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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)

PAST CONTINUING CONNECTED TRANSACTIONS

AND

MASTER SUPPLY AGREEMENT

On 24 September 2018, Mr. Lau (an executive director and a substantial shareholder of the Company) acquired 15% shareholding interest in JH Singapore (a non-wholly owned subsidiary of the Company) from JHPL (a former shareholder of JH Singapore) at the consideration of SGD500,000 (approximately HKD2,875,650), as a result of which, JH Singapore became a connected subsidiary of the Company by virtue of Rule 14A.16 of the Listing Rules.

Other member(s) of the Group has(have) been supplying consumer products to JH Singapore in the ordinary and usual course of its business. As JH Singapore had become a connected subsidiary of the Company, all such transactions constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules as from 24 September 2018. The aggregate consideration for the Transactions during the periods between (i) 24 September 2018 to 30 April 2019; and (ii) 1 May 2019 up to the date of this announcement, were approximately HKD10,598,192 and HKD11,078,874 respectively.

As the highest annual consideration payable under the Transactions as from 24 September 2018 up to the date of this announcement exceeded HK\$3,000,000 and the applicable percentage ratios in respect thereof exceeded 0.1% but all of them were less than 5%, the Transactions were subject to the reporting, announcement and annual review requirements but were exempt from circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

However, due to an inadvertent oversight, (i) the Company did not make an appropriate announcement for the Transactions nor disclose the Transactions in its annual report for the year ended 30 April 2019; (ii) the Transactions had not been reviewed by the independent non-executive Directors and auditors of the Company; and (iii) no written master supply agreement was entered into between JH Singapore and other member(s) of the Group prior to the date of this announcement and no annual caps were set in respect of the Transactions. Thus, there has been an inadvertent breach by the Company of Rules 14A.34 to 35, 14A.49, 14A.51 to 53, 14A.55 to 57 and 14A.71 to 72 under Chapter 14A of the Listing Rules in respect of the Transactions.

As other member(s) of the Group intend(s) to continue to supply consumer products to JH Singapore in the ordinary and usual course of its business, such Transactions will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules prior to completion of the Group's Acquisition. The Company has on 3 December 2019 entered into the Master Supply Agreement with JH Singapore for the supply of consumer products by other member(s) of the Group to JH Singapore during the period from the date of the Master Supply Agreement up to and including 30 April 2020.

As the Annual Cap Amount exceeds HK\$3,000,000 and the applicable percentage ratios in respect of (i) the Annual Cap Amount and (ii) the consideration for the Transactions during the period from 24 September 2018 up to and including the date of the Master Supply Agreement aggregated with the Annual Cap Amount, exceeds 0.1% but all of them are less than 5%, the Master Supply Agreement is subject to the reporting, announcement and annual review requirements but is exempt from circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 3 December 2019, JHCML, a wholly-owned subsidiary of the Company has entered into a sale and purchase agreement with Mr. Lau to acquire 15% shareholding interest in JH Singapore from Mr. Lau at the consideration of SGD480,000 (approximately HKD2,760,624). Completion of the Group's Acquisition is expected to take place within 30 days after the date of this announcement. Upon such completion, (i) JH Singapore will be owned as to 75% by the Group and 25% by the Gangaram Family (through Radha Japan) and will cease to be a connected subsidiary of the Company; and (ii) any supply of consumer products between other member(s) of the Group and JH Singapore will no longer constitute continuing connected transactions of the Company.

As (i) the Group's Acquisition was conducted on normal commercial terms; (ii) the applicable percentage ratios in respect of the Group's Acquisition are all less than 5%; and (iii) the consideration paid under the Group's Acquisition is less than HKD3,000,000, the Group's Acquisition is a de minimis transaction fully exempt from the connected transaction requirements pursuant to Rule 14A.76 of the Listing Rules.

PETER'S ACQUISITION

On 24 September 2018, Mr. Lau (an executive director and a substantial shareholder of the Company) acquired 15% shareholding interest in JH Singapore (a non-wholly owned subsidiary of the Company) from JHPL (a former shareholder of JH Singapore) at the consideration of SGD500,000 (approximately HKD2,875,650), as a result of which, JH Singapore became a connected subsidiary of the Company by virtue of Rule 14A.16 of the Listing Rules.

