bank deposits with appropriate maturity periods to meet funding requirements in the future. The current ratio for the Group was 1.6 (30 April 2022: 1.5). Borrowings amounted to HK\$21,139,000 as at 31 October 2022 (30 April 2022: HK\$21,767,000). The Group was in a net cash position as at 31 October 2022. Its gearing ratio as determined by total borrowings and loans due to a non-controlling shareholder divided by total equity was 3.1% (30 April 2022: 3.2%).

### **Human Resources**

The spread of the fifth wave of Covid-19 in Hong Kong was rapid, and the infections sparked a severe front-line manpower shortage. By making timely adjustments to manpower deployment at different stores and upgrading compensation packages with the aim of retaining experienced employees and attracting the right talent, the stores were able to maintain stable operations. Moreover, employee expenses as a percentage of revenue remained at a stable level for the Period.

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

The Group strongly believes that employees are its most valuable asset. Through their support, the Group has been able to grow and develop its business over the years. The Group will continue to invest in human resources by means of training and upgrading the existing workforce as well as by recruiting new talent. Such endeavors are in alignment with the Group's business development plans and support its mission of sustainable development and the securing of new market opportunities in the future. As at 31 October 2022, the Group had approximately 2,061 employees. Total staff costs for the Period were HK\$192,564,000 (2021/22: HK\$187,603,000).

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Distribution Network

Established in 1991, the Group offers housewares, trend-based items, personal care, food and household FMCG through an extensive retail network comprising of over 380 stores in Hong Kong, Singapore, Macau, East Malaysia, Cambodia and Australia 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 reinforcing its position as an omni-channel retail chain of general merchandise stores (“GMS”).

With regard to store network development, the cumulative brand awareness that the Group has enjoyed over the past 30 years combined with the extensive and steadily growing retail network and large global supplier network have all contributed – and will continue to contribute, to steady business development. With the Government of the HKSAR 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. The Group believes these initiatives will enable it to further strengthen its position in the market.

The Group remains positive about its business prospects in the medium to long term. The Group’s focus continues to be on Hong Kong, Singapore and Macau, and will open new stores in areas with high potential. The following table shows the number of stores that the Group directly manages and licenses worldwide:

|  | As at<br>31 October<br>2022 | As at<br>31 October<br>2021 | Net<br>increase/<br>(decrease) |
|--|-----------------------------|-----------------------------|--------------------------------|
| <b>The Group’s Directly Managed Stores</b> |                             |                             |                                |
| Hong Kong                                  | 320                         | 320                         | –                              |
| Singapore                                  | 46                          | 49                          | (3)                            |
| Macau                                      | 9                           | 8                           | 1                              |
| <b>The Group’s Licensed Stores</b>         | 6                           | 8                           | (2)                            |
| <b>Total</b>                               | <b>381</b>                  | <b>385</b>                  | <b>(4)</b>                     |

## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

### **Operational Review by Business Nature**

The Group's business segments by nature include retail, wholesale, licensing and others.

The retail segment continued to be the primary revenue driver of the Group during the Period. The Group has continued to increase the variety of product offerings to help capture additional market opportunities and expand its customer base. These endeavors contributed to retail revenue reaching HK\$1,365,174,000 (2021/22: HK\$1,305,512,000), which also included consignment sales commission income that accounted for 98.5% (2021/22: 99.3%) of the Group's total revenue for the Period.

The income from the wholesale, licensing and others together increased to HK\$21,491,000 for the Period (2021/22: HK\$8,789,000).

### **Operational Review by Geographical Locations**

#### **Operational Review – Hong Kong**

Hong Kong remained the Group's key market, accounting for 88.5% (2021/22: 88.4%) of its total revenue.

Aside from proactively enlarging its product categories, the Group also reviewed its product mix to ensure it closely aligned with current trends. The Group increased the proportion of OEM products in order to capture additional market opportunities and expand its customer base. In addition, driven by the growth in overall comparable store sales and the increase in the average ticket size, the revenue from Hong Kong for the Period surged to HK\$1,227,140,000 (2021/22: HK\$1,161,893,000), representing an increase of 5.6%, while comparable store sales achieved satisfactory growth of 4.5% (2021/22: negative 4.2%).

