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B & S INTERNATIONAL HOLDINGS LTD.

賓仕國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(the “**Company**”)

(**Stock code: 1705**)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 September 2020 decreased by approximately 5.2% as compared with that of the same period in 2019.
- The “TenRen (天仁茗茶)” retail network has grown to 58 stores as at 30 September 2020 (30 September 2019: 54 stores).
- The net profit for the six months ended 30 September 2020 increased by approximately 174.4% as compared with that of the same period in 2019.
- The Board has declared an interim dividend of HK1 cent per Share, representing a dividend payment ratio of approximately 39.4% on the profit attributable to owners of the Company (for the six months ended 30 September 2019: Nil).

	Six months ended		Increase/ (decrease)
	30 September 2020	30 September 2019	
	<i>HK\$ million</i>	<i>HK\$ million</i>	
	(Unaudited)	(Unaudited)	
Revenue	247.3	260.8	(5.2%)
Gross Profit	44.9	54.2	(17.2%)
Net profit	10.7	3.9	174.4%
Basic earnings per Share (<i>HK cents</i>)	2.5	0.9	177.8%

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of B & S International Holdings Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited condensed consolidated results of the Company for the six months ended 30 September 2020, together with the comparative figures for the six months ended 30 September 2019, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

		Six months ended 30 September	
	<i>Notes</i>	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Revenue	5	247,259	260,764
Cost of sales	8	<u>(202,345)</u>	<u>(206,611)</u>
Gross profit		44,914	54,153
Other losses	6	(844)	(868)
Other income	7	11,884	–
Selling and distribution expenses	8	(24,693)	(24,887)
Administrative expenses	8	<u>(17,967)</u>	<u>(21,337)</u>
Operating profit		13,294	7,061
Finance income		86	337
Finance costs		<u>(2,520)</u>	<u>(2,719)</u>
Finance costs, net	9	(2,434)	(2,382)
Profit before income tax		10,860	4,679
Income tax expense	10	<u>(133)</u>	<u>(758)</u>
Profit and total comprehensive income for the period		<u>10,727</u>	<u>3,921</u>
Profit and total comprehensive income attributable to:			
Owners of the Company		10,158	3,531
Non-controlling interest		<u>569</u>	<u>390</u>
		<u>10,727</u>	<u>3,921</u>
Earnings per share for profit attributable to owners of the Company during the period (expressed in HK cents per share)			
– basic and diluted	11	<u>2.5</u>	<u>0.9</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

		30 September	31 March
		2020	2020
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		27,427	33,999
Right-of-use assets		66,827	84,876
Deferred income tax assets		6,341	5,247
Deposits and other assets		13,901	16,206
		<u>114,496</u>	<u>140,328</u>
Current assets			
Inventories		30,198	26,503
Trade receivables	13	67,346	67,000
Deposits, prepayments and other receivables		18,149	15,908
Income tax recoverable		258	590
Restricted cash		30,000	30,000
Short-term bank deposits		491	413
Cash and cash equivalents		48,303	38,086
		<u>194,745</u>	<u>178,500</u>
Total assets		<u>309,241</u>	<u>318,828</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	4,000	4,000
Reserves		79,794	79,794
Retained earnings		56,174	46,016
		<u>139,968</u>	<u>129,810</u>
Non-controlling interest		7,117	6,548
Total equity		<u>147,085</u>	<u>136,358</u>

		30 September	31 March
		2020	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liability			
Lease liabilities		<u>29,936</u>	<u>39,351</u>
Current liabilities			
Trade and other payables	15	37,886	30,578
Lease liabilities		43,495	52,708
Bank borrowings		<u>50,839</u>	<u>59,833</u>
		<u>132,220</u>	<u>143,119</u>
Total liabilities		<u>162,156</u>	<u>182,470</u>
Total equity and liabilities		<u><u>309,241</u></u>	<u><u>318,828</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

B & S International Holdings Ltd. (the “**Company**”) was incorporated in the Cayman Islands on 21 August 2017 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, “**the Group**”) are principally engaged in (i) the distribution of food, beverage and other products (the “**Distribution Business**”) and (ii) the provision of catering services (the “**Retail Business**”) in Hong Kong (collectively, the “**Business**”).