Immediately prior to Peter's Acquisition, JH Singapore was owned as to 60% by JHCML (a wholly-owned subsidiary of the Company) and 40% by JHPL. The sale of the 15% shareholding interest in JH Singapore was first offered to JHCML by JHPL at the same consideration of SGD500,000 as JHCML had pre-emptive right to purchase such interest. Since the financial performance of JH Singapore was unsatisfactory and unprofitable at the time, JHCML decided not to increase its shareholding in JH Singapore and therefore did not accept the offer (the "**Non-Acceptance of Offer**"). To avoid the transfer of such shareholding to independent third parties, Mr. Lau, acted in good faith and for the benefit of the Group, agreed to take up such 15% shareholding at the same consideration of SGD500,000 with his own money. Other than as disclosed above, there was no agreement, arrangement, undertaking or understanding (whether formal or informal and expressed or implied) between the Group and Mr. Lau in respect of Mr. Lau's purchase of the 15% shareholding interest in JH Singapore.

The Board (including the independent non-executive Directors) is of the view that the Non-Acceptance of Offer was on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Lau was the purchaser under Peter's Acquisition, while Ms. Ngai and Mr. Lau jointly own Hiluleka Limited, the controlling shareholder of the Company. Mr. Lau Chun Wah, Davy, a non-executive director of the Company, is also a director of JH Singapore. As a result, all of them were not counted in the quorum and did not vote in respect of the Board resolution to approve, ratify and confirm the Non-Acceptance of Offer.

PAST CONTINUING CONNECTED TRANSACTIONS

Other member(s) of the Group has(have) been supplying consumer products to JH Singapore in the ordinary and usual course of its business. As JH Singapore had become a connected subsidiary of the Company, all such transactions constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules as from 24 September 2018. The aggregate consideration for the Transactions during the periods between (i) 24 September 2018 to 30 April 2019; and (ii) 1 May 2019 up to the date of this announcement, were approximately HKD10,598,192 and HKD11,078,874 respectively, which were calculated based on the amount of purchases of consumer products by JH Singapore from other member(s) of the Group for the relevant period, and the pricing was determined with reference to the cost of supply of such goods from independent third party suppliers to such other member(s) of the Group plus related costs and expense incurred such as transportation, storage and handling charges and expenses. The consideration for each Transaction was payable within 90 days from the date of issuance of the relevant invoice and generally settled by telegraphic transfer or cheque.

As the highest annual consideration payable under the Transactions as mentioned above exceeded HK\$3,000,000 and the applicable percentage ratios in respect thereof exceeded 0.1% but all of them were less than 5%, the Transactions were subject to the reporting, announcement and annual review requirements but were exempt from circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

However, due to an inadvertent oversight, (i) the Company did not make an appropriate announcement for the Transactions nor disclose the Transactions in its annual report for the year ended 30 April 2019; (ii) the Transactions had not been reviewed by the independent non-executive Directors and auditors of the Company; and (iii) no written master supply agreement was entered into between JH Singapore and other member(s) of the Group prior to the date of this announcement and no annual caps were set in respect of the Transactions. Thus, there has been an inadvertent breach by the Company of Rules 14A.34 to 35, 14A.49, 14A.51 to 53, 14A.55 to 57 and 14A.71 to 72 under Chapter 14A of the Listing Rules in respect of the Transactions.

MASTER SUPPLY AGREEMENT AND ANNUAL CAP AMOUNT

As other member(s) of the Group intend(s) to continue to supply consumer products to JH Singapore in the ordinary and usual course of its business, such Transactions will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules prior to completion of the Group's Acquisition. The Company has on 3 December 2019 entered into the Master Supply Agreement with JH Singapore for the supply of consumer products by other member(s) of the Group to JH Singapore during the period from the date of the Master Supply Agreement up to and including 30 April 2020. The consideration under the Master Supply Agreement will be calculated based on the volume and amount of purchases of consumer products

by JH Singapore from other member(s) of the Group during the relevant period, and the pricing will be determined with reference to the cost of supply of such goods from independent third party suppliers to such other member(s) of the Group plus a mark-up of certain percentage to cover the related costs and expenses incurred such as transportation, storage and handling charges and expenses, etc.. Payments are required to be made within 90 days from the date of issuance of the relevant invoices for the relevant Transactions and will generally be settled by telegraphic transfer or cheque. The Transactions will be reviewed by the Board (including independent non-executive Directors) and the auditors of the Company in accordance with the requirements under Rules 14A.55 and 14A.56 of the Listing Rules to ensure that the Transactions are (a) conducted on normal commercial terms and in the ordinary and usual course of business of the Group; (b) fair and reasonable; and (c) in the interests of the Company and the Shareholders as a whole.

