

國際家居零售有限公司

International Housewares Retail Company Limited

香港聯合交易所上市公司 (股份代號: 1373.HK)

A HKEx Listed Co. (Stock Code: 1373.HK)

HKICPA/HKIAAT

Business case Competition

By [Edmond Lau](#)

Business Development Director,

IHR



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About ourselves



Who we are....





Company Evolution... with a humble start

2015

- 371 retail stores and overseas franchised stores

2014

- Acquired Ella, a ladies accessories brand in HK, started eCommerce and loyalty program

2013

- One of the most successful IPOs in HK**

- Acquired 100% interests in JHC (Macau)**

- 283 retail stores and nine overseas franchised stores

2012

- Expanded store network through acquisition of certain assets in the PRC

- 252 retail stores operated

2011

- Acquired 60% equity interest of a leading housewares retail chain in Singapore**

- Expanded retail network in Singapore and West Malaysia

- 213 retail stores operated

2010

- EQT Greater China II became a 40% strategic investor

2009

- Awarded “The 5 Consecutive Years Caring Company” logo**

2007

- Acquired Quality Housewares in HK**

- Established new store brand “Epo Gifts & Stationery” (文具世代)

- Awarded “Hong Kong Top Service Brand” and “The Best Brand Enterprise Award 2007 (Greater China)”

2004

- Awarded “Quality Tourism Services” certificate, “Superbrands” certificate and “Caring Company” logo

2002

- Established new store brand “City Life” (生活提案)

2000

- Acquired Nippon Warehouse Limited in HK**

1991

- First store opened in Hong Kong**









Major Milestone

Oversubscribed 145 times @ IPO on 25 September 2013



Portfolio of Brands

	Product Cat	Shop size	Main Targets	Shop #
JHC (Japan Home Centre) 	Household multi-cat	Various – from 1000' to 5000'	Mass-market housewives	235 in HK
CityLife 	Household multi-cat	Ditto	Middle-class housewives	10 in HK
Epo 	Stationery/gifts	1000'	Kids and mums	10 in HK
Happy Kitchen 	Kitchenwares	<1000'	Mass-market housewives	2 in HK
Ella 	Young ladies gift and accessories	500'-1300'	Young ladies from teens upwards	13 in HK
JHCeShop 	Household	--	Younger couples	HK
Japan Home (SG) 	JHC (Japan Home Centre)	JHC (Japan Home Centre)	JHC (Japan Home Centre)	65 in Singapore
JHC (Malaysia) 	Household multi-cat	Various – from 2000' to 5000'	Mass-market housewives	8 in Malaysia
LivingPlus 	Household multi-cat	Various – from 2000' to 5000'	Mass-market housewives	5 in China

New Faces of JHC



JHC 日本城

JHC 日本城

New Brands



New Brands



Other places

- Singapore
- Malaysia
- China
- Franchisee (Cambodia)



Our home - Hong Kong

	Hong Kong
Population	7.2m
# of households	2.5m
GDP per capita (US\$)	\$34,049
# of McDonald's	237
Retail rental Avg *	HK\$188 psf
Tourist traffic (p.a.)	49m



* HK Govt Valuation department Nov 2015 – Kowloon private retail

Who we are - IHR figures at a glance

1991

1st Shop opened

267

Stores in HK

>500,000

Sq ft shop space in HK

350

Shops worldwide

32

Customer p.a. visits

\$58

Avg Ticket Size-HK
Growing +5%

20,000

Number of item sku
currently carried

650

Number of active
supplier in 13 regions

10%

Same store growth-HK
(double digit for last 4
years)