Meanwhile, the Group has continued its endeavor to attract new customers by enhancing product offerings from global brand suppliers under the personal care, food and FMCG categories. At the same time, support from revenue drivers under the 123 by ELLA and Day Day Store (日記士多) brands in the Hong Kong market have provided the Group with more stable revenue sources.

#### **Operational Review – Singapore**

The Group remained committed to exploring different ways to broaden its revenue sources in the Singapore market. In addition to leveraging its self-operated e-shops and third-party operated e-platforms, the Group continues to focus on providing a wide variety of products. To constantly enrich its assortment of products, the Group utilizes its sourcing arms in Hong Kong, Taiwan, Guangzhou and Yiwu. As for enhancing cost efficiency, it achieves this by capitalizing on its warehouse facilities in China. Despite that there was a drop in number of stores to 46 at the end of the Period from 49 at the end of 2021/22, the revenue for the Period, as expressed in Singapore dollars ("SGD"), increased by 7.1% to SGD 24,036,000 (2021/22: SGD 22,441,000), while same-store sales grew by 13.8%.

Even though no further subsidies were provided by the Singapore Government since its adoption of a coexistence with COVID-19 approach during the Period, the Group is pleasing to note that its Singapore operation still achieved an improvement in results for the Period, after excluding subsidies that were available in the same period last year. Singapore remains a strategic market and the Group is hopeful that the market will sustain continuous growth in the future.

#### **Operational Review – Macau**

The Group's operation in Macau continued to be profitable and achieved satisfactory results, with revenue of HK\$24,469,000 (2021/22: HK\$22,726,000) recorded for the Period.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Prospects

Faced with a variety of complexities and uncertainties, the Group was transformed into a more responsive and flexible entity that is able to adapt to unpredictable changes and armed with stronger fundamentals to consolidate and grow its business as planned. In this regard, the Group seeks to identify future business needs and meet these needs by continuing to develop, improve and expand the operational capabilities of its supply chain to support its sustainable development goals in the future. A new logistics and distribution center on the tenth floor of ATL Logistics Centre B in Kwai Chung, Hong Kong, has been leased and is scheduled to become operational in the first half of the year 2023. The center is targeted to become a central processing base for the Group's globally sourced merchandise, which will further enhance the efficiency of product distribution, with a focus on maintaining adequate inventory for various types of products to strengthen the advantages in centralized procurement.

As the market gradually returns to normal following the relaxation of COVID-19 social distancing measures and travel restrictions, the Group will continue to seek new opportunities across its business activities. To capitalize on these trends and opportunities, the Group has quickly shifted its focus to global sourcing of new products in different categories. Leveraging the favorable procurement costs for products sourced from global suppliers such as Japan and Korea due to the strong Hong Kong dollar, the Group has been actively enhancing its globally sourced product offerings by expanding its product portfolio and adding new categories in its product mix to ensure close alignment with current trends, which could have a positive impact on its gross margins going forward and lay a solid foundation for continuing development of its O2O strategy.

In addition to actively expanding its product categories, as part of its strategic growth initiative, the Group continues to seek to further drive sales and enhance its gross margins through a wider range of OEM products, including new private label product ranges across different categories in order to capture additional market opportunities and grow its customer base. The Group's focus has always been on market trends and has been more responsive to customers' needs and changing tastes, and it has continued to make this a priority in recent years. Going forward, the Group will further strive to increase the market penetration of its OEM brands and their contributions to its revenue and gross margin.

For the second consecutive year, the Group received the gold award in the Top 10 Quality E-Shops under the Quality E-Shop Recognition Scheme 2022, launched by the Hong Kong Retail Management Association. The award has prompted the Group to step up the upgrading of its e-platform with the goal of creating an integrated online-offline real-time inventory platform that provides customers with seamless access to its inventory through a "click & collect" model, allowing them to shop on the e-platform and then collect their items from a nearby store at any time. The Group will continue to invest in its ERP system and e-platform with the ultimate goal of achieving full integration of its online and offline operations. In addition, leveraging the strengths of its extensive physical store network, the Group will continue to explore different ways to broaden its revenue sources, including through collaboration with third-party e-commerce operators such as foodpanda mall and Yoho to increase its e-commerce presence and through seeking new income streams.