The annual cap amount for the Transactions under the Master Supply Agreement during the period from the date of the Master Supply Agreement up to and including 30 April 2020 (the “**Annual Cap Amount**”) is set out below:

| | Annual Cap Amount |
|---|--------------------------|
| Estimated aggregate amount of consideration payable for the consumer products pursuant to the Master Supply Agreement | HK\$8,000,000 |

The Annual Cap Amount is determined with reference to the following factors:

1. the historical volume and consideration for the consumer products supplied to JH Singapore and the estimated volume of supply and amounts for the consumer products payable by JH Singapore to other member(s) of the Group for the period from the date of the Master Supply Agreement up to and including 30 April 2020; and
2. the estimated sales volume of the consumer products by JH Singapore to its retail customers for the period from the date of the Master Supply Agreement up to and including 30 April 2020.

The Group has designated personnel from the Company’s finance department to consistently monitor the usage of the Annual Cap Amount on a monthly basis as well as checking against the remaining available limit prior to entering into each individual contract for supply pursuant to the Master Supply Agreement. Where the actual transaction amounts may exceed the Annual Cap Amount announced by the Company, such transaction will be subject to and conditional upon the further approval by the Company and compliance with the applicable requirements under the Listing Rules.

The Annual Cap Amount is determined in compliance with the requirements of the Listing Rules and should not be taken as any commitment or indication on the part of the parties to the Transactions as to the future volume, pricing or frequency of the Transactions.

As the Annual Cap Amount exceeds HK\$3,000,000 and the applicable percentage ratios in respect of (i) the Annual Cap Amount; and (ii) the consideration for the Transactions during the period from 24 September 2018 up to and including the date of the Master Supply Agreement aggregated with the Annual Cap Amount, exceeds 0.1% but all of them are less than 5%, the Master Supply Agreement is subject to the reporting, announcement and annual review requirements but is exempt from circular, independent financial advice and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS AND THE MASTER SUPPLY AGREEMENT

The scale of business of JH Singapore is relatively small. It has been difficult for JH Singapore to source certain overseas consumer products required for its business from independent third parties. The Transactions were therefore necessary for JH Singapore to maintain its operations in Singapore.

The Board (including the independent non-executive Directors) is of the view that the Transactions and the terms of the Master Supply Agreement and the transactions contemplated thereunder (including the Annual Cap Amount) are on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Lau has a 15% shareholding in JH Singapore, while Ms. Ngai and Mr. Lau jointly own Hiluleka Limited, the controlling shareholder of the Company. Mr. Lau Chun Wah, Davy, a non-executive director of the Company, is also a director of JH Singapore. As a result, all of them were not counted in the quorum and did not vote in respect of the Board resolutions to (i) approve, ratify and confirm the Transactions and; (ii) to approve the Master Supply Agreement.

THE GROUP'S ACQUISITION

Since the financial performance of JH Singapore has substantially improved this year as compared to past years, the Group has decided to acquire the 15% shareholding in JH Singapore from Mr. Lau, and therefore on 3 December 2019, JHCML has entered into a sale and purchase agreement with Mr. Lau to acquire the 15% shareholding in JH Singapore at the consideration of SGD480,000 (approximately HKD2,760,624) which was determined with reference to (i) the acquisition price of SGD500,000 paid by Mr. Lau under Peter's Acquisition with a discount offered by Mr. Lau as a favour to the Group; and (ii) the acquisition price of SGD800,000 paid by the Gangaram Family (through Radha Japan and who were previously independent third parties not connected with the Group), in their recent acquisition of 25% shareholding in JH Singapore on 14 October 2019 (i.e. at SGD32,000 for every 1% of shareholding in JH Singapore). Completion of the Group's Acquisition is expected to take place within 30 days after the date of this announcement. Upon such completion, (i) JH Singapore will be owned as to 75% by the Group (through JHCML) and 25% by the Gangaram Family (through Radha Japan) and will cease to be a connected subsidiary of the Company; and (ii) any supply of consumer products between other member(s) of the Group and JH Singapore will no longer constitute continuing connected transactions of the Company.