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 14 March 2018.

These interim condensed consolidated financial information is presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 September 2020 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 interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this announcement is to be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

3 ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

3.1 Accounting policies

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 March 2020 as described in those annual financial statements except for the estimation of income tax is accrued using the tax rate that would be applicable to the expected total annual earnings and the adoption of new and amended standards as set out below.

(a) *New and amendments standards adopted by the Group*

The following amendments to existing standards became applicable for the current reporting period and they did not have material impacts on the Group. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments.

Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting
Amendments to HKAS 1 and HKAS 28	Definition of Material
Amendments to HKFRS 3	Definition of a business
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge Accounting

(b) New standards and amendment to existing standards not yet adopted

The following new standards and amendment to existing standards have been issued but are not effective for the financial year beginning on 1 April 2020 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1 April 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 April 2021
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments	1 April 2022
Amendment to Annual Improvements Project	Annual Improvements 2018–2020 Cycle	1 April 2022
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current	1 April 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

None of the above new standards or amendments to existing standards is expected to have a significant effect on the condensed consolidated financial information of the Group.

4 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors of the Group (collectively referred to as the “**CODM**”) that make strategic decisions. The CODM reviews the internal reporting of the Group in order to assess the performance of the Group and allocate resources.

The Group is principally engaged in the Distribution Business and the Retail Business in Hong Kong. The Executive Directors considers the Business from a product perspective. They reviewed the qualitative factors such as business activities, economic and legal characteristics and quantitative factors such as the financial performance of the Distribution Business and the Retail Business to assess the performance of the operating segments.

No geographical segment information is presented as all the sales and operating profits of the Group are derived in Hong Kong and all the operating assets of the Group are located in Hong Kong.

The segment information provided to the CODM for the reportable segments for the six months ended 30 September 2020 and 2019 are as follows:

	For the period ended 30 September 2020 (Unaudited)		
	Distribution Business HK\$'000	Retail Business HK\$'000	Total HK\$'000
Segment revenue – recognised at a point in time	<u>133,994</u>	<u>113,265</u>	<u>247,259</u>
Segment results	<u>19,405</u>	<u>(1,678)</u>	17,727
Unallocated expenses			(15,473)
Other losses			(844)
Other income			11,884
Finance costs, net			<u>(2,434)</u>
Profit before income tax			10,860
Income tax expense			<u>(133)</u>
Profit for the period			<u>10,727</u>
Segment items included:			
Depreciation of property, plant and equipment	<u>1,378</u>	<u>9,147</u>	<u>10,525</u>
Depreciation of right-of-use assets	<u>5,095</u>	<u>23,599</u>	<u>28,694</u>
	For the period ended 30 September 2019 (Unaudited)		
	Distribution Business HK\$'000	Retail Business HK\$'000	Total HK\$'000
Segment revenue – recognised at a point in time	<u>129,441</u>	<u>131,323</u>	<u>260,764</u>
Segment results	<u>17,952</u>	<u>8,453</u>	26,405
Unallocated expenses			(18,476)
Other losses, net			(868)
Finance costs, net			<u>(2,382)</u>
Profit before income tax			4,679
Income tax expense			<u>(758)</u>
Profit for the period			<u>3,921</u>
Segment items included:			
Depreciation of property, plant and equipment	<u>1,266</u>	<u>9,009</u>	<u>10,275</u>
Depreciation of right-of-use assets	<u>5,244</u>	<u>24,294</u>	<u>29,538</u>

The segment assets as at 30 September 2020 and 31 March 2020 and the reconciliation to the total assets are as follows:

	As at 30 September 2020 (Unaudited)		
	Distribution Business HK\$'000	Retail Business HK\$'000	Total HK\$'000
Total segment assets	96,319	124,523	220,842
Total segment assets include: Additions to non-current assets (other than financial instruments and deferred income tax assets)	1,384	13,237	14,621
	As at 31 March 2020 (Audited)		
	Distribution Business HK\$'000	Retail Business HK\$'000	Total HK\$'000
Total segment assets	97,726	144,230	241,956
Total segment assets include: Additions to non-current assets (other than financial instruments and deferred income tax assets)	2,614	72,278	74,892
Reconciliation of the total segment assets to total assets is provided as follows:			
	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)	
Total segment assets	220,842	241,956	
Unallocated:			
Deferred income tax assets	6,341	5,247	
Deposits and prepayments	3,264	3,126	
Restricted cash	30,000	30,000	
Short-term bank deposits	491	413	
Cash and cash equivalents	48,303	38,086	
Total assets	309,241	318,828	

The segment liabilities as at 30 September 2020 and 31 March 2020 and the reconciliation to the total liabilities are as follows:

	As at 30 September 2020 (Unaudited)		
	Distribution Business HK\$'000	Retail Business HK\$'000	Total HK\$'000
Total segment liabilities	59,901	88,695	148,596
	As at 31 March 2020 (Audited)		
	Distribution Business HK\$'000	Retail Business HK\$'000	Total HK\$'000
Total segment liabilities	70,481	98,209	168,690

Reconciliation of total segment liabilities to total liabilities is provided as follows:

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Total segment liabilities	148,596	168,690
Unallocated:		
Other payables	1,560	1,780
Bank borrowings	12,000	12,000
Total liabilities	162,156	182,470

5 REVENUE

The Group is principally engaged in the distribution of food and beverage products and the provision of catering services in Hong Kong.

Revenue derived from the Distribution Business and the Retail Business recognised during the period are as follows:

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Sales of goods	133,994	129,441
Catering services	113,265	131,323
	247,259	260,764

6 OTHER LOSSES

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Change in cash surrender value of key management life insurance contracts	64	73
Exchange loss	780	795
	<u>844</u>	<u>868</u>

7 OTHER INCOME

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Government subsidy (<i>Note</i>)	11,866	–
Sundry income	18	–
	<u>11,884</u>	<u>–</u>

Note: The government subsidy represents a subsidy of HK\$11,866,000 granted by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund.

8 EXPENSES BY NATURE

Expenses included in costs of sales, selling and distribution expenses and administrative expenses are analysed as follows:

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	116,612	114,771
Depreciation of property, plant and equipment	10,525	10,275
Depreciation of right-of-use assets	28,694	29,538
Employee benefit expenses	52,036	52,052
Short-term and variable lease	–	3,737
Utilities expenses	8,945	9,261
Transportation and logistic service expenses	7,116	8,119
Freight charges	2,342	3,261
Advertising and promotion expenses	8,989	9,077
Auditor's remuneration		
– Audit services	680	780
– Non-audit services	100	100
Franchise fee	584	2,424
Travelling expenses	175	452
Insurance expenses	707	685
Legal and professional fees	768	2,207
Others	6,732	6,096
	<u>245,005</u>	<u>252,835</u>
Representing:		
Cost of sales	202,345	206,611
Selling and distribution expenses	24,693	24,887
Administrative expenses	17,967	21,337
	<u>245,005</u>	<u>252,835</u>

9 FINANCE COSTS, NET

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance income		
– Bank interest income	86	337
Finance costs		
– Interest expense on bank borrowings	(946)	(1,245)
– Lease liabilities	(1,574)	(1,474)
	<u>(2,520)</u>	<u>(2,719)</u>
Finance costs, net	<u>(2,434)</u>	<u>(2,382)</u>

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the two-tiered rate of 8.25% for the first HK\$2 million of the estimated assessable profits for one of the Group's subsidiaries in Hong Kong and 16.5% on the remaining estimated assessable profits for the six months ended 30 September 2020 (six months ended 30 September 2019: same).

The amount of taxation charged to the interim consolidated statements of comprehensive income represents:

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax	1,227	1,257
Deferred income tax	<u>(1,094)</u>	<u>(499)</u>
	<u>133</u>	<u>758</u>

11 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (HK\$'000)	<u>10,158</u>	<u>3,531</u>
Weighted average number of ordinary shares in issue (thousands)	<u>400,000</u>	<u>400,000</u>
Basic earnings per share (HK cents)	<u>2.5</u>	<u>0.9</u>

(b) Diluted

For the six months ended 30 September 2020 and 2019, diluted earnings per share equals basic earnings per share as there was no dilutive potential shares.