The Group has been able to maintain a stable, dedicated and reliable team of staff to support various functions. Like other retail operators, the Group has experienced a shortage of frontline manpower at its stores. To avoid any adverse impacts on its operations, the Group has been taking swift action to improve the benefits of its frontline staff. The Group will continue to invest in human resources by means of training and upgrading the existing workforce as well as automating processes, so as to enhance workplace productivity. Such efforts are in alignment with its business development plans which will support its mission of sustainable development and the securing of new market opportunities in the future.

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 31 OCTOBER 2022**

|   |      | Unaudited<br>six months ended<br>31 October |                  |
|---|------|---|------------------|
|   | Note | 2022<br>HK\$'000                            | 2021<br>HK\$'000 |
| <b>Revenue</b>  | 4    | 1,386,665                                   | 1,314,301        |
| Cost of sales   |      | (739,712)                                   | (697,885)        |
|   |      | <hr/>                                       | <hr/>            |
| <b>Gross profit</b>   |      | 646,953                                     | 616,416          |
| Other income  |      | 46,482                                      | 29,509           |
| Other losses, net   |      | (14,173)                                    | (813)            |
| Distribution and advertising expenses   |      | (40,836)                                    | (32,618)         |
| Administrative and other operating expenses   |      | (502,666)                                   | (493,024)        |
|   |      | <hr/>                                       | <hr/>            |
| <b>Operating profit</b>   | 5    | 135,760                                     | 119,470          |
| Finance income  |      | 1,849                                       | 327              |
| Finance costs   |      | (8,114)                                     | (8,704)          |
|   |      | <hr/>                                       | <hr/>            |
| <b>Profit before income tax</b>   |      | 129,495                                     | 111,093          |
| Income tax expense  | 6    | (19,629)                                    | (14,989)         |
|   |      | <hr/>                                       | <hr/>            |
| <b>Profit for the period</b>  |      | 109,866                                     | 96,104           |
| Other comprehensive (loss)/income   |      |   |                  |
| <i>Item that may be reclassified subsequently to profit or loss</i>   |      |   |                  |
| Currency translation differences  |      | (4,057)                                     | 261              |
|   |      | <hr/>                                       | <hr/>            |
| <b>Total comprehensive income for the period</b>  |      | 105,809                                     | 96,365           |
|   |      | <hr/> <hr/>                                 | <hr/> <hr/>      |
| <b>Profit for the period attributable to:</b>   |      |   |                  |
| Owners of the Company   |      | 110,350                                     | 95,141           |
| Non-controlling interests   |      | (484)                                       | 963              |
|   |      | <hr/>                                       | <hr/>            |
|   |      | 109,866                                     | 96,104           |
|   |      | <hr/> <hr/>                                 | <hr/> <hr/>      |
| <b>Total comprehensive income/(loss) for the period attributable to:</b>                                    |      |   |                  |
| Owners of the Company   |      | 106,407                                     | 95,472           |
| Non-controlling interests   |      | (598)                                       | 893              |
|   |      | <hr/>                                       | <hr/>            |
|   |      | 105,809                                     | 96,365           |
|   |      | <hr/> <hr/>                                 | <hr/> <hr/>      |
| <b>Earnings per share attributable to owners of the Company</b><br><b>(expressed in HK cents per share)</b> | 7    |   |                  |
| Basic earnings per share  |      | 15.37                                       | 13.26            |
| Diluted earnings per share  |      | 15.27                                       | 13.19            |
|   |      | <hr/> <hr/>                                 | <hr/> <hr/>      |

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

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET  
AS AT 31 OCTOBER 2022**