PRE-EMPTIVE RIGHTS

Under the existing shareholders' agreement between JHCML, Radha Japan and Mr. Lau, any issuance of new shares in JH Singapore must prior to its issuance be offered in writing for subscription to each of the existing shareholders in proportion to their respective shareholding in JH Singapore, and if any one of them does not accept the offer to subscribe for the new shares offered, the other party may take up such shares in JH Singapore. In addition, neither JHCML, Radha Japan nor Mr. Lau may transfer, charge or encumber any of its/his respective shareholding interest in JH Singapore without the prior written consent of the other shareholders. In anticipation of the Group's Acquisition, as at the date of this announcement, Mr. Lau has obtained the prior written consent of Radha Japan for the transfer of his 15% shareholding in JH Singapore to JHCML.

As (i) the Group's Acquisition was conducted on normal commercial terms; (ii) the applicable percentage ratios in respect of the Group's Acquisition are all less than 5%; and (iii) the consideration paid under the Group's Acquisition is less than HKD3,000,000, the Group's Acquisition is a de minimis transaction fully exempt from the connected transaction requirements pursuant to Rule 14A.76 of the Listing Rules.

REASONS FOR AND BENEFITS OF THE GROUP'S ACQUISITION

Since the financial performance of JH Singapore has substantially improved this year as compared to past years and given that the supply of consumer products between other member(s) of the Group to JH Singapore will continue in the ordinary and usual course of business, the Group's Acquisition is a means to enable the Group to increase its shareholding in JH Singapore and to dispense with legal and other costs for compliance as continuing connected transactions.

The Board (including the independent non-executive Directors) is of the view that the Group's Acquisition are on normal commercial terms and that the terms of the Group's Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Lau has a 15% shareholding in JH Singapore and is the vendor under the Group's Acquisition, while Ms. Ngai and Mr. Lau jointly own Hiluleka Limited, the controlling shareholder of the Company. Mr. Lau Chun Wah, Davy, a non-executive director of the Company, is also a director of JH Singapore. As a result, all of them were not counted in the quorum and did not vote in respect of the Board resolution to approve the Group's Acquisition.

REMEDIAL MEASURES

The Company deeply regrets its non-compliance with the relevant connected transaction requirements under Chapter 14A of the Listing Rules and would like to stress that such non-compliance was inadvertent.

The current internal control measure adopted by the Company to ascertain whether a transaction is a connected transaction involves maintaining a list of connected persons and circulating such list together with copies of the relevant extracts of the Listing Rules to the directors and personnel/senior management of each member of the Group. The personnel/senior management of the relevant subsidiary should report any potential connected transaction to the personnel/senior management of the Company in advance in order to ascertain whether there will be any implications under the Listing Rules. The list of connected persons is updated and circulated again to the directors and personnel/senior management of each member of the Group whenever there is a transaction that would lead to a change in the list of connected person(s) of the Company and is periodically reviewed every one to two months. However, given that (i) JH Singapore has all along been a subsidiary within the Group and the intra-group Transactions have been ongoing for a long time as part of the ordinary and usual course of business of the Group and (ii) the Company was not a party to Peter's Acquisition, the relevant personnel of JH Singapore (being an overseas company) had overlooked the requirements concerning transactions with "connected subsidiary" of a listed company under Chapter 14A of the Listing Rules which should have applied to the intra-group Transactions when Peter's Acquisition took place.

The Company will take remedial measures to tighten its internal control procedure with a view to ensuring timely compliance with the Listing Rules and to prevent recurrence of similar events. These measures include:-

1. for proposed transaction(s) which may constitute new connected transaction(s) of the Group, to consult legal advisers and the Stock Exchange (where necessary) in a timely manner prior to entering into of such transaction(s);
2. the business and financial management departments at the subsidiary level shall promptly report any proposed transaction or event where the counterparty(ies) or the subject company(ies) of the proposed transaction may in anyway relate to any of the substantial shareholders, chief executives or directors of any member of the Group (including their relatives and related trusts or companies) in order to ascertain whether there will be any connected transaction implication under Chapter 14A of the Listing Rules;
3. relevant internal training session will be arranged for all the Directors and senior management/relevant personnel of the Company and its subsidiaries to explain the relevant requirements under Chapter 14A of the Listing Rules.

