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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 2023

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” or “We”) for the six months ended 31 October 2023 (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 2022 (“2022/23”).

FINANCIAL HIGHLIGHTS

- The Group’s revenue ranked the second highest on record of HK\$1,322,485,000 for the Period (2022/23⁽¹⁾: HK\$1,386,665,000). Compared to the high base due to the surging demand for anti-pandemic supplies during the COVID-19 epidemic in Hong Kong for the same period last year, the Group’s revenue turned to a 4.6% decline for the Period.
- The Group achieved the profit attributable to owners of the Company of HK\$50,764,000 for the Period (2022/23: HK\$110,350,000), compared to the adjusted profit attributable to the owners of the Company of HK\$78,413,000 for the same period last year, which is excluding grants under the Employment Support Scheme by the Government of the HKSAR of HK\$31,937,000, the profit attributable to owners of the Company decreased by 35% for the Period.
- The Group’s gross profit margin slightly increased to 46.8% for the Period (2022/23: 46.7%).
- The Board has resolved to declare an interim dividend of 5.6 HK cents per share.

Note:

1. Comparative figures for the six months ended 31 October 2022 are shown as (“2022/23”) 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 2023. The Group continued to reinforce its position as an omni-channel retail chain of general merchandise stores (“GMS”) with a total of around 380 stores worldwide.

Financial Performance

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. The Group’s revenue ranked the second highest on record of HK\$1,322,485,000 for the Period (2022/23: HK\$1,386,665,000). Compared to the high base due to the surging demand for anti-pandemic supplies during the COVID-19 epidemic in Hong Kong for the same period last year, the Group’s revenue turned to a 4.6% decline for the Period.

The Group achieved the profit attributable to owners of the Company of HK\$50,764,000 for the Period after the pandemic (2022/23: HK\$110,350,000), which represents a 5.5% increase from the pre-pandemic level of HK\$48,135,000 for the same period in 2019. However, compared to the adjusted profit attributable to the owners of the Company of HK\$78,413,000 for the same period last year, which is excluding grants under the Employment Support Scheme by the Government of the HKSAR of HK\$31,937,000, the profit attributable to owners of the Company decreased by 35% for the Period.

By leveraging the favorable procurement costs for products sourced from global suppliers, especially Japan and Korea, due to the strong Hong Kong dollar, the Group has been actively expanding its product portfolio and adding new categories in its product mix to ensure close alignment with current trends that are good-quality and popular among our customers to not only fill the gap of the decreasing demand for anti-pandemic supplies but also to stimulate post-pandemic local and cross-border spending to bolster our revenue. The Group has also developed more competitive OEM products, including new private label product ranges across different categories by enhancing the uniqueness of the products to increase our profit margin, to tap into more market opportunities and customer segments. The Group’s gross profit margin slightly increased to 46.8% of the Period (2022/23: 46.7%).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Liquidity and Financial Resources

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 2023, the Group had cash and cash equivalents amounting to HK\$318,775,000 (30 April 2023: HK\$402,310,000). The main reason for the decrease in cash and cash equivalents was that we make a tax payment of HK\$53 million in late October, instead of early November as in the previous year. 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 1.5 (30 April 2023: 1.5). Borrowings amounted to HK\$22,167,000 as at 31 October 2023 (30 April 2023: HK\$13,381,000). The Group was in a net cash position as at 31 October 2023. Its gearing ratio as determined by total borrowings and loans due to a non-controlling shareholder divided by total equity was 3.3% (30 April 2023: 2.3%).

