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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE CONTINUING CONNECTED TRANSACTIONS UNDER THE MASTER FRANCHISE AGREEMENT AND THE CONNECTED TRANSACTIONS UNDER THE TRANSITIONAL AGREEMENT

Reference is made to the announcement of International Housewares Retail Company Limited (the “Company”, together with its subsidiaries, the “Group”) dated 13 August 2026 (the “Announcement”) in relation to the continuing connected transactions under the Master Franchise Agreement and connected transactions under the Transitional Agreement. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Board of Directors (the “Board”) wishes to provide further supplementary information to the shareholders and potential investors of the Company regarding the financial impacts, pricing policies, and the basis of determination of the annual caps for the transactions contemplated under the Agreements.

Segment Margins and Financial Impact After Business Model Transformation

The transition covers 30 existing retail stores operating under the “Japan Home” brand across Singapore, which will be handed over starting 19 August 2026 and are expected to complete their transition to the franchise model on or before 31 December 2026. Upon completion of the handover, the Group will no longer record direct consolidated retail turnover from these 30 stores, as the purchasing and operating costs will be assumed by the Master Franchisee. For the financial year ended 30 April 2026, the segment retail revenue of the Singapore market was HK\$276,736,000 across an average total of 43 retail stores. Among these:

The 30 retail stores under the transition to be transferred to the Master Franchisee represented revenue of HK\$201,333,000, accounting for approximately 72.8% of the Singapore segment retail revenue for the financial year ended 30 April 2026; and

The remaining retail stores in Singapore (accounting for the balance of approximately 27.2% of the Singapore segment retail revenue) will remain unchanged in their operation by the Franchisor and are scheduled to be closed upon the expiry of each of their respective existing leases, as their store locations do not align with the strategic footprint of the Master Franchisee.

Upon completion of the handover of the 30 stores, the Group will no longer record direct consolidated retail turnover from these locations, as purchasing and operating costs will be assumed by the Master Franchisee. By comparison, the Group’s combined retail revenue across Hong Kong, Macau, and Singapore was HK\$2,295,547,000 for the financial year ended 30 April 2026. The retail revenue attributable to the 30 transferring stores in Singapore represented only approximately 8.8% of such combined retail revenue. In addition, direct retail sales will be substituted by wholesale product supply

sales and royalty income generated under the Master Franchise Agreement. Accordingly, the reduction in direct retail turnover is expected to have an immaterial impact on the Group's consolidated top line.

For years, the retail operations in Singapore had been suffering net losses owing to substantial operational overheads, resulting in a net liability position for the financial year ended 30 April 2026. In particular, the Franchisor incurred overheads of approximately S\$13.0 million (equivalent to approximately HK\$75.4 million) for these 30 stores during the year. The loss of retail revenue from these locations will be substantially offset by transferring the associated direct lease liabilities and operational costs to the Master Franchisee. Consequently, the net effect on the Group's consolidated bottom line is expected to be immaterial.

As a result, the Franchisor will retain lease obligations only for the few remaining stores that were excluded from the handover, as their locations do not align with the Master Franchisee's strategic footprint. Since these leases are set to expire within the next few months and the commitments for central administrative costs will also end, the Group's overall capital intensity will be further reduced. As such, the Board considers that the transaction will have no material adverse effect on the Group's overall net assets or earnings.

By transitioning to a model generating recurring wholesale margins, stable royalty income, and immediate cash flow, this transaction enhances the segment's operating profit margins and cash conversion efficiency. Under the new model, the Group's revenue will be derived from:

- **Royalty Income:** A yearly licence fee paid by the Master Franchisee, calculated as the higher of S\$100,000 or 0.35% of Total Sales for Years 1 and 2, and 0.35% of Total Sales from Year 3 onwards.
- **Product Wholesale Supply:** Supply sales from the Group acting as the core vendor, delivering houseware products and fast-moving consumer goods (FMCG) to the Master Franchisee on a cost-plus basis.
- **Asset Transfers:** A lump-sum payment of S\$39,000 for store and warehouse racking assets, S\$325,000 in renovation fees, and full reimbursement of up to S\$2,000,000 in lease security deposits.