|   | Note | Unaudited<br>31 October<br>2022<br>HK\$'000 | Audited<br>30 April<br>2022<br>HK\$'000 |
|---|------|---|---|
| <b>Assets</b>   |      |   |   |
| <b>Non-current assets</b>                             |      |   |   |
| Property, plant and equipment                         |      | 185,546                                     | 186,752                                 |
| Right-of-use assets                                   |      | 453,012                                     | 494,706                                 |
| Investment properties                                 |      | 33,164                                      | 36,622                                  |
| Intangible assets                                     |      | 30,477                                      | 32,702                                  |
| Deferred income tax assets                            |      | 5,969                                       | 6,021                                   |
| Financial assets at fair value through profit or loss |      | 9,989                                       | 23,310                                  |
| Deposits  | 8    | 52,185                                      | 60,185                                  |
|   |      | <u>770,342</u>                              | <u>840,298</u>                          |
|   |      | -----                                       | -----                                   |
| <b>Current assets</b>                                 |      |   |   |
| Inventories   |      | 372,500                                     | 375,294                                 |
| Trade and other receivables, prepayments and deposits | 8    | 123,556                                     | 105,441                                 |
| Current income tax recoverable                        |      | 15  | 804                                     |
| Cash and cash equivalents                             |      | 468,846                                     | 416,923                                 |
|   |      | <u>964,917</u>                              | <u>898,462</u>                          |
|   |      | -----                                       | -----                                   |
| <b>Total assets</b>                                   |      | <u><u>1,735,259</u></u>                     | <u><u>1,738,760</u></u>                 |

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)**  
**AS AT 31 OCTOBER 2022**

|  | Note | Unaudited<br>31 October<br>2022<br>HK\$'000 | Audited<br>30 April<br>2022<br>HK\$'000 |
|--|------|---|---|
| <b>Equity</b>  |      |   |   |
| <b>Capital and reserve attributable to owners of the Company</b> |      |   |   |
| Share capital and share premium                                  |      | 589,517                                     | 587,483                                 |
| Reserves   |      | 323,415                                     | 301,220                                 |
|  |      | <u>912,932</u>                              | <u>888,703</u>                          |
| <b>Non-controlling interests</b>                                 |      | 5,554                                       | 6,152                                   |
|  |      | <u>918,486</u>                              | <u>894,855</u>                          |
|  |      | -----                                       | -----                                   |
| <b>Liabilities</b>   |      |   |   |
| <b>Non-current liabilities</b>                                   |      |   |   |
| Deferred income tax liabilities                                  |      | 811   | 609                                     |
| Provision for reinstatement costs                                |      | 4,525                                       | 4,194                                   |
| Lease liabilities  |      | 193,041                                     | 226,683                                 |
|  |      | <u>198,377</u>                              | <u>231,486</u>                          |
|  |      | -----                                       | -----                                   |
| <b>Current liabilities</b>                                       |      |   |   |
| Trade and other payables   | 9    | 233,044                                     | 231,623                                 |
| Contract liabilities   | 9    | 15,622                                      | 20,786                                  |
| Loans due to a non-controlling shareholder of a subsidiary       |      | 6,969                                       | 6,873                                   |
| Borrowings   |      | 21,139                                      | 21,767                                  |
| Lease liabilities  |      | 273,369                                     | 281,446                                 |
| Current income tax liabilities                                   |      | 68,253                                      | 49,924                                  |
|  |      | <u>618,396</u>                              | <u>612,419</u>                          |
|  |      | -----                                       | -----                                   |
| <b>Total liabilities</b>   |      | <u>816,773</u>                              | <u>843,905</u>                          |
|  |      | -----                                       | -----                                   |
| <b>Total equity and liabilities</b>                              |      | <u>1,735,259</u>                            | <u>1,738,760</u>                        |
|  |      | =====                                       | =====                                   |

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1 General information

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

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

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

This condensed consolidated interim financial information is presented in HK dollars (“HK\$”) and rounded to the nearest thousand HK\$ (“HK\$’000”), unless otherwise stated. This interim financial information has been approved for issue by the Board of Directors on 21 December 2022.

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

### 2 Basis of presentation

The condensed consolidated interim financial information for the six months ended 31 October 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30 April 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

### 3 Principal accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 April 2022, as described in those annual financial statements.

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

#### (a) Amended standards and accounting guideline adopted by the Group

The Group has applied the following amended standards and accounting guideline for the first time for the current reporting period beginning 1 May 2022:

|   |  |
|---|--|
| HKFRS 3 (Amendments)                                | Reference to the Conceptual Framework                        |
| HKAS 16 (Amendments)                                | Property, Plant and Equipment - Proceeds before Intended Use |
| HKAS 37 (Amendments)                                | Onerous Contracts – Cost of Fulfilling a Contract            |
| HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41 (Amendments) | Annual Improvements to HKFRS Standards 2018 to 2020          |
| Accounting Guideline 5 (Amendments)                 | Merger Accounting for Common Control Combinations            |