14.6%

Revenue Growth

>6%

yield

145X

Over-subscribed
during IPO Sep 2013

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The markets we operate in



Everything used for household chores



Adding new categories ever year






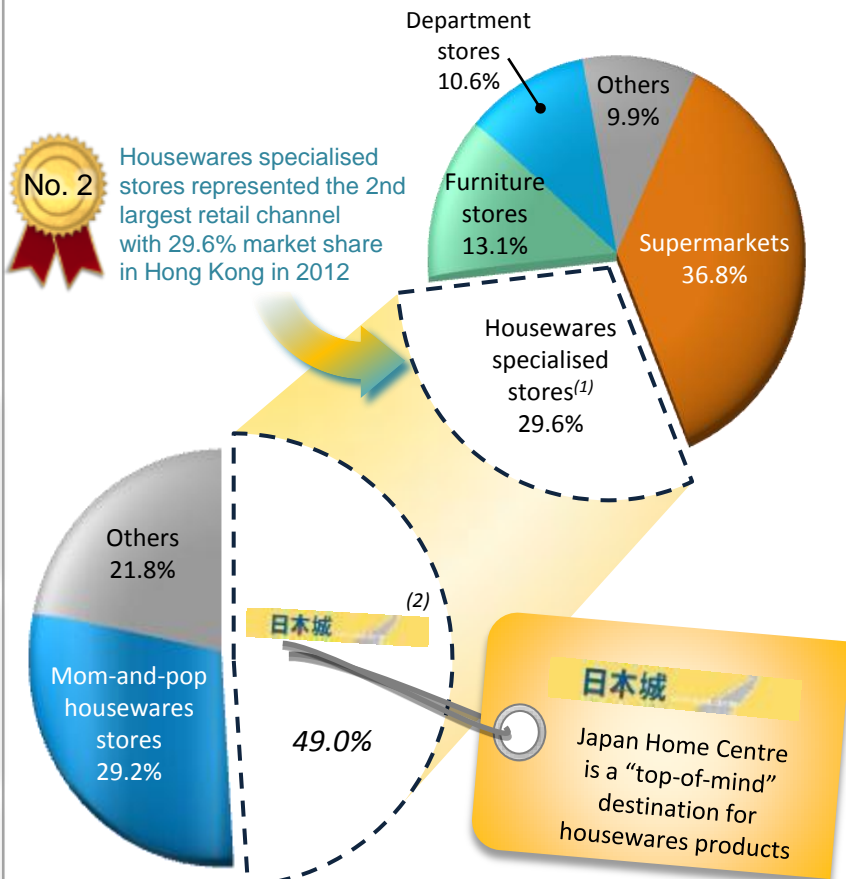


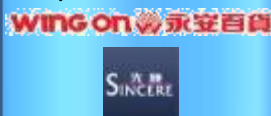
日本橋 JHC



日本橋 JHC



Major Players in Hong Kong

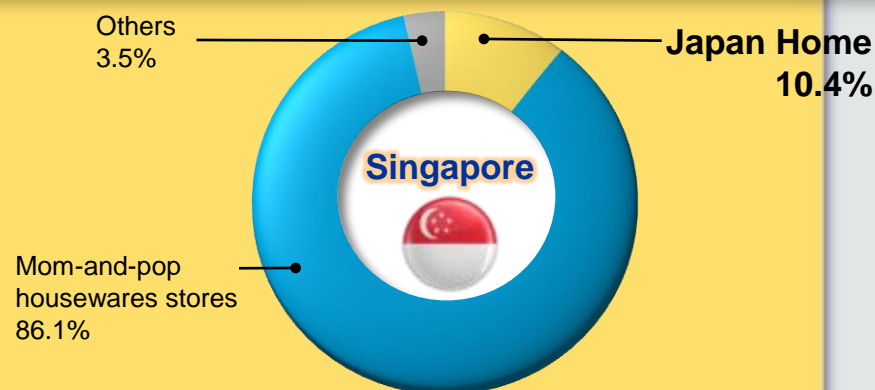
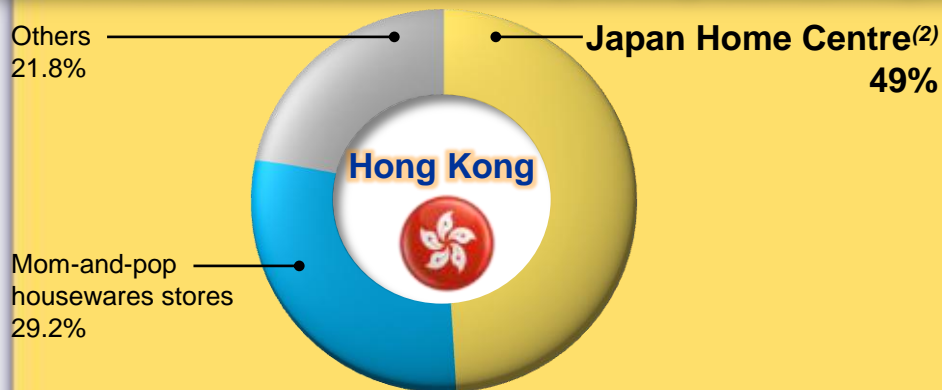
Channel	Store size & network	Products offered	Breakdown by retail channel & market share (Hong Kong), 2012
Supermarket 	<ul style="list-style-type: none"> Large store sizes Extensive network 	<ul style="list-style-type: none"> Food items, daily necessities and housewares products Housewares products offered as non-core category Private branded products 	 <p>No. 2 Housewares specialised stores represented the 2nd largest retail channel with 29.6% market share in Hong Kong in 2012</p> <p>Department stores 10.6% Others 9.9% Furniture stores 13.1% Supermarkets 36.8% Housewares specialised stores⁽¹⁾ 29.6% Others 21.8% Mom-and-pop housewares stores 29.2% Japan Home Centre 29.6% Others 21.8%</p> <p>Japan Home Centre is a "top-of-mind" destination for housewares products</p>
Housewares retail chains 	<ul style="list-style-type: none"> Varying store sizes Varying network sizes 	<ul style="list-style-type: none"> Wide range of housewares products Private branded products 	
Furniture stores 	<ul style="list-style-type: none"> Large store sizes Limited store network 	<ul style="list-style-type: none"> Furniture products Selection of housewares products 	
Mom-and-pop housewares stores	<ul style="list-style-type: none"> Small store sizes Non-chain individual business 	<ul style="list-style-type: none"> Daily necessities and housewares products Low end products No private branded products 	
Department stores 	<ul style="list-style-type: none"> Large store sizes Limited store network 	<ul style="list-style-type: none"> Clothing, cosmetics, food items and housewares products Non-core housewares products High-end housewares products 	

Notes:

- Housewares specialised stores market was composed of housewares retail chains and mom-and-pop housewares stores
- Includes Japan Home Centre, City Life and Epo Gifts & Stationery



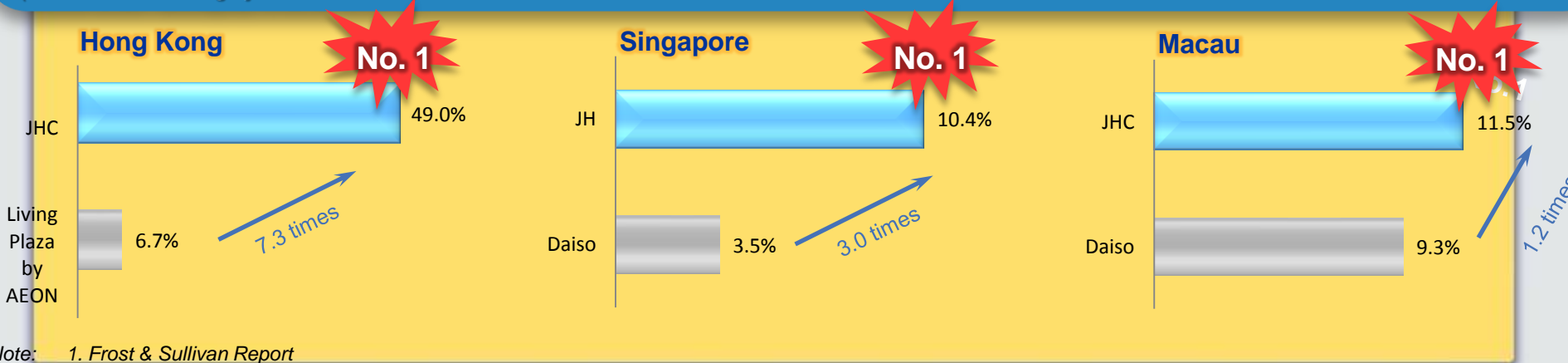
Market share of housewares specialty stores⁽¹⁾ by retail sales in 2012





Market leader in housewares specialised stores in Hong Kong, Singapore and Macau⁽¹⁾

(Market share ranking by revenue in 2012)



Note: 1. Frost & Sullivan Report

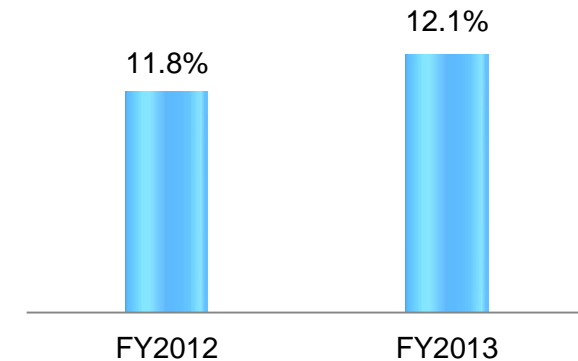


Strategic store selection

Characteristics of our stores

- All stores are situated in residential areas or well-populated locations to best serve the daily household needs of our target customers
- Leverage on our in-depth understanding of local market gathered from over 20 years of operation to select optimal store sites which balance convenience to our customers and cost efficiency to us
- Tailor product mix of stores based on available store size and consumer spending power of the surrounding areas
- Store profiling allowing us to maximize revenue and profitability through products adjustment and achieve double-digit comparable store sales growth during FY2012 and FY2013

Comparable store sales growth



Success through strategic store selections

- Do not rely on passing foot traffic due to strong brand in Hong Kong
- Flexibility in setting up stores regardless of the size available
- New store start up with low CapEx around US\$40,000 to US\$90,000

- No need to place our stores in Hong Kong at premium street level spaces or prime location in shopping centres
- Achieved stable rental expense to sales of approx. 13% in FY2011, FY2012 and FY2013
- Achieved average store breakeven within 2 months and mean payback period of 9 months, for stores opened during FY11 to 13

