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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)*

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2023**

### **FINANCIAL HIGHLIGHTS**

The Group has recorded net profit of approximately HK\$29.0 million for the year ended 31 March 2023 (“**FY2023**”) as compared to approximately HK\$1.2 million recorded in the previous financial year (“**FY2022**”).

	<b>For the year ended 31 March 2023 HK\$ million</b>	<b>For the year ended 31 March 2022 HK\$ million</b>	<b>Increase</b>
Revenue	<b>486.8</b>	468.2	4.0%
Gross profit	<b>105.1</b>	77.1	36.3%
Net profit	<b>29.0</b>	1.2	2,316.7%
Basic earnings per share <i>(HK cents)</i>	<b>6.94</b>	0.15	4,526.7%

The net profit for FY2023 included the receipt of wage subsidy under the 2022 Employment Support Scheme launched by the Hong Kong Government which amounted to approximately HK\$9.8 million for the year, as compared to HK\$2.1 million of COVID-19 subsidy received from the Hong Kong Government in FY2022. If the receipt of government subsidies from the Hong Kong Government are excluded for both years, the Group actually recorded an increase in net profit by approximately HK\$20.1 million as compared to FY2022.

Compared to the results of FY2022, which were severely impacted by the fifth wave of the COVID-19 pandemic in Hong Kong, the Group's results improved significantly in FY2023 as Hong Kong economy began to recover from the second quarter of 2022.

	<b>For the year ended 31 March 2023 HK\$ million</b>	For the year ended 31 March 2022 HK\$ million	<b>Increase HK\$ million</b>	<b>%</b>
Segment revenue				
– Distribution Business	<b>244.3</b>	244.0	0.3	0.1%
– Retail Business	<b>242.5</b>	224.2	18.3	8.2%
Segment results				
– Distribution Business	<b>51.1</b>	33.2	17.9	53.9%
– Retail Business	<b>14.0</b>	3.5	10.5	300.0%

During FY2023, the Group's retail business remained committed to enhancing margins through prudent cost control measures. Our successful branding and product marketing campaigns further contributed to an increase in sales, reflecting the effectiveness of our strategic initiatives.

Meanwhile, our distribution business continued to prioritise marketing our existing offerings to maintain market share, while actively sourcing high-quality products from around the world. Our efforts enabled us to capitalise on the opportunities presented by the economic recovery in Hong Kong.

Further to an interim dividend of HK2.5 cents per share paid during FY2023, our Board proposed to declare a final dividend of HK2.5 cents per share (FY2022: Nil), equivalent to a total dividend payout ratio of approximately 71.9% for FY2023.

## ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2023, together with the comparative figures for the year ended 31 March 2022, as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2023*

	<i>Note</i>	<b>2023</b> <b>HK\$'000</b>	2022 <i>HK\$'000</i>
Revenue	4	<b>486,800</b>	468,239
Cost of sales	7	<b>(381,684)</b>	(391,155)
<b>Gross profit</b>		<b>105,116</b>	77,084
Other losses, net	5	<b>(52)</b>	(858)
Other income, net	6	<b>9,543</b>	2,199
Selling and distribution expenses	7	<b>(36,070)</b>	(35,884)
Administrative expenses	7	<b>(42,614)</b>	(37,954)
<b>Operating profit</b>		<b>35,923</b>	4,587
Finance income	8	<b>208</b>	24
Finance costs	8	<b>(3,467)</b>	(3,721)
Finance costs, net	8	<b>(3,259)</b>	(3,697)
<b>Profit before income tax</b>		<b>32,664</b>	890
Income tax (expense)/credit	9	<b>(3,626)</b>	355
<b>Profit and total comprehensive income for the year</b>		<b>29,038</b>	1,245
<b>Profit and total comprehensive income attributable to:</b>			
Owners of the Company		<b>27,753</b>	596
Non-controlling interest		<b>1,285</b>	649
		<b>29,038</b>	1,245
<b>Earnings per share for profit attributable to owners of the Company during the year</b> <i>(expressed in HK cents per share)</i>			
– basic and diluted	10	<b>6.94</b>	0.15

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	<i>Note</i>	<b>2023</b> <b>HK\$'000</b>	2022 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>7,390</b>	9,702
Right-of-use assets		<b>43,984</b>	46,555
Deferred income tax assets		<b>8,854</b>	11,064
Deposits and other assets		<b>10,935</b>	10,538
		<b>71,163</b>	77,859
<b>Current assets</b>			
Inventories		<b>21,767</b>	19,781
Trade receivables	12	<b>54,434</b>	52,914
Deposits, prepayments and other receivables		<b>13,952</b>	16,034
Restricted cash		<b>30,000</b>	30,000
Short-term bank deposits		<b>727</b>	410
Cash and cash equivalents		<b>75,630</b>	54,809
		<b>196,510</b>	173,948
<b>Total assets</b>		<b>267,673</b>	251,807
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	13	<b>4,000</b>	4,000
Reserves		<b>79,794</b>	79,794
Retained earnings		<b>60,948</b>	43,195
		<b>144,742</b>	126,989
Non-controlling interest		<b>3,945</b>	3,950
<b>Total equity</b>		<b>148,687</b>	130,939