Human Resources

Despite facing a challenging operating environment in recent years, the Group has successfully navigated through adversity due to its solid foundation. In anticipation of an increase in staff cost when Hong Kong has returned to normalcy post-epidemic, the Group has embraced in-store automation technologies to release manpower and workload to help streamline tasks and raise operational efficiencies. Additionally, the Group has made timely adjustments in manpower deployment across different stores to control our total man-hours and the staff cost. The Group regularly reviews its remuneration packages and rewards qualified employees with performance bonuses, share options, and share awards. The allocation of annual discretionary bonuses and share awards takes into consideration the individual's performance. As at 31 October 2023, the Group had approximately 2,190 employees (at 31 October 2022: 2,060 employees). Total staff costs for the Period were HK\$216,886,000 (2022/23: HK\$192,564,000).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Distribution Network

Established in 1991, the Group offers housewares, trend-based items, health and wellness care, personal care, food and household FMCG through an extensive retail network comprising of around 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, \$MART (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” omnichannel shopping experience for customers, and reinforcing its position as an omni-channel retail chain of general merchandise stores (“GMS”).

The Group recognizes the cumulative brand awareness it has built over the past 30 years, as well as its growing retail network and global supplier network, as key factors contributing to its steady business development. It expects these factors to continue driving its success. Furthermore, a multi-pronged approach adopted by the HKSAR government, such as increasing residential plot ratios and maximum building heights in new development areas in the New Territories, will potentially lead to increase housing supply in a shorter time frame. This presents the Group with opportunities to open new stores and strengthen its position in the Hong Kong market.

The Group is committed to providing a truly omnichannel experience for its customers by launching its new online platform in November 2023. This platform leverages the Group's extensive physical store network to integrate online and offline inventory in real time and offer a “click & collect” service from our stores. Customers can check the availability of products in our stores, order online and pick up their items as early as two hours. The Group also enhances its product range on the JHC online platforms by adding more durable and bulk items such as plastic boxes, furniture, and large electrical appliances. This allows the Group to optimize its retail space selection and control its rental expenses.

The Group remains cautiously optimistic 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 31 October 2023	As at 31 October 2022	Net increase/ (decrease)
The Group's Directly Managed Stores			
Hong Kong	318	320	(2)
Singapore	48	46	2
Macau	8	9	(1)
The Group's Licensed Stores	5	6	(1)
Total	379	381	(2)

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\$1,318,523,000 (2022/23: HK\$1,365,174,000), which also included consignment sales commission income that accounted for 99.7% (2022/23: 98.5%) of the Group's total revenue for the Period.

The income from the wholesale, licensing and others together decreased to HK\$3,962,000 for the Period (2022/23: HK\$21,491,000).

Operational Review by Geographical Locations

Operational Review – Hong Kong

Hong Kong remained the Group's key market, accounting for 87% (2022/23: 89%) of its total revenue.

The Group recorded a revenue of HK\$1,147,066,000 from Hong Kong for the Period (2022/23: HK\$1,227,140,000), which was the second highest in its history. Compared to the high base due to the surging demand for anti-pandemic supplies during the COVID-19 epidemic in Hong Kong for the same period last year, the revenue turned to a 6.5% decline for the Period. The revenue for the Period also softened as more people travelled abroad after the travel restrictions were lifted in Hong Kong. In addition, the extreme conditions brought about by the black rainstorm associated with typhoon in Hong Kong in September and October, which damaged the facilities in our retail stores and disrupted our business operations, resulted in a loss of business days for the Period.

During the Period, despite not receiving any grants from the "Employment Support Scheme" from the Government of the Hong Kong Special Administrative Region, which amounted to approximately HK\$32 million for the same period last year due to the COVID-19 outbreak, and facing higher operating costs mainly related to increase in staff cost, as well as one-off expenses for relocating and upgrading our warehouse in Hong Kong, the Group still achieved a net profit of HK\$53,993,000 from Hong Kong market for the Period. This represented a 32.8% decline from the adjusted net profit of HK\$80,296,000 for the same period last year, which excluded the Government of the HKSAR's subsidies under the Employment Support Scheme of HK\$31,937,000.