Unique private label products with higher profit margins

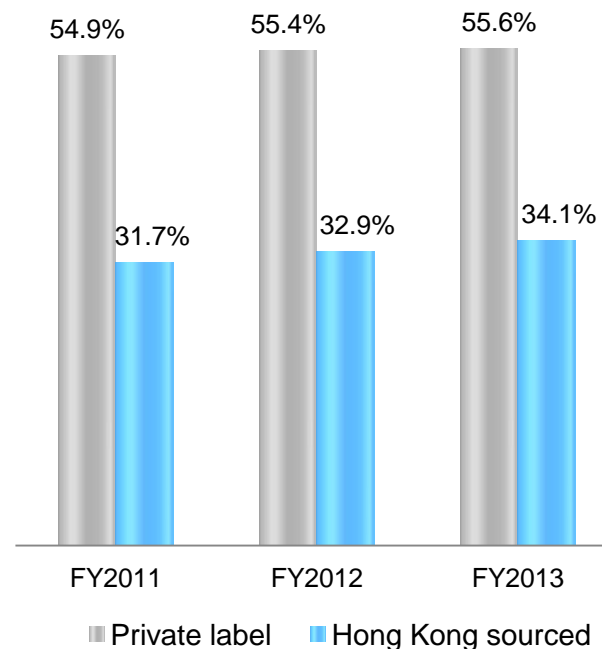
Customised private label products

- Over 1,000 private label products
- Custom manufactured according to our requests based on our knowledge on consumer trends
- Complementary to international brand offering and enhanced our unique and varied product mix
- Key to customer retention and loyalty to our brand

Flexible pricing abilities & higher profit margin

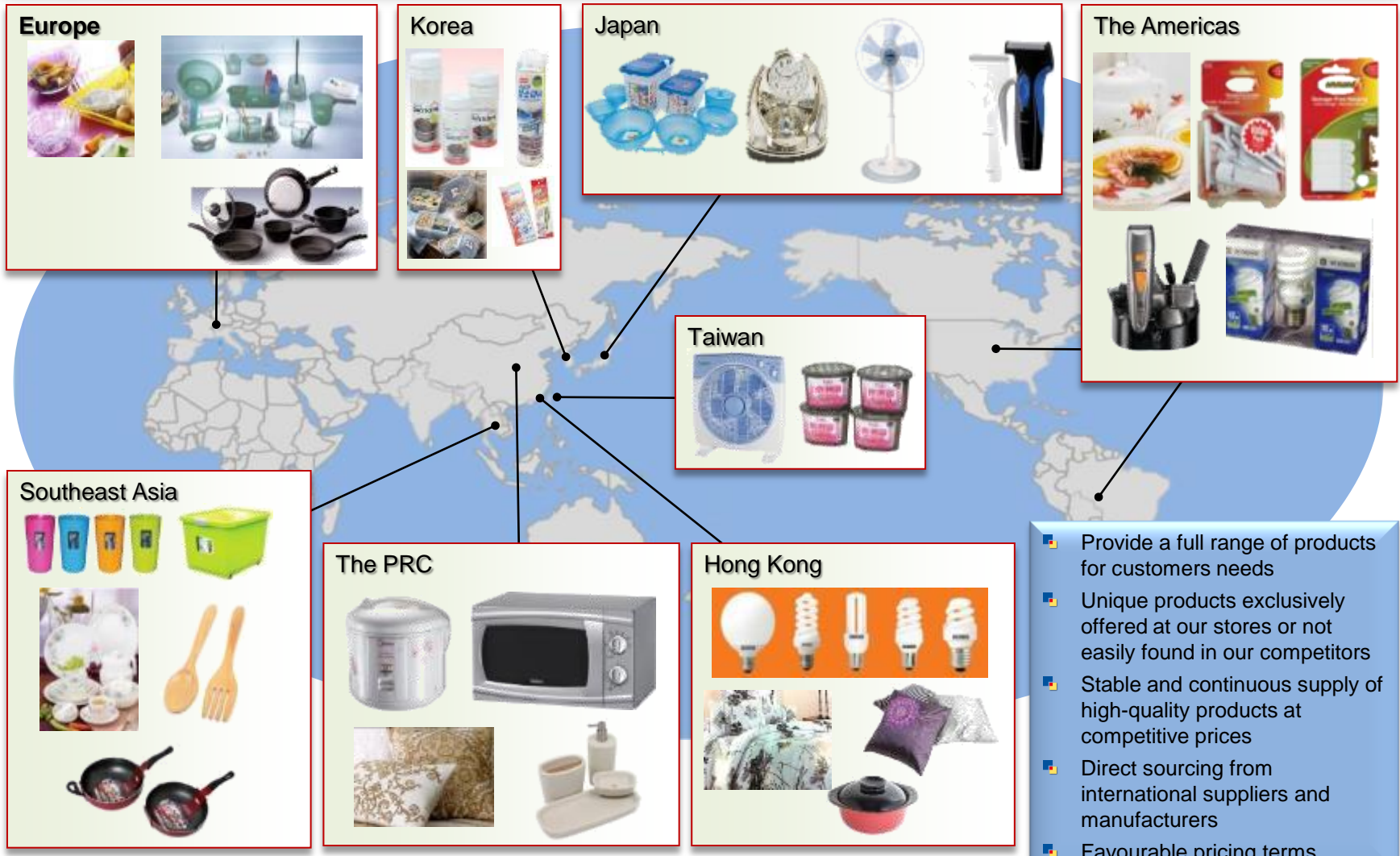
- Substantial negotiating power as a large scale purchaser
- Customised products less prone to competitive pricing pressure

Gross profit margin comparison



Large global supplier network


Large global network with 650+ suppliers in 13 regions



- Provide a full range of products for customers needs
- Unique products exclusively offered at our stores or not easily found in our competitors
- Stable and continuous supply of high-quality products at competitive prices
- Direct sourcing from international suppliers and manufacturers
- Favourable pricing terms

Multiple sourcing channels

Different sourcing channels to provide a wide range of quality products at competitive prices



Private label

- Customised products
- Exclusive sales in our stores
- Higher margin



Internationally sourced

- Wide variety of quality products
- Make our stores unique
- Able to avoid pricing mark-up by HK distributors
- Higher margin

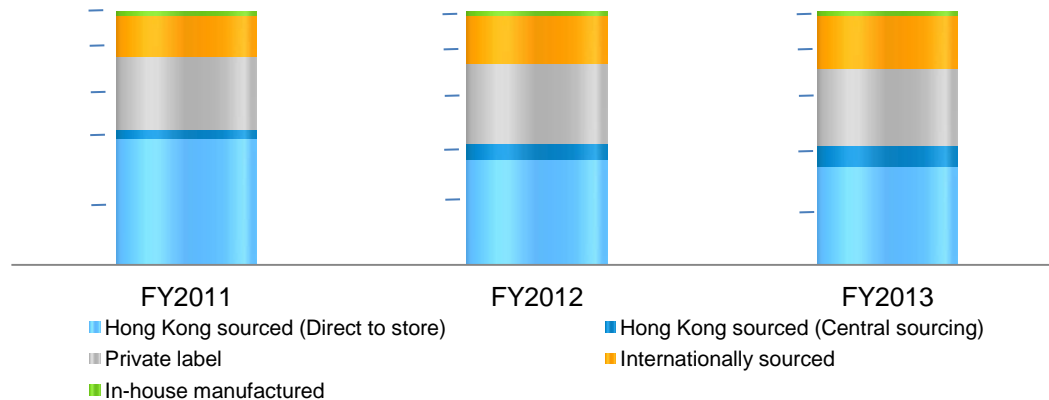


Hong Kong sourced

- Big MNC brands that consumers are looking for
- Logistics and delivery supports
- Inflexible in pricing and lower margin