12 DIVIDENDS

On 27 November 2020, the Board has resolved to pay an interim dividend of HK1 cent per share, amounting to a total dividend of HK\$4,000,000, in respect of the six months ended 30 September 2020 (for the six months ended 30 September 2019: Nil). This interim dividend has not been recognised as a liability in this interim financial information.

13 TRADE RECEIVABLES

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Trade receivables		
– third parties	67,346	65,680
– related party	–	1,320
	<u>67,346</u>	<u>67,000</u>

The Group's retail sales are settled on cash basis. The Group generally grants credit period ranged from 0 to 120 days to its customers for the Distribution Business.

As at 30 September 2020 and 31 March 2020, the ageing analysis of the trade receivables based on invoice date was as follows:

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
0–30 days	24,639	25,303
31–60 days	18,768	15,465
61–90 days	13,461	15,356
91–180 days	9,078	9,731
Over 180 days	1,400	1,145
	<u>67,346</u>	<u>67,000</u>

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

There is no significant impact of loss allowance for trade receivables as at 30 September 2020 (31 March 2020: same). During the six months ended 30 September 2020, trade receivables of HK\$Nil (30 September 2019: HK\$Nil) were written off.

14 SHARE CAPITAL

	Number of Shares	Share capital <i>HK\$'000</i>
Authorised:		
Ordinary Shares of HK\$0.01 each		
At 1 April 2019, 30 September 2019, 1 April 2020 and 30 September 2020	10,000,000,000	100,000
Issued and fully paid:		
Ordinary Shares of HK\$0.01 each		
At 1 April 2019, 30 September 2019, 1 April 2020 and 30 September 2020	400,000,000	4,000

15 TRADE AND OTHER PAYABLES

	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
Trade payables	15,492	11,581
Other payables	22,394	18,997
	37,886	30,578

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

	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
0–30 days	9,531	9,117
31–60 days	5,131	1,752
61–90 days	486	206
Over 90 days	344	506
	15,492	11,581

16 COMMITMENTS

(a) Capital commitments

	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
Contracted but not provided for – Property, plant and equipment	171	550

(b) Operating lease commitments

The Group leases certain property, plant and equipment from third parties under non-cancellable operating lease agreements. From 1 April 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2020, the Group's revenue amounted to approximately HK\$247.3 million, representing a decrease of approximately 5.2% from approximately HK\$260.8 million for the same period in 2019. Such decrease was mainly attributable to the weakened market sentiment, in particular since the outbreak of the novel coronavirus disease ("COVID-19"). With the Hong Kong Special Administrative Region Government's encouragement of "staying home" to prevent the spread of the COVID-19, our shops had shortened their business hours. The consumers were forced to keep out of the streets and shopping malls, resulting in the loss of desire for consumption. With no definite date for the mass production of COVID-19 vaccine, it remains uncertain whether all business activities can resume to its previous level.

The number of "TenRen (天仁茗茶)" retail outlets has increased by 4, from 54 stores as at 30 September 2019 to 58 stores as at 30 September 2020. Our "TenRen (天仁茗茶)" retail network spans across Hong Kong Island, Kowloon and New Territories in Hong Kong. The revenue derived from the retail business decreased to approximately HK\$113.3 million for the six months ended 30 September 2020 (six months ended 30 September 2019: approximately HK\$131.3 million), representing a decrease of approximately HK\$18.0 million which contributed approximately 45.8% of our total revenue.