The adoption of these amended standards and accounting guideline did not have significant impact on the amounts recognised in prior or current periods.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
(Continued)**

**3 Principal accounting policies (Continued)**

**(b) Impact of new and amended standards and interpretation issued but not yet applied by the Group**

The following new and amended standards and interpretation that are not effective for periods commencing on or after 1 May 2022 and have not been early adopted by the Group:

|   |  | Effective for<br>accounting<br>periods<br>beginning<br>on or after |
|---|--|--|
| HKFRS 17  | Insurance Contracts  | 1 January 2023   |
| HKFRS 17 (Amendments)                                 | Initial Application of HKFRS17 and HKFRS 9 —<br>Comparative Information  | 1 January 2023   |
| HKAS 1 (Amendments)                                   | Classification of Liabilities as Current or<br>Non-current   | 1 January 2023   |
| HKAS 1 and HKFRS Practice<br>Statement 2 (Amendments) | Disclosure of Accounting Policies  | 1 January 2023   |
| HKAS 8 (Amendments)                                   | Definition of Accounting Estimates   | 1 January 2023   |
| HKAS 12 (Amendments)                                  | Deferred Tax related to Asset and Liabilities arising<br>from a Single Transaction   | 1 January 2023   |
| HK Interpretation 5 (2020)                            | Presentation of Financial Statement - Classification<br>by the Borrower of a Term Loan that Contains a<br>Repayment on Demand Clause | 1 January 2023   |
| HKFRS 10 and HKAS 28<br>(Amendments)                  | Sale or Contribution of Assets between an Investor<br>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 interpretation upon initial application, and has concluded on a preliminary basis that these are not expected to have a significant impact on the Group's results of operations or financial position.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
(Continued)**

**4 Segment information**

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

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

- (i) Retail - Hong Kong and Macau\*  
Retail - Singapore\*
- (ii) Wholesales, licencing and others

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 six months ended 31 October 2022 is as follows:

|   | Retail                             |                       | Wholesales,<br>licencing<br>and others<br>HK\$'000 | Total<br>HK\$'000 |
|---|------------------------------------|-----------------------|--|-------------------|
|   | Hong Kong<br>and Macau<br>HK\$'000 | Singapore<br>HK\$'000 |  |                   |
| Segment revenue (all from external customers) | 1,230,118                          | 135,056               | 21,491   | 1,386,665         |
| Cost of sales                                 | (647,318)                          | (78,331)              | (14,063)   | (739,712)         |
| Segment results                               | 582,800                            | 56,725                | 7,428  | 646,953           |
| Gross profit %**                              | 47.38%                             | 42.00%                | 34.56%   | 46.66%            |
| Other income                                  |                                    |                       |  | 46,482            |
| Other losses, net                             |                                    |                       |  | (14,173)          |
| Distribution and advertising expenses         |                                    |                       |  | (40,836)          |
| Administrative and other operating expenses   |                                    |                       |  | (502,666)         |
| <b>Operating profit</b>                       |                                    |                       |  | 135,760           |
| Finance income                                |                                    |                       |  | 1,849             |
| Finance costs                                 |                                    |                       |  | (8,114)           |
| <b>Profit before income tax</b>               |                                    |                       |  | 129,495           |
| Income tax expense                            |                                    |                       |  | (19,629)          |
| <b>Profit for the period</b>                  |                                    |                       |  | 109,866           |

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
(Continued)**

**4 Segment information (Continued)**

The segment information provided to the executive directors for the reportable segments for the six months ended 31 October 2021 as restated is as follows:

|   | Retail                             |                       | Wholesales,<br>licencing<br>and others<br>HK\$'000 | Total<br>HK\$'000 |
|---|------------------------------------|-----------------------|--|-------------------|
|   | Hong Kong<br>and Macau<br>HK\$'000 | Singapore<br>HK\$'000 |  |                   |
| Segment revenue (all from external customers) | 1,175,830                          | 129,682               | 8,789  | 1,314,301         |
| Cost of sales                                 | (617,339)                          | (75,124)              | (5,422)  | (697,885)         |
| Segment results                               | 558,491                            | 54,558                | 3,367  | 616,416           |
| Gross profit %**                              | 47.50%                             | 42.07%                | 38.31%   | 46.90%            |
| Other income                                  |                                    |                       |  | 29,509            |
| Other losses, net                             |                                    |                       |  | (813)             |
| Distribution and advertising expenses         |                                    |                       |  | (32,618)          |
| Administrative and other operating expenses   |                                    |                       |  | (493,024)         |
| <b>Operating profit</b>                       |                                    |                       |  | 119,470           |
| Finance income                                |                                    |                       |  | 327               |
| Finance costs                                 |                                    |                       |  | (8,704)           |
| <b>Profit before income tax</b>               |                                    |                       |  | 111,093           |
| Income tax expense                            |                                    |                       |  | (14,989)          |
| <b>Profit for the period</b>                  |                                    |                       |  | 96,104            |

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

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the six months ended 31 October 2022 and 2021. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The retail sales include sales of goods of HK\$1,385,569,000 (2021/22: HK\$1,303,353,000), revenue arising from customer loyalty programme of HK\$650,000 (2021/22: HK\$1,348,000) and consignment sales commission of HK\$446,000 (2021/22: HK\$811,000).

The revenue from the Group's largest customer accounted for less than 10% of the Group's total revenue for the six months ended 31 October 2022 and 2021.

All of the Group's revenues are recognised at a point in time for the six months ended 31 October 2022 and 2021.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
(Continued)**

**4 Segment information (Continued)**

The following tables present segment assets and liabilities as at 31 October 2022 and 30 April 2022 respectively:

|                     | As at 31 October 2022              |                       |  |           |
|---------------------|------------------------------------|-----------------------|--|-----------|
|                     | Retail                             |                       | Wholesales,<br>licencing<br>and others | Total     |
|                     | Hong Kong<br>and Macau<br>HK\$'000 | Singapore<br>HK\$'000 |  |           |
| Segment assets      | 1,061,218                          | 151,596               | 4,462                                  | 1,217,276 |
| Segment liabilities | 645,343                            | 88,369                | 7,028                                  | 740,740   |

  

|                     | As at 30 April 2022                |                       |  |           |
|---------------------|------------------------------------|-----------------------|--|-----------|
|                     | Retail                             |                       | Wholesales,<br>licencing<br>and others | Total     |
|                     | Hong Kong<br>and Macau<br>HK\$'000 | Singapore<br>HK\$'000 |  |           |
| Segment assets      | 1,088,313                          | 161,237               | 5,530                                  | 1,255,080 |
| Segment liabilities | 680,364                            | 99,738                | 6,397                                  | 786,499   |

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

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

|  | As at                          |                              |
|--|--------------------------------|------------------------------|
|  | 31 October<br>2022<br>HK\$'000 | 30 April<br>2022<br>HK\$'000 |
| Segment assets                                       | 1,217,276                      | 1,255,080                    |
| Investment properties                                | 33,164                         | 36,622                       |
| Financial asset at fair value through profit or loss | 9,989                          | 23,310                       |
| Deferred income tax assets                           | 5,969                          | 6,021                        |
| Current income tax recoverable                       | 15                             | 804                          |
| Cash and cash equivalents                            | 468,846                        | 416,923                      |
| Total assets   | 1,735,259                      | 1,738,760                    |

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
(Continued)**

**4 Segment information (Continued)**

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

|   | As at                          |                              |
|---|--------------------------------|------------------------------|
|   | 31 October<br>2022<br>HK\$'000 | 30 April<br>2022<br>HK\$'000 |
| Segment liabilities                                       | 740,740                        | 786,499                      |
| Deferred income tax liabilities                           | 811                            | 609                          |
| Loans due to non-controlling shareholders of a subsidiary | 6,969                          | 6,873                        |
| Current income tax liabilities                            | 68,253                         | 49,924                       |
|   | <hr/>                          | <hr/>                        |
| Total liabilities   | 816,773                        | 843,905                      |
|   | <hr/> <hr/>                    | <hr/> <hr/>                  |

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

|           | Six months ended 31 October |                  |
|-----------|-----------------------------|------------------|
|           | 2022<br>HK\$'000            | 2021<br>HK\$'000 |
| Hong Kong | 1,227,140                   | 1,161,893        |
| Singapore | 135,056                     | 129,682          |
| Macau     | 24,469                      | 22,726           |
|           | <hr/>                       | <hr/>            |
|           | 1,386,665                   | 1,314,301        |
|           | <hr/> <hr/>                 | <hr/> <hr/>      |