Note: 1. As at the Latest Practicable Date, our Group had applied for registration of this trademark

Retail revenue by product source in Hong Kong



Four Corners of Modern Retailing



Location



Products



People



Supply Chain

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Branding and Marketing



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Branding



Blue
Pantone 2945C
100C 60M 15K

Yellow
Pantone 107C
5M 80Y

Red
Pantone 186C
100M 100Y



Branding

- Shop Staff Uniform
 - Brand New Design
 - New Logo Usage for New Image
 - Better Design in Style



- Others



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Branding

- 
- **Shop Environment**
 - **Better Shelf Designs**
 - **Better Arrangement of Product Categories**

Marketing

- Major Campaigns
 - 88 Promotion
 - \$10 Campaign and \$100/3pcs campaign
 - Flash Sales
 - Seasonal (winter, summer, charity, CNY, Halloween, X'mas, Mother's day)
 - Category promotion
 - Clearance Sale
 - Auxiliary add-on sale (eg. food)
- Above the line Advertising
 - TV Ad
 - Newspaper Ad
 - Sponsorship
 - Charity sponsonership

JHC 日本城

FLASH MOB PRICE 快閃價

只限本周五六日
Only available Fri, Sat & Sun
11PM - 9PM

Panasonic PHILIPS GRASONIC 德國博朗
精選 電熨斗

照價 **85折**
\$99 - \$148

Imarflex 伊瑪黑蒜機

全港唯一經銷代理黑蒜專業廠

圖解設計 觸電器控 隔層內膽 專用廚架

防漏彈手 儲水裝置 倒數計時 緊固外殼

開關溫控 一鍵操作

JHC 日本城

秋白三重賞 Autumn Triple Surprise!

18/11 (三) — 22/11 (日)

第1賞 任何惠顧 Any purchase

全場 88折

All items 12% off

送 Free \$20 現金優惠券 Cash Coupon

電器 優惠大放送! Electrical Appliances Great Offer!

惠顧任何以下電器類產品滿\$200，即可獲贈\$20現金優惠券1張*。

Upon \$200 purchase of the following electrical appliances series, a \$20 cash coupon* is available for free.

電心類 Iron	電熨機 熨斗	電熱水 電水煲	電熱水 電煲	各類小電器 咖啡機/榨汁機	各類廚房 小電器
各類 電器小配件	各類清潔/保養 電器小配件	各類電器 清潔/保養劑	各類電器 清潔/保養劑	各類電話 數據機	各類遊戲 各款遊戲
電子遊戲/遊戲 電子遊戲/遊戲	各類清潔/保養 小電器	各類清潔/保養 小電器	各類清潔/保養 小電器	各類清潔/保養 小電器	各類清潔/保養 小電器

*下次惠顧任何產品滿\$50，此券可再\$20使用，受惠期有限，詳情請向店員查詢。

For full conditions of purchase, please visit our website. *Available while stocks last. Please contact our staff for details.

買走黑暗 DARKNESS TO GO

第2賞 滿\$100* on \$100 purchase

送 Free \$10 現金優惠券 Cash Coupon

第3賞 滿\$200* on \$200 purchase, chance to

秋日大抽獎 Autumn Lucky Draw

贏 Win Galaxy Note5 32GB (每日2部，共10部)
Daily 2 units, total 10 units



Home Pass會員
送禮先送禮券即可送禮

JHC 日本城

蔡麗儀 45年香港情演唱會門票

2015年
1月21-22日

2014年12月12日至2015年1月7日期間，成為 Home Pass會員，
送禮先送禮券105張會員，即可獲贈「日本城・JHCshop滿額送禮券」
滿額45年香港情演唱會「門票3張」
www.jhc.com.hk

憑「日本城・JHCshop」滿額送禮券45年香港情演唱會「門票3張」日本城
生活館文具書局之贈品券HK\$100，即可換HK\$10禮券。
有效期為2015年1月22日至2月1日。

JHC 日本城

盤點清貨

保潔潔
專利升降清潔組合
247x335x335mm
\$209

3M 思高牌
手壓式旋轉拖把套裝
30x29x45cm
\$249

原價 \$268
盤點價 \$209

原價 \$269
盤點價 \$249

JHC 日本城

商品優惠期有限，產品圖片只供參考，請以店內實物產品為準。

JHC 日本城

每週新驚喜，送禮先送禮券，送禮先送禮券！
The weekly surprise for you before CNY!

喜氣洋洋，週週有驚喜

Weekly Surprise

Greatwall
火腩豬肉

凡購買任何貨品滿 \$100，
加 \$1 即可換購
長城牌火腩豬肉 1罐。1罐裝 1.6磅裝

With \$100 purchase or
more, you are entitled to
redeem a can of chopped
pork and ham with addi-
tional \$1 white stock fast
freeze pack!

送禮先送禮券！
With \$100 purchase or more, you are entitled to redeem a can of chopped pork and ham with additional \$1 white stock fast freeze pack!

JHC 日本城

Trade Marketing

- Furniture and shelving
 - Supermarket shelving
 - Hook panel
 - Display cabinet
 - Entrance display table
 - Back-lit shelves
 - Multi-layer sale basket with call-out cards
 - Last minute reminder shelves
- Leaflet and posters
- VO systems
- Lighting
- POP materials
 - On shelves
 - Around cashier
 - Side bar
 - Price tag
 - Entrance formboard
 - Floor stickers
 - Lightbox
 - TV
 - Flags and banners

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New Developments



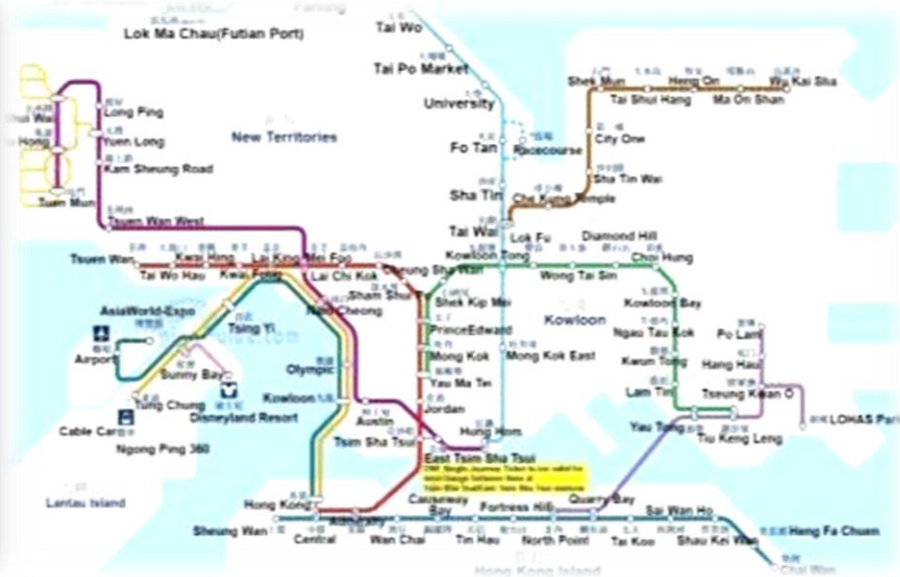
1 MTR Station Retail Store Expansion

Continued expansion of MTR retail store along MTR route

- First MTR retail store officially opened in early Nov in Siu Hong MTR station
- More MTR station retail stores to open based on its satisfactory results
- Smaller store size around 1,000 sq ft, with more handy and international products
- Attracts a broader range of customers with different needs in heavy-traffic area
- Offers one-stop shopping experience for quality household products along MTR route map