Same store sales performance

We evaluate our sales performance of our "TenRen (天仁茗茶)" retail network within the existing outlets by calculating the average same store sales growth ("SSSG"), which compares the average revenue derived from outlets that were in operation throughout the financial periods compared. The soft economic performance and other market conditions have seriously affected the customer sentiment in Hong Kong. As a result, our "TenRen (天仁茗茶)" retail outlets have recorded an approximately 21.7 % drop in SSSG for the six months ended 30 September 2020. The following table sets forth the average same-store sales performance of our "TenRen (天仁茗茶)" retail outlets:

	Six months ended 30 September			
	2018	2019	2019	2020
Number of same-store	37		53	
Average same-store sales	HK\$3.3 million	HK\$2.5 million	HK\$2.3 million	HK\$1.8 million
Average same-store sales growth rate		(24.2%)		(21.7%)

Average selling prices and volume

The average selling price of our “TenRen (天仁茗茶)” beverage products increased slightly during the six months ended 30 September 2020 primarily because we slightly raised our prices in light of the inflation and rising raw material costs and rental expenses. The average daily sales volume of our “TenRen (天仁茗茶)” beverage products decreased throughout the six months ended 30 September 2020 which is generally in line with the drop in SSSG. The following table sets forth the average selling price and average daily sales volume of our “TenRen (天仁茗茶)” beverage products for the periods indicated:

	Six months ended 30 September	
	2019	2020
Average selling price (HK\$)		
Beverage products (<i>per cup</i>)	23.0	24.0
Side products (<i>per unit</i>) ^(Note)	16.3	17.4
Average daily sales volume		
Beverage products (<i>per cup</i>)	25,800	21,200
Side products (<i>per unit</i>) ^(Note)	<u>2,300</u>	<u>2,000</u>

Note: Side products include tea-favoured ice-cream, freshly made snacks, package tea leaves, packaged snacks and tea wares.

Gross profit for the six months ended 30 September 2020 amounted to approximately HK\$44.9 million, representing a decrease of approximately 17.2% from approximately HK\$54.2 million for the same period in 2019.

Profit attributable to owners of the Company for the six months ended 30 September 2020 was approximately HK\$10.2 million, representing an increase of approximately 191.4% from approximately HK\$3.5 million for the same period in 2019. The net profit for the six months ended 30 September 2020 was approximately HK\$10.7 million (six months ended 30 September 2019: approximately HK\$3.9 million). Such increase in the net profit was mainly attributable to the receipt of the first tranche of wage subsidy under the Employment Support Scheme launched by the Hong Kong Special Administrative Region Government during the six months ended 30 September 2020.

Outlook

Looking ahead, the COVID-19 pandemic situation is still unstable in the second half of the financial year and is significantly impacting businesses across sectors in Hong Kong. As the market can hardly resume to the normal level in the short term, we will continue to put effort in our products offerings and marketing in order to maintain our market shares. On the other hand, the Group will take a cautious approach to business expansion and will implement cost control measures to further drive cost efficiency.

FINANCIAL OVERVIEW

Revenue

For the six months ended 30 September 2020, the Group's revenue amounted to approximately HK\$247.3 million, representing a decrease of approximately 5.2% from approximately HK\$260.8 million for the same period in 2019. The number of "TenRen (天仁茗茶)" retail outlets has increased by 4, from 54 stores as at 30 September 2019 to 58 stores as at 30 September 2020.

The revenue derived from the Retail Business decreased to approximately HK\$113.3 million for the six months ended 30 September 2020, representing a decrease of approximately HK\$18.0 million (six months ended 30 September 2019: approximately HK\$131.3 million) which contributed approximately 45.8% of the Group's total revenue. Such decrease was mainly as a result of the negative impacts brought by the COVID-19.

The revenue derived from the Distribution Business increased to approximately HK\$134.0 million for the six months ended 30 September 2020, representing an increase of approximately HK\$4.6 million (six months ended 30 September 2019: approximately HK\$129.4 million) which contributed approximately 54.2% of the Group's total revenue. Such increase was mainly due to the increase in sales volume to local retailers in Hong Kong.

Cost of sales

For the six months ended 30 September 2020, the Group's cost of sales amounted to approximately HK\$202.3 million, representing a decrease of approximately 2.1% from approximately HK\$206.6 million for the same period in 2019. Such decrease was mainly due to the decrease in consumption of food costs.