Despite the complex and uncertain situations mentioned above, the Group acted swiftly and effectively to mitigate their impacts on our operation and to strengthen its fundamentals for its planned growth. We have been adopting new technologies to enhance our productivity, which helps us simplify tasks, improve operational efficiencies, optimize inventory management, lower costs, increase accuracy and accelerate processes, and reduce the pressure of the rising staff cost as well as free up more time and resources for our staff to concentrate on more value-added tasks. We also believe that the reorganization of our warehousing and distribution facilities, which involved relocating two of our main distribution hubs will improve our product sourced from worldwide distribution efficiency, with an emphasis on ensuring sufficient stock for various product categories to leverage our centralized procurement capabilities for our ongoing business development.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The Group will continue to explore different ways to broaden our new income streams, including expand our local market presence in regional shopping malls to target the middle-class segment who want quality and value, by launching our new outlets at The Wai and the Southside in Hong Kong. We offer a selective product range, a stylish shop fitting-out design, and a good-quality product and package design to appeal this segment at fair prices. In addition, understanding that consumers are more health-conscious, we continue to expand the health and wellness categories through global sourcing and collaboration with brand owners, as well as developing our own private label products, where we aim to provide affordable health and wellness care products of value to our customers.

Operational Review – Singapore

The Group remained committed to exploring different ways to broaden its revenue sources in the Singapore market. We delivered a satisfactory performance in sales for the Period, as expressed in Singapore dollars (“SGD”), increased by 10.3% to SGD 26,500,000 (2022/23: SGD 24,036,000). This result reflects our ongoing efforts to provide our customers with a comprehensive and convenient shopping experience across different categories, which covers housewares, FMCG, food and snacks, which are essential and popular products that attract a large and loyal customer base. In addition, we have updated our offerings with trendy and space-saving products that suit the lifestyles and preferences of our customers in the market. We also leverage Hong Kong competitive OEM products to enrich our product assortment and give our customers more options to choose from.

Operational Review – Macau

The Group’s operation in Macau continued to be profitable and achieved satisfactory results, with revenue of HK\$21,821,000 (2022/23: HK\$24,469,000) recorded for the Period.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Prospects

During the Period, the Group's revenue was affected by several factors, such as lower demand for anti-pandemic supplies, overseas travelling and cross-border spending habits of Hong Kong people following the reopening of the city's borders, as well as extreme weather events in Hong Kong. Moreover, the raise in operation expenses mainly due to the increase in staff cost also impacted our profit. However, the Group responded quickly and effectively to these complex and uncertain situations by taking measures to mitigate their effects on our operation and to enhance its fundamentals for its planned growth. The Group aims to anticipate future business demands and address them by constantly enhancing and refining our supply chain operations to support its long-term sustainability goals. Despite some temporary setbacks when we reorganized our warehousing and distribution facilities, which involved moving two of our main distribution hubs, we are confident that these measures will improve our product sourced from worldwide distribution efficiency, with an emphasis on ensuring sufficient stock for various product categories to leverage our centralized procurement capabilities for our ongoing business development.

By leveraging the favorable procurement costs for products sourced from global suppliers, especially Japan and Korea, due to the strong Hong Kong dollar, the Group has been actively expanding its product portfolio and adding new categories in its product mix to ensure close alignment with current trends that are good-quality and popular among our customers to not only fill the gap of the decreasing demand for anti-pandemic supplies but also to stimulate post-pandemic local and cross-border spending to bolster our revenue. The Group has also developed more competitive OEM products, including new private label product ranges across different categories by enhancing the uniqueness of the products to increase our profit margin, to tap into more market opportunities and customer segments. We will continue to follow market trends and customers' needs and preferences, and make this a priority in recent years as part of our strategic growth initiative to deliver value-for-money product choices to our customers.

The Group strives to create a truly omnichannel experience for its customers by launching its new online platform in November 2023. Leveraging the strengths of the Group's extensive physical store network, this platform integrates online and offline inventory in real time and enables customers to use a "click & collect" service from our stores. Customers can check the availability of products in our stores, place their order online and collect their items as early as two hours. The online platform also has a brand-new interface and features that offer the customers the easy, flexible and convenient O2O experience. Moreover, we will continue to seek partnerships with third-party e-commerce platforms to enhance our e-commerce presence and reach more customers by utilizing their advantages. We will continue to optimize and customize our product selections for different e-sales platforms to satisfy our different target consumers.