Shop 32, Tuen Mun Siu Hong Station (From 9:am – 10pm)



2 ELLA Integration

Acceleration of customer base expansion through partnership projects

- Acquisition of ELLA completed on 5 Dec 2014
- Position: **Personal Life Style Experience Shop**
- Target: **Teenage and younger customers between 20s and 30s**
- Build ELLA counters at selected JHC shops to increase customer traffic
- Introduce internationally sourced products into ELLA's product portfolio



Trendy Accessories, Jewelry and Special Toy Chain

Current Product Range



Mobile accessories



Stationery



Bags



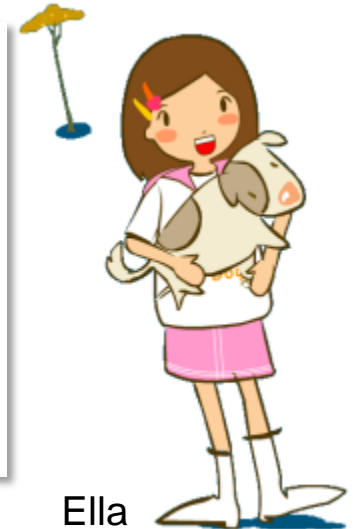
Toys and accessories



Houseware products



Jewels



Ella

3 HomePass Membership Programme

HomePass Membership Programme

- Launched on 12 Dec 2014
- Target to recruit 320,000 members based on the strength in market penetration
- Fully integrated point rewarding system with www.JHCeShop.com
- Objective: Increase average ticket size (currently HK\$57.30)

How to become a member?

- Customers will be entitled “HomePass” on any purchase of HK\$100 at any Japan Home Centre, City Life and EPO stores in Hong Kong

What are the membership benefits?

- Buy more earn more
- Special promotion day – Exclusive VIP purchase with more discount
- Birthday promotion – Special birthday purchase benefits



4 E-commerce Platform – JHCeShop.com

JHCeShop.com to boost O2O business

- Launched e-commerce platform JHCeshop.com on 20 Dec 2014
- Provides another convenient, highly flexible and accessible retail channel for diversified IH Retail's products
- Captures more potential younger customers who prefer online shopping
- Offers both household products of physical stores together with some exclusive non-household products available online only
- Closely follows the market trend and expands to offer the genuine “one-stop” shopping convenience experience
- Poised to seize the enormous opportunities from Internet



5 On-Line Strategies

Consumer communications

Social media

Advertising

Loyalty development

Soft selling

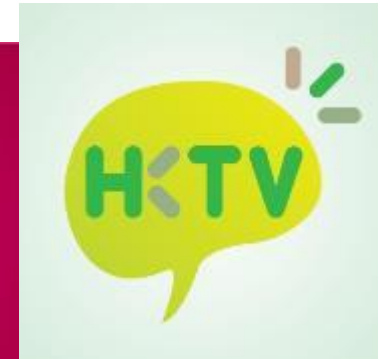
Business Development

Selling (current model)

Selling (new model)

New business platforms

Cross selling possibilities



於日本城網購 JHCeshop 網上購物

兼用八達通付款

可獲85折電子優惠券!

推廣期：2015年9月23日至10月16日

Black Friday~ 購買黑曜系列產品

額外 **9折**

(13/11-15/11)

利嘉閣按揭代理

申請按揭服務

即獲日本城網購 JHCeshop

85折 電子優惠券!



Page

【日本城網購 全店9折!】
一年一度萬聖節又發喇! 我地日本城網購都發
趁趁熱鬧!
網購酬你優惠JETSU, 全店額外9折! 只限3
天(30/10-1/11)!

HAPPY HALLOWEEN
額外 **9折!!**

JHC
www.JHCeshop.com 為一家提供特尚...

光棍節 9折

9/11-11/11

只限日本城網購 (• 秋冬優惠系列 •)

SMC HK LTE 11:26 AM

Follow @JHCeshop

玩遊戲

Get \$50 電子現金券

日本城網購 JHCeshop

Posted by Selly Tam

1 November at 2:00 PM · 轉

天氣開始轉涼, 手腳冰冷怎麼辦?
網店小編認為禦寒之道還是要「吃對營養」
對營養和食材, 便能提升身體保暖力, 抵禦
寒流就「Sure Win」啦!

溫馨提示: 天氣轉涼, 注意保暖。
... Continue Reading

冬天將至, 手腳冰冷怎麼辦? 教你攝取5營
養, 提升保暖力! | 熱新聞 YesNews
yes-news.com

2 Likes

大閘蟹必修科之(九) 滋味蟹粉
易潔雙耳煲 bit.ly/

News Feed Requests Messenger Modifications More

Summary

- A successful business model built on
 - High penetration for convenience
 - Comprehensive product offering
 - Value for money proposition
- Strong hold in Hong Kong, building up in Singapore
- Strong in financial soundness and good return to shareholders
- A roll-up-your-sleeves entrepreneurial culture with a stride to be a modern and successful business