Gross profit and gross profit margin

For the six months ended 30 September 2020, the Group's gross profit amounted to approximately HK\$44.9 million, representing a decrease of approximately 17.2% from approximately HK\$54.2 million for the same period in 2019. The Group's gross profit margin for the six months ended 30 September 2020 decreased by approximately 2.6% to approximately 18.2% as compared to approximately 20.8% for the same period in 2019. The decrease in gross profit margin was mainly due to the drop in SSSG during the six months ended 30 September 2020 which increased the fixed costs such as rental expenses and staff costs as percentage of revenue.

Selling and distribution expenses

For the six months ended 30 September 2020, the selling and distribution expenses of the Group amounted to approximately HK\$24.7 million, representing a slight decrease of approximately 0.8% from approximately HK\$24.9 million for the same period in 2019.

Administrative expenses

For the six months ended 30 September 2020, the administrative expenses of the Group amounted to approximately HK\$18.0 million, representing a decrease of approximately 15.5% from approximately HK\$21.3 million for the same period in 2019. Such decrease was mainly attributable to the effective cost saving policy on travelling, recruitment, printing, legal and professional fees.

Finance costs, net

For the six months ended 30 September 2020, the net finance costs of the Group amounted to approximately HK\$2.4 million, which remained relatively stable when compared with that of approximately HK\$2.4 million for the same period in 2019.

Income tax expenses

For each of the six months ended 30 September 2020 and 30 September 2019, the Group recorded income tax expenses of approximately HK\$0.1 million and HK\$0.8 million, respectively, representing an effective tax rate of approximately 1.2% and 15.9%, respectively, for the corresponding periods. The low effective tax rate for the six months ended 30 September 2020 was due to the recognition of the government subsidy granted by the Hong Kong Special Administrative Region Government under the Anti-Epidemic Fund, which was a non-taxable income.

Net profit

Profit attributable to owners of the Company for the six months ended 30 September 2020 was approximately HK\$10.2 million, representing an increase of approximately 191.4% from approximately HK\$3.5 million for the same period in 2019. The net profit for the six months ended 30 September 2020 was approximately HK\$10.7 million (six months ended 30 September 2019: approximately HK\$3.9 million). Such significant increase in net profit was primarily due to the receipt of the first tranche of wage subsidy under the Employment Support Scheme launched by the Hong Kong Special Administrative Region Government which amounted to approximately HK\$11.9 million and partially offset by an operational loss recorded from the Retail Business of the Group as a result of the weakened market sentiment caused by the outbreak of COVID-19 since February 2020. As the market sentiment may take some time to improve, we will continue to put effort in our products offerings and marketing in order to maintain our sales and market shares. On the other hand, the Group will implement cost control measures to further drive cost efficiency.

The net profit margin (calculated as a ratio of net profit for the period to revenue) for the six months ended 30 September 2020 was approximately 4.3%, as compared to approximately 1.5% for the same period in 2019. Basic earnings per share for the six months ended 30 September 2020 amounted to approximately HK2.5 cents, as compared to approximately HK0.9 cents for the same period in 2019.

Capital expenditure

During the six months ended 30 September 2020, capital expenditure amounted to approximately HK\$14.6 million. This amount was mainly used for the opening of new retail outlets.

Liquidity and financial resources review

Our Group is financially sound with cash and cash equivalents and short-term bank deposits amounted to approximately HK\$48.8 million as at 30 September 2020 (31 March 2020: approximately HK\$38.5 million). As at 30 September 2020, the gearing ratio of the Group was approximately 45.8% (31 March 2020: approximately 52.7%), which was calculated based on the total debt divided by the total capital at the end of the financial period/year and multiplied by 100%. Debt of the Group refers to bank borrowings and lease liabilities. As at 30 September 2020, the Group has total bank facilities of approximately HK\$103.4 million (31 March 2020: approximately HK\$103.4 million) of which approximately HK\$47.6 million (31 March 2020: approximately HK\$75.9 million) has been utilised. We aim to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable us to continue our business in a manner which is consistent with our short-term and long-term financial strategies of the Group.