The Group will continue to explore different ways to broaden our new income streams, including expand our local market presence in regional shopping malls to target the middle-class segment who want quality and value, by launching our new outlets at The Wai and the Southside in Hong Kong. We offer a selective product range, a stylish shop fitting-out design, and a good quality product and package design to appeal this segment at fair prices. In addition, understanding that consumers are more health-conscious, we continue to expand the health and wellness categories through global sourcing and collaboration with brand owners, as well as developing our own private label products, where we aim to provide affordable health and wellness care products of value to our customers.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The Group understands that technology is critical to its future success. Hence, we actively adopt new technologies to help streamline tasks and raise operational efficiencies, such as the assortment plan that helps us plan and allocate the optimal product mix for each store based on its size, location, customer profile and sales performance; the digital price-tag that allows us to update the product prices automatically and remotely, without having to print and replace the paper price-tags manually; the automated ordering process at store level that allows us to replenish the stock at our stores automatically based on their sales data and inventory level, without having to rely on manual orders from the store staff; and the warehouse management system that allows us to manage the inbound and outbound logistics of our products more efficiently and accurately. Above automations enable us to optimize our inventory management, reduce costs, enhance accuracy and speed up processes, as well as allow more time and resources for our staff to focus on more value-added tasks and hence to enhance the productivity and reduce the burden of the increasing staff cost. We believe that by investing in the right technologies and tools can enhance our operation efficiency and provide more value to our customers and shareholders.

Looking ahead, the year 2024 is still full of challenges and uncertainty. We have to work harder than ever to improve our operation efficiency and implement effective measures to control our expenses through various channels in this challenging market environment, so that we will be in a better position to gain a stronger momentum as our market economy rebound. In this regard, we have been actively reducing unnecessary expenses, enhancing the productivity, enhancing inventory management, optimizing product mix and negotiating better terms with suppliers. We believe that these approaches will help us achieve operational efficiency and long-term sustainability, as well as enhance our competitive advantage in the market. All these efforts are in alignment with the Group's business development plans with the aim to achieve long-term growth and explore new market opportunities in the future. With an experienced management team, a quick market response, and our continued effort in future development, although we expected to face challenges in the short- term, we have adequate abilities to meet various challenges and remain cautiously optimistic in the medium- to long-term.

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 OCTOBER 2023**

		Unaudited six months ended 31 October	
	Note	2023 HK\$'000	2022 HK\$'000
Revenue	4	1,322,485	1,386,665
Cost of sales		(703,666)	(739,712)
		618,819	646,953
Gross profit			
Other income		9,324	46,482
Other losses, net		(1,357)	(14,173)
Distribution and advertising expenses		(27,874)	(40,836)
Administrative and other operating expenses		(531,766)	(502,666)
		67,146	135,760
Operating profit	5		
Finance income		4,457	1,849
Finance expenses		(11,791)	(8,114)
		(7,334)	(6,265)
		59,812	129,495
Profit before income tax			
Income tax expense	6	(10,892)	(19,629)
		48,920	109,866
Profit for the period			
Other comprehensive loss			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		(2,667)	(4,057)
		46,253	105,809
Total comprehensive income for the period		46,253	105,809
Profit for the period attributable to:			
- Owners of the Company		50,764	110,350
- Non-controlling interests		(1,844)	(484)
		48,920	109,866
		48,920	109,866
Total comprehensive income for the period attributable to:			
- Owners of the Company		48,282	106,407
- Non-controlling interests		(2,029)	(598)
		46,253	105,809
		46,253	105,809
Earnings per share attributable to owners of the Company (expressed in HK cents per share)	7		
- Basic earnings per share		7.06	15.37
- Diluted earnings per share		7.01	15.27
		7.06	15.37
		7.01	15.27