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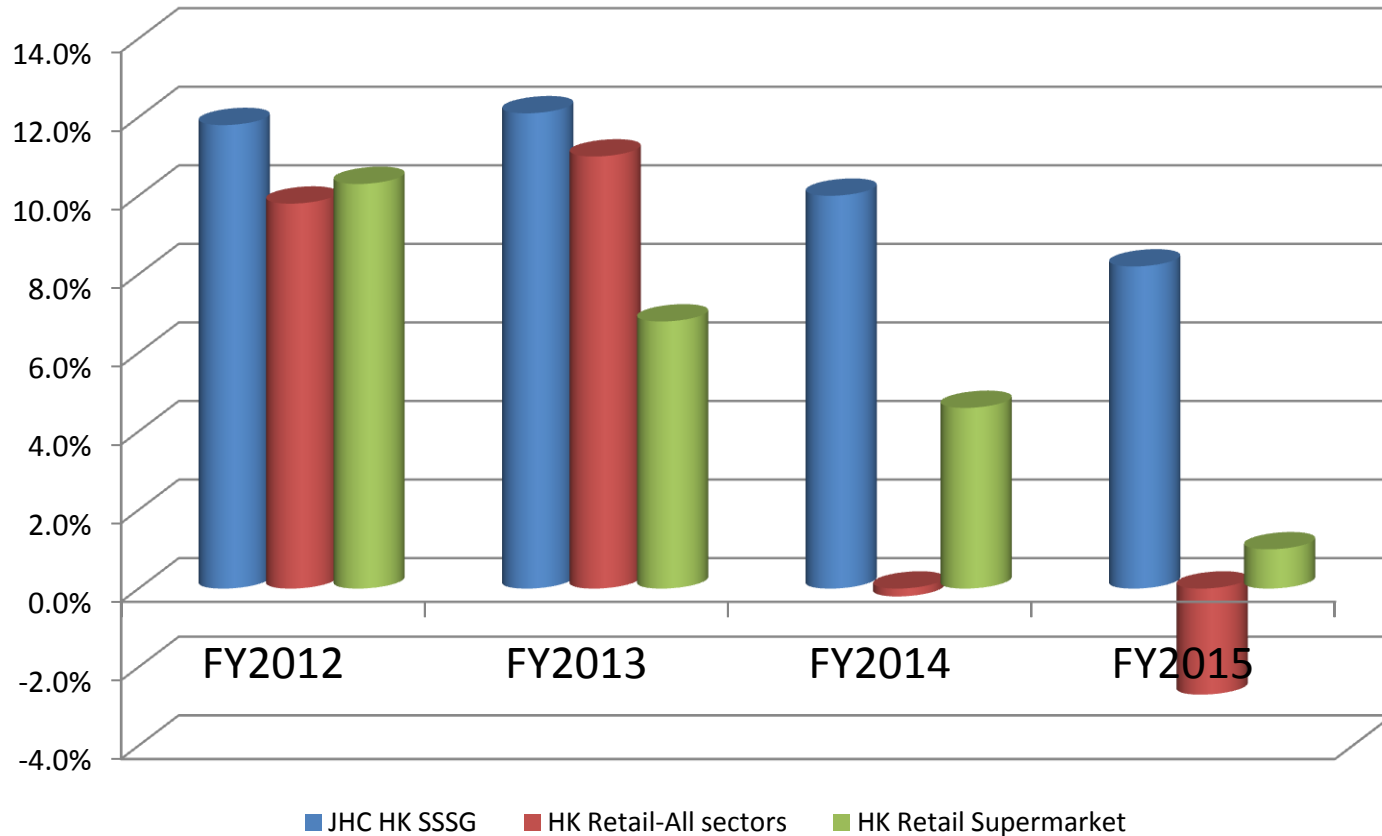
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Financial Highlights



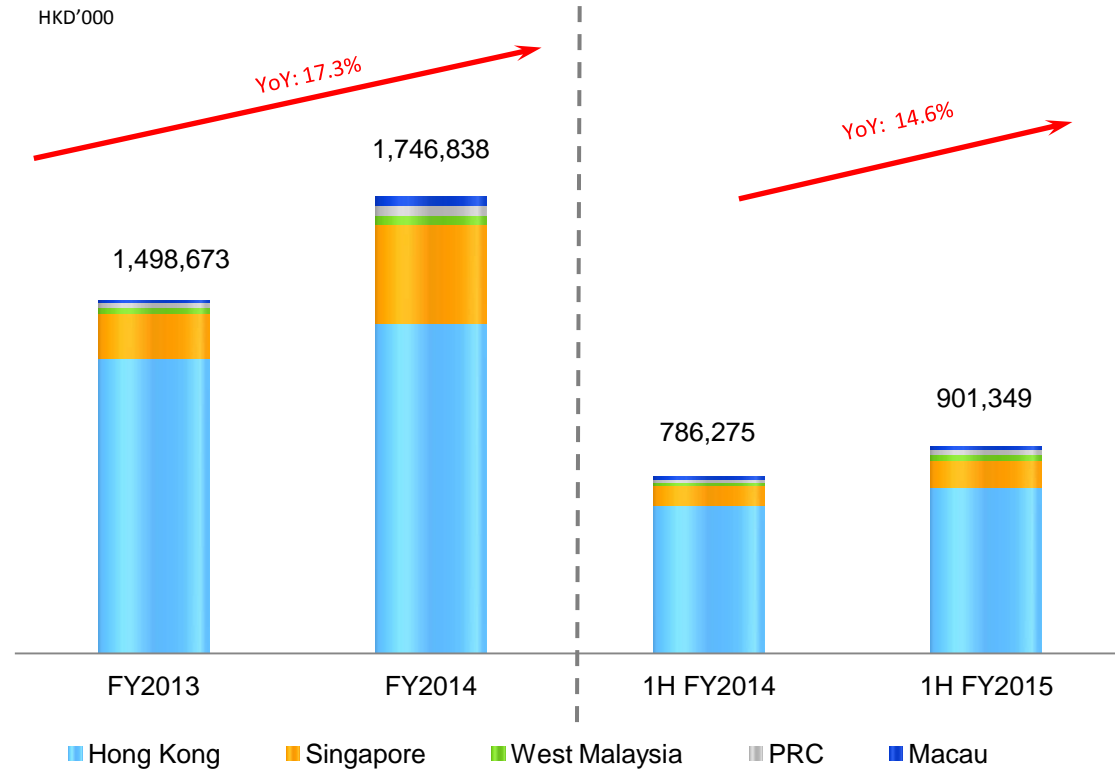
Resilient to external environment changes