Scale of Staff Required and Infrastructure Shift

Prior to the transition, the Franchisor directly employed over 200 store-level and operational personnel in Singapore. Following the handover, all store operational staff, sales teams, and associated employment liabilities (including salary, CPF, allowances, and statutory leave accrued after 19 August 2026) are assumed by the Master Franchisee. The Group will retain a few back-office personnel in Singapore to manage product procurement logistics, quality control, brand compliance, and audit monitoring.

Pricing Terms and Policies

The Company has established detailed pricing policies to ensure the continuing connected transactions are conducted on normal commercial terms:

- **Products supplied by Franchisor to Master Franchisee:** Products are supplied on a cost-plus pricing basis by applying a commercially agreed mark-up of 3% to 10% (depending on the product category) over landed cost (comprising purchase cost, freight, customs clearance, and handling expenses). This margin ensures cost recovery plus a reasonable profit, determined with reference to historical gross margins, and is benchmarked against at least two independent

third-party franchisees to ensure terms are comparable to those granted to independent third parties.

- **Store-related operating expenses assumed by Master Franchisee:** To the extent that existing tenancy agreements, utility accounts, or staff arrangements remain registered under the Franchisor up to 31 July 2029 pending formal novation, all relevant operating expenses settled upfront by the Group will be reimbursed by the Master Franchisee on a dollar-for-dollar, direct pass-through basis with zero mark-up. This back-to-back settlement mechanism ensures the Group incurs zero net operational cash outflow, supported by a corporate guarantee and a S\$1,000,000 bankers' guarantee provided by the Master Franchisee.
- **Royalty fees receivable by Franchisor:** Royalty fees receivable by the Franchisor are calculated at S\$100,000 per annum or a flat rate of 0.35% of annual total store sales (whichever is higher) for Years 1 and 2, and 0.35% of total sales from Year 3 onwards. This rate was determined via arm's-length negotiation and benchmarked accordingly, in the light that the Singapore retail operations were historically loss-making and the Master Franchisee is assuming significant operational costs and turnaround risks. In addition, the Group already secures a guaranteed profit margin of 3% to 10% on wholesale product supply, alongside a minimum annual fee of S\$100,000.
- **Allocation of Shop sales of Existing Stocks:** For existing product inventory sold during the transition phase, 66% of retail sales proceeds (exclusive of GST) will be remitted weekly to the Franchisor, with the remaining 34% retained by the Master Franchisee. This distribution reflects the net cost ratio of historical inventory (approximately 66% COGS), ensuring cash recovery for the Group without incurring direct retail selling expenses, while the retained 34% covers local store operational overhead and store staff salaries during the transition.

Basis of Determination of Annual Caps

The maximum aggregate annual caps for the transactions, as disclosed in the Announcement, were determined based on the following specific quantitative and qualitative factors:

- **Category 1 (Product Supply):** The caps are based on historical product consumption rates across the 30 stores, adjusted for the gradual transition from existing stock to newly ordered stock. The growth projected in FY2028 and FY2029 accounts for planned new franchise store openings and store optimization by the Master Franchisee.
- **Category 2 (Operating Expenses Assumed):** The caps are derived from the historical store operating expenses of S\$13,000,000 per annum. The assumed expense cap scales down progressively over the 3-year term as existing store leases gradually expire or are novated directly between the landlords and the Master Franchisee.
- **Category 3 (Royalty Fees):** The caps are calculated using the S\$100,000 annual minimum floor, and applying the 0.35% royalty rate against projected gross annual store sales of S\$85M – S\$170M across expanding store channels in subsequent financial years.
- **Category 4 (Existing Stock Sales Allocation):** The cap is based on the audited cost value of existing store inventory as of 19 August 2026, which is expected to be cleared on or before 31 December 2026, multiplied by the Franchisor's 66% entitlement share of the sales proceeds.

A buffer in the range of 5% to 10% is incorporated across all caps to accommodate potential cost inflation, potential SGD/HKD exchange rate fluctuations, shipping cost variations, utility adjustments, and general economic volatility.

Save as disclosed above, all other information contained in the Announcement remains unchanged. This supplemental announcement is supplemental to and should be read in conjunction with the Announcement.

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

Hong Kong, 29 October 2026

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.