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 2023**

	Note	Unaudited As at 31 October 2023 HK\$'000	Audited As at 30 April 2023 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment		215,410	182,340
Right-of-use assets		600,600	561,830
Investment properties		35,209	37,245
Intangible assets		26,835	29,305
Deferred income tax assets		6,345	6,377
Financial assets at fair value through profit or loss		8,263	9,373
Prepayments and deposits	8	51,546	67,204
		944,208	893,674
		944,208	893,674
Current assets			
Inventories		385,040	360,188
Trade and other receivables, prepayments and deposits	8	125,184	121,242
Current income tax recoverable		1,044	24
Cash and cash equivalents		318,775	402,310
		830,043	883,764
		830,043	883,764
Total assets		1,774,251	1,777,438

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)
AS AT 31 OCTOBER 2023

	Note	Unaudited 31 October 2023 HK\$'000	Audited 30 April 2023 HK\$'000
Equity			
Capital and reserves attributable to the owners of the Company			
Share capital and share premium		589,517	589,517
Reserves		285,917	307,446
		<u>875,434</u>	<u>896,963</u>
Non-controlling interests		3,746	7,440
		<u>879,180</u>	<u>904,403</u>
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		1,323	1,203
Provision for reinstatement costs	9	4,580	4,495
Lease liabilities		340,663	295,268
Borrowings		7,804	-
		<u>354,370</u>	<u>300,966</u>
Current liabilities			
Trade and other payables	9	235,705	213,931
Contract liabilities	9	6,276	11,504
Loans due to a non-controlling shareholder of a subsidiary		7,161	7,065
Borrowings		14,363	13,381
Lease liabilities		272,506	280,016
Current income tax liabilities		4,690	46,172
		<u>540,701</u>	<u>572,069</u>
Total liabilities		<u>895,071</u>	<u>873,035</u>
Total equity and liabilities		<u>1,774,251</u>	<u>1,777,438</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 housewares, trend-based items, personal care, food and household FMCG.

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, 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 2023.

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

2 Basis of presentation

This condensed consolidated interim financial information for the six months ended 31 October 2023 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

This condensed consolidated interim financial information does not include all the notes of the type of normally included in annual consolidated financial statements. Accordingly, this condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 30 April 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3 Accounting policies

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 30 April 2023, as described in those annual consolidated financial statements, except for estimation of income tax and the adoption of the new and amended standards as set out below.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

3 Accounting policies (Continued)

(a) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for the first time for the financial year beginning on 1 May 2023:

HKFRS 17 and HKFRS 17 (Amendments)	Insurance Contracts
HKFRS 17 (Amendments)	Initial Application of HKFRS17 and HKFRS 9 – Comparative Information
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Asset and Liabilities arising from a Single Transaction
HKAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules

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

(b) New and amended standards not yet adopted by the Group

The following new and amended standards which have been issued but are not effective for the Group's financial year beginning on 1 May 2023 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayments on Demand Clause	1 January 2024
HKAS7 (Amendments) and HKFRS7	Supplier Finance Arrangements	1 January 2024
HKFRS10 and HKAS28 (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 the above new and amended standards 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 Company. 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 2023 is as follows:

	(Unaudited)			
	Retail		Wholesales, licencing and others	Total
	Hong Kong and Macau HK\$'000	Singapore HK\$'000	HK\$'000	HK\$'000
Segment revenue (all from external customers)	1,164,925	153,598	3,962	1,322,485
Cost of sales	(613,202)	(87,669)	(2,795)	(703,666)
Segment results	551,723	65,929	1,167	618,819
Gross profit %**	47.36%	42.92%	29.45%	46.79%
Other income				9,324
Other losses, net				(1,357)
Distribution and advertising expenses				(27,874)
Administrative and other operating expenses				(531,766)
Operating profit				67,146
Finance income				4,457
Finance costs				(11,791)
Profit before income tax				59,812
Income tax expense				(10,892)
Profit for the period				48,920

**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 2022 as restated is as follows:

	(Unaudited)			Total HK\$'000
	Retail Hong Kong and Macau HK\$'000	Singapore HK\$'000	Wholesales, licencing and others 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)
Operating profit				135,760
Finance income				1,849
Finance costs				(8,114)
Profit before income tax				129,495
Income tax expense				(19,629)
Profit for the period				109,866

** 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 2023 and 2022. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Revenues include sales of goods of HK\$1,321,365,000 (2022/23: HK\$1,385,569,000), revenue arising from customer loyalty programme of HK\$569,000 (2022/23: HK\$650,000) and consignment sales commission of HK\$551,000 (2022/23: HK\$446,000).