JHC HK SSSG vs HK Retail Growth

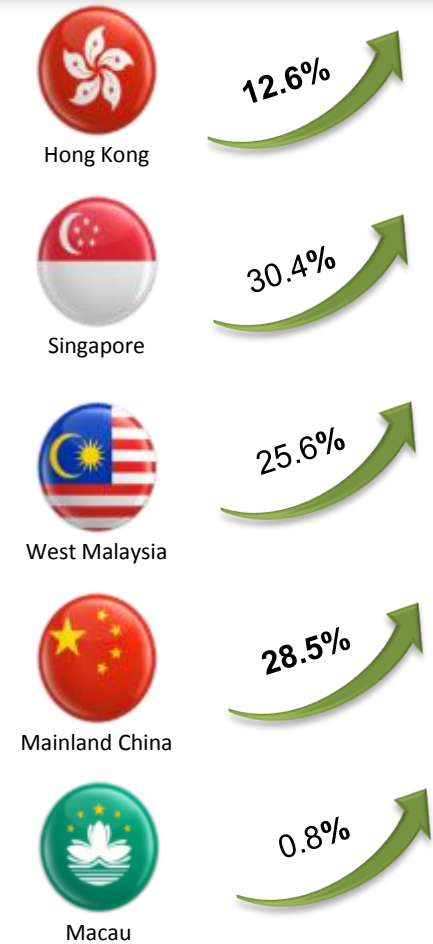


Revenue Breakdown

Revenue breakdown by region



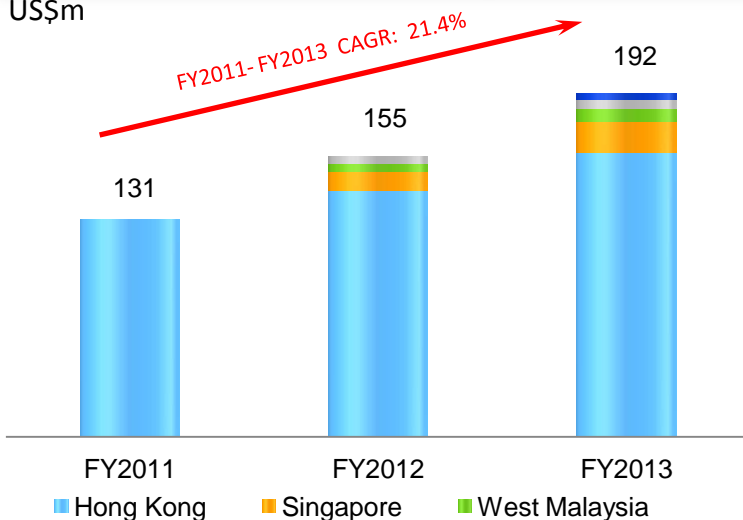
Revenue growth by region



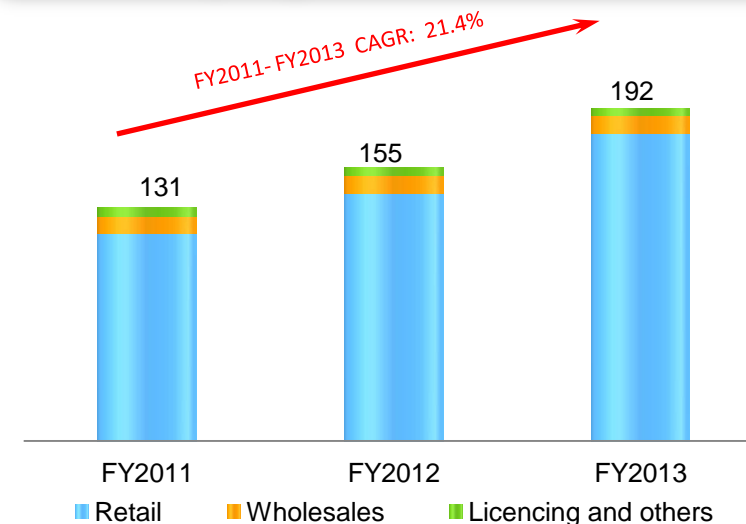
Revenue breakdown

Revenue breakdown by region

US\$m



Revenue by segment



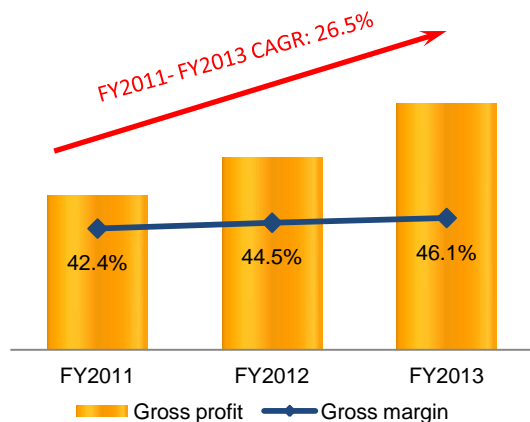
Retail revenue by merchandise category⁽¹⁾

Merchandise	FY2011	FY2012	FY2013
Household electronics	20.3%	21.1%	20.7%
Housekeeping	19.2%	20.1%	19.5%
Plasticware	11.8%	11.3%	11.1%
Kitchenware	9.3%	9.3%	8.9%
Stationery	9.0%	8.7%	8.4%
DIY & hardware	6.0%	6.4%	7.2%
Interior and Textile	7.4%	6.2%	6.1%
Personal & Health	5.1%	6.1%	6.0%
Tableware	4.5%	4.5%	4.6%
Interior & small furniture	4.2%	3.3%	4.0%
Others	3.2%	3.0%	3.5%
Retail Revenue	100.0%	100.0%	100.0%

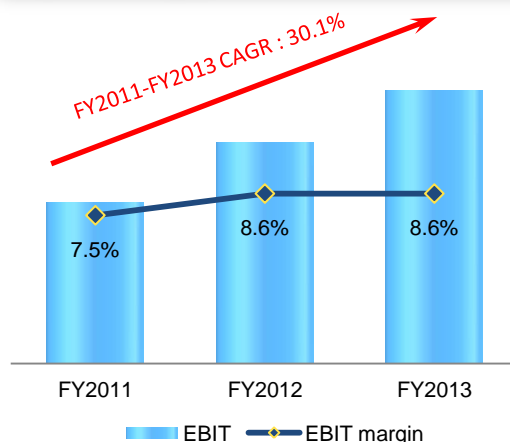
Note: 1. Excluding consignment sales commission income