Foreign currency risk

The Group operates in Hong Kong and is exposed to foreign exchange risk from the purchase of goods from overseas suppliers and cash and bank borrowings denominated in foreign currencies, primarily with respect to Japanese Yen, Taiwan New dollar and United States dollar. The Group will continue to take proactive measures and monitor closely of its exposure to such currency movement.

Treasury policies

The Group adopts prudent treasury policies. The Group's management has monitor procedures to ensure that follow up action is taken to recover overdue debts. In addition, the management reviews regularly the recoverable amount of each individual trade receivable by taking into account the market conditions, customers' profiles and contractual terms to ensure that adequate impairment is made for irrecoverable amounts. On top of these ongoing credit evaluations, the Board also closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Capital structure

The shares of the Company (the “**Shares**”) were successfully listed on the Main Board of the Stock Exchange on 14 March 2018 (the “**Listing Date**”). There has been no change in the capital structure of the Group since then. The share capital of the Company only comprises ordinary Shares. As at 30 September 2020, the Company had 400,000,000 Shares in issue.

Material acquisitions and disposals of subsidiaries and affiliated companies

For the six months ended 30 September 2020, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Significant investments and acquisitions of capital assets

For the six months ended 30 September 2020, the Group did not hold any significant investments nor made any significant acquisitions of capital assets.

Capital commitments and contingent liabilities

Details of the capital commitments of the Group are set out in Note 16 to the interim condensed consolidated financial information in this Announcement. The Group has no material contingent liabilities as at 30 September 2020.

Event after the reporting period

No significant event has taken place after 30 September 2020 and up to the date of this Announcement.

Employees and remuneration policies and training schemes

As at 30 September 2020, the Group employed a total of 731 employees (as at 31 March 2020: 730) and the employee benefit expenses including directors’ emoluments were approximately HK\$52.0 million (as at 31 March 2020: HK\$109.3 million). The Group offers a comprehensive remuneration package which is reviewed by the management on a regular basis. The Group has also provided training programmes to its management and employees regularly to ensure that they are properly trained.

USE OF PROCEEDS

The Shares have been successfully listed on the Main Board of the Stock Exchange on the Listing Date. The net proceeds from the listing, after deducting commission and expenses in connection with the listing, were approximately HK\$71.1 million (the “**IPO Proceeds**”).

As at 30 September 2020, the unused net proceeds from the share offer were approximately HK\$2.2 million. The Directors will review the business opportunities available to the Group from time to time for applying the net proceeds according to the purposes stated in the Prospectus (as defined below). Save for the announcements of the Company dated 14 August 2019 (the “**14 August 2019 Announcement**”) and 20 August 2018 (the “**20 August 2018 Announcement**”) regarding a change in allocation of the net proceeds from the share offer, the Directors do not anticipate that there will be any material change in the proposed use of the net proceeds from the share offer.

References are made to: (1) the prospectus of the Company dated 26 February 2018 (the “**Prospectus**”); (2) the Company’s announcement dated 13 March 2018 (the “**Allotment Results Announcement**”); (3) the 20 August 2018 Announcement; and (4) the 14 August 2019 Announcement. An analysis of the utilisation of the IPO Proceeds up to the period ended 30 September 2020 is set out below:

	Original allocation of the IPO Proceeds (as disclosed in the Allotment Results Announcement) <i>HK\$'000</i>	Second revised allocation of IPO Proceeds (as disclosed in the 14 August 2019 Announcement) <i>HK\$'000</i>	Utilised IPO Proceeds as at 30 September 2020 <i>HK\$'000</i>	Unutilised IPO Proceeds as at 30 September 2020 <i>HK\$'000</i>
Opening new shops				
– TenRen	26,200	33,030	(33,030)	–
– Jiu Tang Wu	18,000	3,170	(3,170)	–
– Uncle Tetsu	2,400	–	–	–
Introducing a new beverage brand	–	1,640	(1,640)	–
Introducing another new food brand	–	8,000	(8,000)	–
Upgrading the ERP system	3,600	3,600	(3,600)	–
Leasing of warehouse facilities	12,300	12,300	(10,097)	2,203
Expansion of sales and marketing team	2,500	2,500	(2,500)	–
General working capital	6,100	6,860	(6,860)	–
	<hr/>	<hr/>	<hr/>	<hr/>
Total	71,100	71,100	(68,897)	2,203
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK1 cent per share (six months ended 30 September 2019: Nil) payable on or about Tuesday, 22 December 2020 to the shareholders of the Company (the “**Shareholders**”) whose names appeared on the Company’s register of members on Tuesday, 15 December 2020.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appeared on the register of members of the Company on Tuesday, 15 December 2020 will be eligible for the interim dividend. The register of members of the Company will be closed from Friday, 11 December 2020 to Tuesday, 15 December 2020, both days inclusive. In order to qualify for the interim dividend, Shareholders should ensure that all properly completed transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Thursday, 10 December 2020.