Non-current assets, other than intangible assets and deferred income tax assets, of the Group are located as follows:

|                | As at                       |                              |
|----------------|-----------------------------|------------------------------|
|                | 31 October 2022<br>HK\$'000 | 30 April<br>2022<br>HK\$'000 |
| Hong Kong      | 559,236                     | 603,890                      |
| Mainland China | 41,852                      | 46,610                       |
| Singapore      | 74,366                      | 87,588                       |
| Macau          | 58,442                      | 63,487                       |
|                | <hr/>                       | <hr/>                        |
|                | 733,896                     | 801,575                      |
|                | <hr/> <hr/>                 | <hr/> <hr/>                  |

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
(Continued)**

**5 Operating profit**

The following items have been charged to the operating profit during the period:

|  | Six months ended 31 October |              |
|--|-----------------------------|--------------|
|  | 2022                        | 2021         |
|  | HK\$'000                    | HK\$'000     |
| Employee benefit expenses (including directors' emoluments)              | 192,564                     | 187,603      |
| Short-term lease expense   | 44,752                      | 28,493       |
| Depreciation of property, plant and equipment                            | 14,800                      | 14,999       |
| Depreciation of right-of-use assets                                      | 160,897                     | 173,464      |
| Amortisation of intangible assets  | 1,864                       | 1,820        |
| Write down of inventories  | 1,165                       | 1,732        |
| Loss on disposal of property, plant and equipment                        | 852                         | 842          |
| Fair value loss on financial assets at fair value through profit or loss | 13,321                      | -            |
| Net exchange loss  | 1,492                       | 1,872        |
|  | <u>13,321</u>               | <u>-</u>     |
|  | <u>1,492</u>                | <u>1,872</u> |

**6 Income tax expense**

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

|                       | Six months ended 31 October |               |
|-----------------------|-----------------------------|---------------|
|                       | 2022                        | 2021          |
|                       | HK\$'000                    | HK\$'000      |
| Hong Kong profits tax |                             |               |
| - Current year        | 19,119                      | 17,623        |
| Overseas taxation     |                             |               |
| - Current year        | 256                         | 330           |
|                       | <u>19,375</u>               | <u>17,953</u> |
| Deferred income tax   | 254                         | (2,964)       |
|                       | <u>19,629</u>               | <u>14,989</u> |
| Income tax expense    | <u>19,629</u>               | <u>14,989</u> |

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
(Continued)

**7 Earnings per share**

**(a) Basic**

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

|   | Six months ended 31 October |         |
|---|-----------------------------|---------|
|   | 2022                        | 2021    |
| Profit attributable to owners of the Company (HK\$'000) | 110,350                     | 95,141  |
| Weighted average number of shares in issue ('000)       | 718,125                     | 717,478 |
| Basic earnings per share (HK cents per share)           | 15.37                       | 13.26   |

**(b) Diluted**

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

|   | Six months ended 31 October |         |
|---|-----------------------------|---------|
|   | 2022                        | 2021    |
| Profit attributable to owners of the Company (HK\$'000)                 | 110,350                     | 95,141  |
| Weighted average number of shares for diluted earnings per share ('000) | 722,423                     | 721,432 |
| Diluted earnings per share (HK cents per share)                         | 15.27                       | 13.19   |

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
(Continued)**

**8 Trade and other receivables, prepayments and deposits**

|                                       | As at                          |                              |
|---------------------------------------|--------------------------------|------------------------------|
|                                       | 31 October<br>2022<br>HK\$'000 | 30 April<br>2022<br>HK\$'000 |
| Trade receivables, net                | 12,392                         | 13,888                       |
| Prepayments                           | 24,621                         | 18,813                       |
| Deposits and other receivables        | 138,728                        | 132,925                      |
|                                       | <u>175,741</u>                 | <u>165,626</u>               |
| Less: non-current portion<br>Deposits | (52,185)                       | (60,185)                     |
|                                       | <u>123,556</u>                 | <u>105,441</u>               |
| Current portion                       | <u>123,556</u>                 | <u>105,441</u>               |