Strong profit growth with improving profit margins

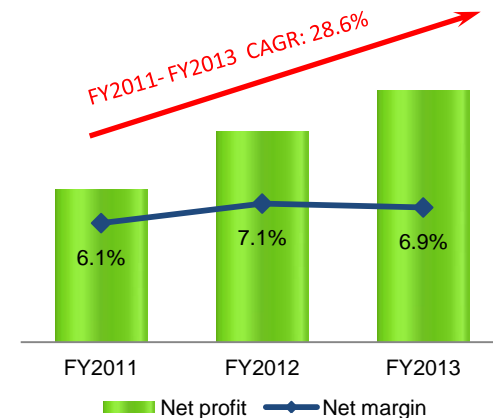
Gross profit



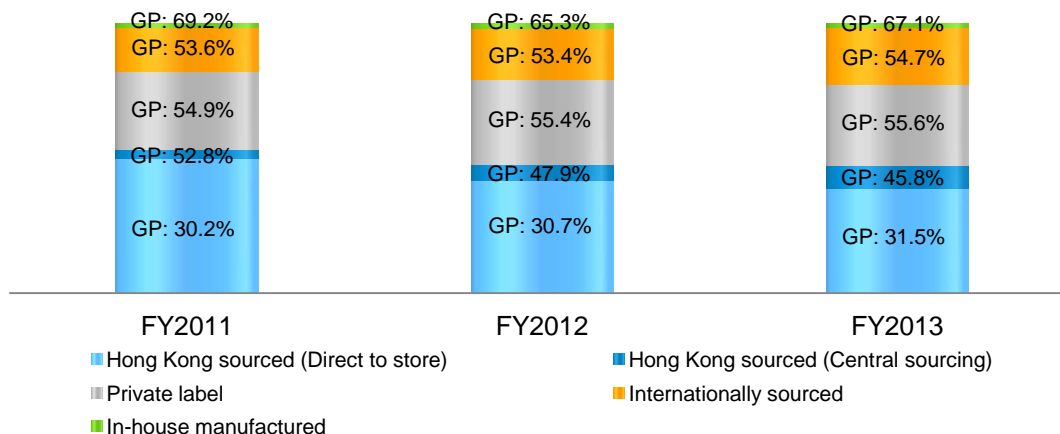
Operating profit¹



Net profit



Hong Kong retail revenue breakdown by sourcing channel

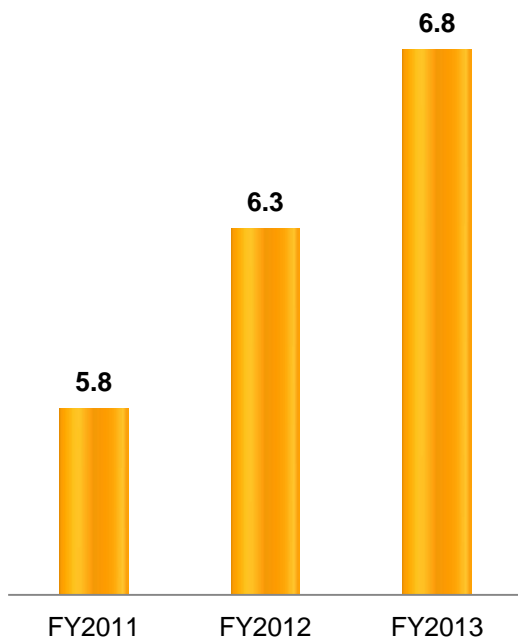


Note: 1. operating profit = revenue - COGS - other income - other gains, - distribution and advertising expenses - administration and other operating expenses

Cash generation capability

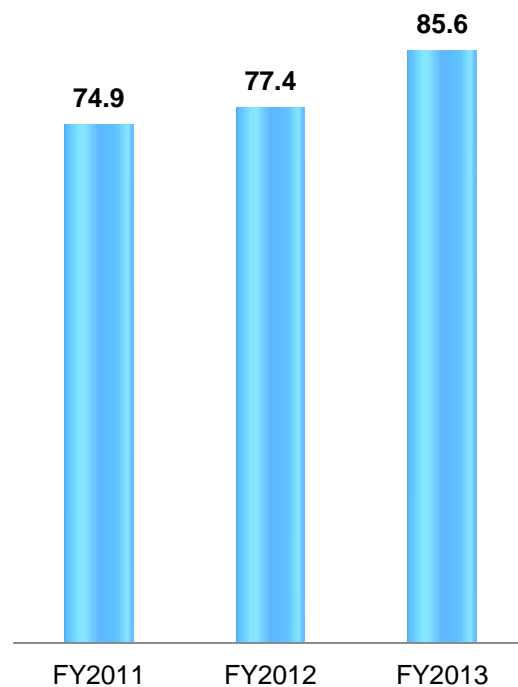
Average cash spending per transaction in Hong Kong

US\$



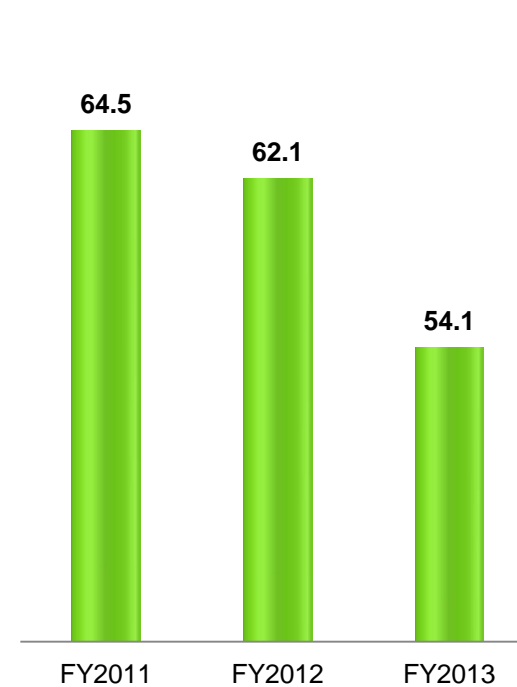
Inventory turnover⁽¹⁾

Days



Trade payables turnover⁽²⁾

Days



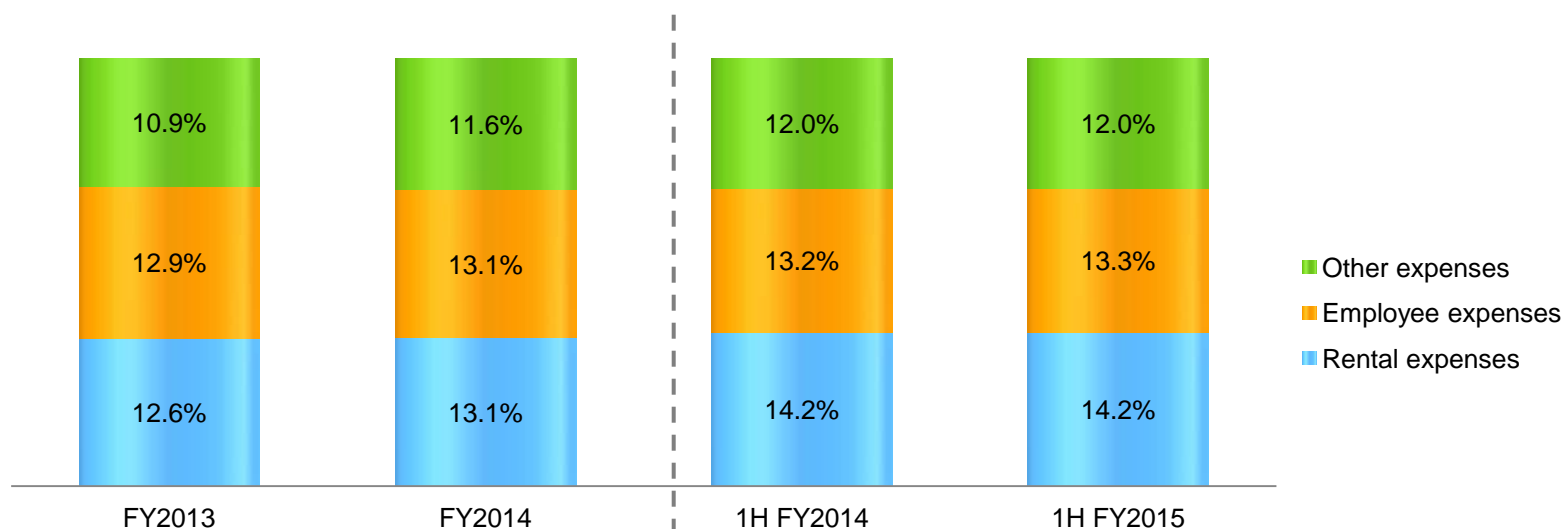
Notes:

1. $\text{Inventory turnover} = \text{Average inventory} / \text{Cost of sales} * 365$

2. $\text{Trade payables turnover} = \text{Average trade payables} / \text{Cost of sales} * 365$

Hong Kong Stable Cost Structure

Expenses as a % of revenue



Note: "Other expenses" include auditor's remuneration, air conditioning expenses, advertising and promotion expenses, amortisation of trademark, building management fees, delivery charges, depreciation expense, government rates, landing charges, legal and professional fee, rental expense of office premises and warehouses, goodwill written off, repair and maintenance, utility expenses, net exchange losses/gains, and others.



國際家居零售有限公司

International Housewares Retail Company Limited

香港聯合交易所上市公司 (股份代號: 1373.HK)

A HKEx Listed Co. (Stock Code: 1373.HK)

Thank You