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining the highest standard of corporate governance to safeguard the Shareholder’s interests. During the period from 1 April 2020 up to the date of this Announcement, the Company has applied the principles in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules. The corporate governance principles of the Company emphasises an effective board with a high level of integrity, sound internal controls, as well as ensuring a high degree of transparency and accountability, which does not only enhance corporate value for the Shareholders but also protect the long-term sustainability of the Group. In the opinion of the Board, during the period from the Listing Date up to the date of this Announcement, the Company has complied with all the code provisions in the CG Code, save and except for code provision A.2.1 which states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Chan Kam Chuen Andrew is both our chairman and chief executive officer and is responsible for the overall management of the Group and directing the strategic development and business plans of the Group. The Board believes that vesting the roles of the chairman and chief executive officer in the same individual (that is, Mr. Chan Kam Chuen Andrew) would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans.

The Board believes that the balance of power and authority is sufficiently maintained by the operation of the senior management and the Board, which comprises experienced and high calibre individuals. The Board currently comprises four executive Directors (including Mr. Chan Kam Chuen Andrew) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. The Board will nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, in order to maintain a high standard of corporate governance practices of the Company and ensure compliance with the code provisions in the CG code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct governing the Directors' transactions in the listed securities of the Company. Employees of the Group (the “**Relevant Employees**”) who, because of their office or employment, are likely to possess inside information in relation to the Company or its securities are also subject to compliance with the Model Code. The Company has made specific enquiry of all Directors, and each Director has confirmed that he or she has complied with the standards as set out in the Model Code during the period from the Listing Date to the date of this Announcement. No incident of non-compliance of the Model Code by the Relevant Employees was noted by the Company during the period from the Listing Date to the date of this Announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2020 and up to the date of this Announcement, there has been no purchase, sale or redemption of any Company's listed securities by the Company or any of its subsidiaries.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The primary duties of the audit committee of the Company (the “**Audit Committee**”) are to (a) make recommendations to the Board on the appointment and removal of external auditor; (b) review the financial statements and material advice in respect of financial reporting and (c) oversee the internal control procedures of the Company. The current members of the Audit Committee are Mr. Chung Kwok Mo John, Mr. Pang Koon Kwai and Mr. See Hung Yan Peter, all being independent non-executive Directors.

The Audit Committee held a meeting on 27 November 2020 and has considered and reviewed the unaudited interim condensed consolidated results and interim condensed consolidated financial statements of the Group and given their opinion and recommendation to the Board. The Audit Committee considers that the unaudited interim condensed consolidated results and interim condensed consolidated financial statements of the Company have complied with the applicable accounting standards and the Company has made appropriate disclosure thereof.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of both the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.bandshk.com>). An interim report of the Company for the six months ended 30 September 2020 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and available on the same websites in due course.

By Order of the Board
B & S International Holdings Ltd.
Chan Kam Chuen Andrew
Chairman and Chief Executive Officer

Hong Kong, 27 November 2020

As at the date of this announcement, the Board comprises Mr. Chan Kam Chuen Andrew, Mr. Chan Siu Cheung Stephen, Mr. Chau Wing Kong William and Ms. Tin Hau Ling Janny as executive Directors; and Mr. Pang Koon Kwai, Mr. See Hung Yan Peter and Mr. Chung Kwok Mo John as independent non-executive Directors.