INFORMATION ABOUT THE PARTIES UNDER THE TRANSACTIONS

The Group is principally engaged in investment holding, retail sales and trading of homeware products, licensing of franchise rights and provision of management services.

The principal activity of JH Singapore is the retail of household products and other merchandises in Singapore.

DEFINITIONS

Unless otherwise defined, the following expressions have the following meanings in this announcement:

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| “associate(s)” | has the meaning ascribed to it under the Listing Rules; |
| “Board” | the board of Directors; |
| “Company” | International Housewares Retail Company Limited, a company incorporated under the laws of the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange; |
| “connected subsidiary” | has the meaning ascribed to it under Rule 14A.16 of the Listing Rules; |
| “controlling shareholder” | has the meaning ascribed to it under the Listing Rules; |
| “Director(s)” | director(s) of the Company; |

| | |
|---------------------------|---|
| “Gangaram Family” | Mr. Naraindas S/O Gangaram and his spouse, Mrs. Dinisha Naraindas Gangaram Nee Sangeeta Ramchand; |
| “Group” | the Company and its subsidiaries; |
| “Group’s Acquisition” | the acquisition of 15% shareholding interest in JH Singapore by JHCML from Mr. Lau on 3 December 2019 at a total consideration of SGD480,000 (approximately HKD2,760,624); |
| “HKD” | Hong Kong dollars, the lawful currency of Hong Kong; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC; |
| “JHCML” | Japan Home Centre (Management) Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company; |
| “JHPL” | Japan Home Pte. Limited, a company incorporated in Singapore, which was the holder of 40% shareholding interest in JH Singapore immediately prior to Peter’s Acquisition; |
| “JH Singapore” | Japan Home (Retail) Pte. Limited, a company incorporated in Singapore and a non-wholly owned subsidiary of the Company; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Master Supply Agreement” | the master supply agreement dated 3 December 2019 made between the Company and JH Singapore in relation to the supply of consumer products by other member(s) of the Group to JH Singapore; |
| “Mr. Lau” | Mr. Lau Pak Fai Peter, an executive director and a substantial shareholder of the Company; |
| “Ms. Ngai” | Ms. Ngai Lai Ha, an executive director and a substantial shareholder of the Company; |
| “Peter’s Acquisition” | the acquisition of 15% shareholding interest in JH Singapore by Mr. Lau from JHPL on 24 September 2018 at the consideration of SGD500,000 (approximately HKD2,875,650); |
| “PRC” | The People’s Republic of China; |

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|---------------------------|--|
| “Radha Japan” | Radha Japan Pte. Ltd., a company incorporated in the Republic of Singapore and wholly-owned by the Gangaram Family; |
| “Shareholder(s)” | holder(s) of share(s) of the Company; |
| “Singapore” | the Republic of Singapore; |
| “SGD” | Singapore dollars, the lawful currency of Singapore; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “subsidiary(ies)” | has the meaning ascribed to it under the Listing Rules; |
| “substantial shareholder” | has the meaning ascribed to it under the Listing Rules; |
| “Transactions” | the continuing connected transactions of the Company concerning the supply of consumer products by other member(s) of the Group to JH Singapore; and |
| “%” | per cent. |

For the purpose of this announcement, SGD has been converted into HKD at the rate of SGD1 to HKD5.7513 for illustration purpose only. No representation is made that any amounts in SGD or HKD have been, could have been or could be converted at the above rate or at any other rates or at all.

By Order of the Board of

International Housewares Retail Company Limited

NGAI Lai Ha

Chairman and Executive Director

Hong Kong, 3 December 2019

As at the date of this announcement, the executive Directors are Ms. NGAI Lai Ha, Mr. LAU Pak Fai Peter, and Mr. CHENG Sing Yuk, the non-executive Director is Mr. LAU Chun Wah Davy, and the independent non-executive Directors are Mr. MANG Wing Ming Rene, Mr. YEE Boon Yip and Mr. YEUNG Yiu Keung.