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 2023 and 2022.

All of the Group's revenues are recognised at a point in time for the six months ended 31 October 2023 and 2022.

**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 2023 and 30 April 2023 respectively:

	Unaudited As at 31 October 2023			
	Retail		Wholesales, licencing and others HK\$'000	Total HK\$'000
	Hong Kong and Macau HK\$'000	Singapore HK\$'000		
Segment assets	1,189,886	207,085	7,644	1,404,615
Segment liabilities	736,663	137,178	8,056	881,897

	Audited As at 30 April 2023			
	Retail		Wholesales, licencing and others HK\$'000	Total HK\$'000
	Hong Kong and Macau HK\$'000	Singapore HK\$'000		
Segment assets	1,120,767	196,434	4,908	1,322,109
Segment liabilities	686,010	124,168	8,417	818,595

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 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 2023 HK\$'000	30 April 2023 HK\$'000
Segment assets	1,404,615	1,322,109
Investment properties	35,209	37,245
Financial asset at fair value through profit or loss	8,263	9,373
Deferred income tax assets	6,345	6,377
Current income tax recoverable	1,044	24
Cash and cash equivalents	318,775	402,310
Total assets	1,774,251	1,777,438

**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 2023 HK\$'000	30 April 2023 HK\$'000
Segment liabilities	881,897	818,595
Deferred income tax liabilities	1,323	1,203
Loans due to non-controlling shareholders of a subsidiary	7,161	7,065
Current income tax liabilities	4,690	46,172
	<hr/>	<hr/>
Total liabilities	<u>895,071</u>	<u>873,035</u>

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

	Unaudited	
	Six months ended 31 October	
	2023 HK\$'000	2022 HK\$'000
Hong Kong	1,147,066	1,227,140
Singapore	153,598	135,056
Macau	21,821	24,469
	<hr/>	<hr/>
	<u>1,322,485</u>	<u>1,386,665</u>

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

	As at	
	31 October 2023 HK\$'000	30 April 2023 HK\$'000
Hong Kong	685,355	640,078
Mainland China	43,168	46,042
Singapore	128,896	118,056
Macau	53,609	53,816
	<hr/>	<hr/>
	<u>911,028</u>	<u>857,992</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

5 Operating profit

The following items have been charged to the operating profit during the six months ended 31 October 2023 and 2022:

	Unaudited	
	Six months ended 31 October	
	2023	2022
	HK\$'000	HK\$'000
Employee benefit expenses (including directors' emoluments)	216,886	192,564
Short-term lease expenses	30,649	44,752
Depreciation of property, plant and equipment	16,424	14,800
Depreciation of right-of-use assets	170,553	160,897
Amortisation of intangible assets	1,998	1,864
Write-down of inventories	901	1,165
Loss on disposal of property, plant and equipment	369	852
Fair value loss on financial asset at fair value through profit or loss	1,110	13,321
Net exchange (gains)/losses	(149)	1,492
	<u>216,886</u>	<u>192,564</u>

6 Income tax expense

During the six-months ended 31 October 2023 and 2022, 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.

	(Unaudited)	
	Six months ended 31 October	
	2023	2022
	HK\$'000	HK\$'000
Hong Kong profits tax		
- Current year	10,598	19,119
Overseas taxation		
- Current year	107	256
	<u>10,705</u>	<u>19,375</u>
Deferred income tax	187	254
	<u>10,892</u>	<u>19,629</u>
Income tax expense	<u>10,892</u>	<u>19,629</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.