The Group conducts sales to customers on a cash-on-delivery basis for retail sales. The balance at period end represents credit card receivables and receivables from wholesales customers. At 31 October 2022 and 30 April 2022, the ageing analysis of trade receivables based on invoice date is as follows:

|                | As at                          |                              |
|----------------|--------------------------------|------------------------------|
|                | 31 October<br>2022<br>HK\$'000 | 30 April<br>2022<br>HK\$'000 |
| Up to 3 months | 12,392                         | 13,884                       |
| 3 to 6 months  | -                              | 4                            |
|                | <u>12,392</u>                  | <u>13,888</u>                |
|                | <u>12,392</u>                  | <u>13,888</u>                |

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
(Continued)**

**9 Trade and other payables and contract liabilities**

|   | As at                          |                              |
|---|--------------------------------|------------------------------|
|   | 31 October<br>2022<br>HK\$'000 | 30 April<br>2022<br>HK\$'000 |
| <b>Trade and other payables</b>                         |                                |                              |
| Trade payables  | 183,524                        | 176,111                      |
| Other payables and accruals                             | 40,388                         | 47,606                       |
| Deposits received                                       | 1,147                          | 11                           |
| Provision for employee benefits                         | 7,985                          | 7,895                        |
|   | <u>233,044</u>                 | <u>231,623</u>               |
| <b>Contract liabilities</b>                             |                                |                              |
| Receipts in advance and cash coupons                    | 12,200                         | 17,350                       |
| Deferred revenue arising from customer loyalty programs | 3,422                          | 3,436                        |
|   | <u>15,622</u>                  | <u>20,786</u>                |

(a) The carrying values of trade and other payables approximate their fair values as at 31 October 2022 and 30 April 2022.

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

|             | As at                          |                              |
|-------------|--------------------------------|------------------------------|
|             | 31 October<br>2022<br>HK\$'000 | 30 April<br>2022<br>HK\$'000 |
| 0-30 days   | 130,285                        | 115,272                      |
| 31-60 days  | 39,530                         | 35,593                       |
| 61-90 days  | 11,750                         | 14,540                       |
| 91-120 days | 1,959                          | 10,706                       |
|             | <u>183,524</u>                 | <u>176,111</u>               |

**10 Dividends**

In the current period, a final dividend totaling HK\$86,161,000 in relation to the year ended 30 April 2022 was declared and paid.

On 21 December 2022, the Board resolved to declare an interim dividend of 12.0 HK cents (2021/22: interim dividend of 10.5 HK cents and a special dividend of 4.2 HK cents) per share, totaling HK\$86,380,000 (2021/22: HK\$105,623,000). The proposed dividend has not been recognised as a liability in this interim financial information but will be reflected as an appropriation of retained profits for the year ending 30 April 2023.

## **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.

The Board is of the view that the Company has met the code provisions set out in the CG Code, except for the separation of the roles of Chairman and Chief Executive Officer as stipulated in the code provision C.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 the business development of the Group.

### **Review of Financial Statements**

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

### **Compliance with the Model Code for Securities Transactions**

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

### **Purchase, Sale or Redemption of the Company’s Listed Securities**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s securities during the Period.

### **Interim Dividend**

The Board has resolved to declare an interim dividend of 12.0 HK cents (2021/22: an interim dividend of 10.5 HK cents and a special dividend of 4.2 HK cents) per share, representing a total payout of approximately HK\$86,380,000 (2021/22: approximately HK\$105,600,000). Shareholders whose names appear on the register of members of the Company on Friday, 13 January 2023 will be entitled to the interim dividend which will be paid on or around Tuesday, 31 January 2023.

## **OTHER INFORMATION (Continued)**

### **Closure of Register of Members**

The register of members of the Company will be closed from Tuesday, 10 January 2023 to Friday, 13 January 2023, (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for an interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 9 January 2023.

### **Publication**

The interim results announcement of the Company for the six months ended 31 October 2022 is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.ihr.com.hk](http://www.ihr.com.hk)) respectively. The interim report for the six months ended 31 October 2022 will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

### **Appreciation**

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

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

Hong Kong, 21 December 2022

*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. NG Sze Yuen Terry and Mr. YEUNG Yiu Keung.*