	(Unaudited)	
	Six months ended 31 October	
	2023	2022
Profit attributable to owners of the Company (HK\$'000)	50,764	110,350
Weighted average number of ordinary shares in issue (in thousands) (Note)	719,292	718,125
Basic earnings per share attributable to owners of the Company (HK cents per share)	7.06	15.37

Note:

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 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.

	(Unaudited)	
	Six months ended 31 October	
	2023	2022
Profit attributable to owners of the Company (HK\$'000)	50,764	110,350
Weighted average number of shares for diluted earnings per share (in thousands)	724,002	722,423
Diluted earnings per share attributable to owners of the Company (HK cents per share)	7.01	15.27

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

8 Trade and other receivables, prepayments and deposits

	Unaudited As at 31 October 2023 HK\$'000	Audited As at 30 April 2023 HK\$'000
Trade receivables, net	6,283	23,839
Prepayments	27,812	15,991
Deposits and other receivables	142,635	148,616
	<u>176,730</u>	<u>188,446</u>
Less: non-current portion		
Deposits	(51,546)	(63,783)
Prepayments	-	(3,421)
	<u>(51,546)</u>	<u>(67,204)</u>
Current portion	<u>125,184</u>	<u>121,242</u>

The Group conducts sales to customers on a cash-on-delivery basis for retail sales. At 31 October 2023 and 30 April 2023, the ageing analysis of trade receivables based on invoice date is as follows:

	Unaudited As at 31 October 2023 HK\$'000	Audited As at 30 April 2023 HK\$'000
Up to 3 months	6,254	23,781
3 to 6 months	13	37
6 to 12 months	16	21
	<u>6,283</u>	<u>23,839</u>
Less: provision for impairment of trade receivables	-	-
	<u>6,283</u>	<u>23,839</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

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

	Unaudited As at 31 October 2023 HK\$'000	Audited As at 30 April 2023 HK\$'000
Current		
Trade payables	180,330	153,158
Other payables and accruals	42,757	47,857
Deposits received	37	35
Provision for employee benefits	12,581	12,881
	<u>235,705</u>	<u>213,931</u>
Non-current		
Provision for reinstatement cost	4,580	4,495
	<u>240,285</u>	<u>218,426</u>
Contract liabilities		
Receipts in advance and cash coupons	2,836	8,045
Deferred revenue arising from customer loyalty programs	3,440	3,459
	<u>6,276</u>	<u>11,504</u>

The carrying values of trade and other payables approximate their fair values as at 31 October 2023 and 30 April 2023.

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

	Unaudited As at 31 October 2023 HK\$'000	Audited As at 30 April 2023 HK\$'000
0-30 days	135,791	99,130
31-60 days	33,991	37,919
61-90 days	9,765	9,450
91-120 days	783	6,659
	<u>180,330</u>	<u>153,158</u>

10 Dividends

During the six months ended 31 October 2023, a final dividend and a special dividend totaling HK\$71,925,000 in relation to the year ended 30 April 2023 was declared and paid.

On 21 December 2023, the Board resolved to declare an interim dividend of 5.6 HK cents (2022/23: interim dividend of 12.0 HK cents) per share, totaling HK\$40,315,000 (2022/23: HK\$86,380,000). 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 2024.

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 5.6 HK cents (2022/23: an interim dividend of 12.0 HK cents) per share, representing a total payout of approximately HK\$40,315,000 (2022/23: approximately HK\$86,380,000). Shareholders whose names appear on the register of members of the Company on Friday, 12 January 2024 will be entitled to the interim dividend which will be paid on or around Friday, 2 February 2024.

OTHER INFORMATION (Continued)

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 9 January 2024 to Friday, 12 January 2024, (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, 8 January 2024.

Publication

The interim results announcement of the Company for the six months ended 31 October 2023 is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ihr.com.hk) respectively. The interim report for the six months ended 31 October 2023 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 2023

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.