	<i>Note</i>	<b>2023</b> <b>HK\$'000</b>	2022 <i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liability</b>			
Lease liabilities		<b>15,875</b>	18,488
<b>Current liabilities</b>			
Trade and other payables	14	<b>46,697</b>	39,266
Income tax payable		<b>935</b>	198
Lease liabilities		<b>31,372</b>	32,545
Bank borrowings		<b>24,107</b>	30,371
		<b>103,111</b>	102,380
<b>Total liabilities</b>		<b>118,986</b>	120,868
<b>Total equity and liabilities</b>		<b>267,673</b>	251,807

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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) distribution of food and beverage products (“Distribution Business”), and (ii) provision of catering services (“Retail Business”) in Hong Kong.

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial information have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial information have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

#### (a) *Amendments to existing standards adopted by the Group*

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 April 2022:

<b>Standards</b>	<b>Subject of amendment</b>
HKFRS 16 (Amendments)	Property, plant and equipment: Proceeds before intended use
HKAS 37 (Amendments)	Onerous contracts – cost of fulfilling a contract
HKFRS 3 (Amendments)	Reference to the conceptual framework
Annual Improvements to HKFRS Standards 2018–2020	HKFRS 9, HKFRS 16, HKFRS 1, HKAS 41
Accounting Guideline 5 (Revised)	Combinations merger accounting for common control

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) *New standards, amendments to existing standards and interpretations not yet adopted*

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 March 2023 reporting periods and have not been early adopted by the Group:

<b>Standards</b>	<b>Subject of amendment</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 April 2023
Amendments to HKAS 8	Definition of accounting estimates	1 April 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 April 2023
HKFRS 17	Insurance contracts	1 April 2023
Amendments to HKFRS 17	Amendments to HKFRS 17	1 April 2023
HKFRS 17	Initial application of HKFRS 17 and HKFRS 9 – Comparative information	1 April 2023
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 April 2024
Amendments to HKAS 1	Non-current liabilities with covenants	1 April 2024
Amendments to HKFRS 16	Lease liability in a sale and leaseback	1 April 2024
HK-Interpretation 5 (Revised)	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayments on demand clause	1 April 2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Management has commenced an assessment of the impact of these new standards, amendments and interpretation, but is yet in a position to determine whether these new, amendments to existing standards and interpretation would have significant impacts on the Group results of operations and financial position in the coming years.

### 3 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 performance and allocate resources.

The Group is principally engaged in Distribution Business and Retail Business in Hong Kong. The Executive Directors consider 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 Retail Business to assess the performance of the operating segments.

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

The segment information provided to the CODM for the reportable segments for the years ended 31 March 2023 and 2022 is as follows:

	<b>For the year ended 31 March 2023</b>		
	<b>Distribution Business HK\$'000</b>	<b>Retail Business HK\$'000</b>	<b>Total HK\$'000</b>
Segment revenue – recognised at a point in time	<u>244,338</u>	<u>242,462</u>	<u>486,800</u>
Segment results	<u>51,061</u>	<u>13,967</u>	65,028
Unallocated expenses			(38,596)
Other losses, net			(52)
Other income, net			9,543
Finance costs, net			<u>(3,259)</u>
Profit before income tax			32,664
Income tax expense			<u>(3,626)</u>
Profit for the year			<u>29,038</u>
<b>Segment items included:</b>			
Depreciation of property, plant and equipment	1,360	6,562	7,922
Depreciation of right-of-use assets	–	38,158	38,158
Impairment loss on property, plant and equipment	–	374	374
Impairment loss on right-of-use assets	<u>–</u>	<u>911</u>	<u>911</u>

	For the year ended 31 March 2022		
	Distribution Business HK\$'000	Retail Business HK\$'000	Total HK\$'000
Segment revenue – recognised at a point in time	244,025	224,214	468,239
Segment results	33,178	3,466	36,644
Unallocated expenses			(33,398)
Other losses			(858)
Other income			2,199
Finance costs, net			(3,697)
Profit before income tax			890
Income tax credit			355
Profit for the year			1,245
<b>Segment items included:</b>			
Depreciation of property, plant and equipment	2,303	12,578	14,881
Depreciation of right-of-use assets	–	41,397	41,397
Impairment loss on property, plant and equipment	–	881	881
Impairment loss on right-of-use assets	–	1,590	1,590

The segment assets as at 31 March 2023 and 2022 and the reconciliation to the total assets are as follows:

	As at 31 March 2023		
	Distribution Business HK\$'000	Retail Business HK\$'000	Total HK\$'000
Total segment assets	71,190	77,078	148,268
Total segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	205	42,390	42,595
	As at 31 March 2022		
	Distribution Business HK\$'000	Retail Business HK\$'000	Total HK\$'000
Total segment assets	71,221	80,401	151,622
Total segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	1,134	36,634	37,768

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Total segment assets	148,268	151,622
Unallocated:		
Deferred income tax assets	8,854	11,064
Deposit and other assets	4,194	3,902
Restricted cash	30,000	30,000
Short-term bank deposits	727	410
Cash and cash equivalents	75,630	54,809
	<u>267,673</u>	<u>251,807</u>
Total assets	<u>267,673</u>	<u>251,807</u>

The segment liabilities as at 31 March 2023 and 2022 and the reconciliation to the total liabilities are as follows:

	As at 31 March 2023		
	Distribution Business <i>HK\$'000</i>	Retail Business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total segment liabilities	<u>35,530</u>	<u>72,998</u>	<u>108,528</u>
	As at 31 March 2022		
	Distribution Business <i>HK\$'000</i>	Retail Business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total segment liabilities	<u>41,568</u>	<u>69,581</u>	<u>111,149</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Total segment liabilities	108,528	111,149
Unallocated:		
Other payables	1,523	1,521
Income tax payable	935	198
Bank borrowings	8,000	8,000
	<u>118,986</u>	<u>120,868</u>
Total liabilities	<u>118,986</u>	<u>120,868</u>

#### 4 REVENUE

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Sales of goods	244,338	244,025
Catering services	242,462	224,214
	<u>486,800</u>	<u>468,239</u>

For the year ended 31 March 2023, customer A from Distribution Business accounted for approximately 17% (2022: approximately 18%) of the Group's revenue.

All other customers individually accounted for less than 10% of the Group's revenue for the years ended 31 March 2023 and 2022.

#### 5 OTHER LOSSES, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Change in cash surrender value of key management life insurance contracts	(224)	(127)
Loss on disposal of property, plant and equipment	(112)	(45)
Exchange gain/(loss)	284	(686)
	<u>(52)</u>	<u>(858)</u>

#### 6 OTHER INCOME, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Government subsidy ( <i>Note</i> )	9,774	2,100
Sundry (loss)/income	(231)	99
	<u>9,543</u>	<u>2,199</u>

*Note:* Government subsidy represents subsidies of HK\$9,774,000 (2022: HK\$2,100,000) granted by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic fund. There are no unfulfilled conditions or other contingencies attaching in the subsidy.

## 7 EXPENSES BY NATURE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of inventories sold	221,328	229,761
Packing materials	2,183	1,495
Depreciation of property, plant and equipment	7,922	14,881
Depreciation of right-of-use assets	38,158	41,397
Employee benefit expenses	106,941	96,898
Short-term and variable lease payments	18,378	16,628
Utilities expenses	16,454	15,312
Transportation and logistics service expenses	11,829	11,728
Freight charges	6,285	6,121
Auditor's remuneration	1,500	1,500
Franchise fee	4,127	3,579
Impairment loss on property, plant and equipment	374	881
Impairment loss on right-of-use assets	911	1,590
Legal and professional fees	2,285	1,970
Others	21,693	21,252
	<u>460,368</u>	<u>464,993</u>
Representing:		
Cost of sales	381,684	391,155
Selling and distribution expenses	36,070	35,884
Administrative expenses	42,614	37,954
	<u>460,368</u>	<u>464,993</u>

## 8 FINANCE COSTS, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Finance income</b>		
– Bank interest income	208	24
<b>Finance costs</b>		
– Interest expense on bank borrowings	(1,154)	(1,122)
– Lease liabilities	(2,313)	(2,599)
	(3,467)	(3,721)
<b>Finance costs, net</b>	(3,259)	(3,697)

## 9 INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided 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 entities estimated assessable profits for the year ended 31 March 2023 (2022: same).

The amount of taxation charged/(credited) to the consolidated statement of comprehensive income represents:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current income tax	1,443	461
Over provision in prior year	(27)	–
Deferred income tax	2,210	(816)
	3,626	(355)

## 10 EARNINGS PER SHARE

### (a) Basic earnings per share

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 year.

	2023	2022
Profit attributable to owners of the Company ( <i>HK\$'000</i> )	27,753	596
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	400,000	400,000
Basic earnings per share ( <i>HK cents</i> )	6.94	0.15

### (b) Diluted earnings per share

For the years ended 31 March 2023 and 2022, diluted earnings per share equals basic earnings per share as there was no dilutive potential shares.

## 11 DIVIDENDS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interim dividend, paid of HK2.5 cents (2022: Nil) per ordinary share	10,000	–
Final dividend, proposed of HK2.5 cents (2022: Nil) per ordinary share	<u>10,000</u>	<u>–</u>

Dividend paid during the year ended 31 March 2023 were HK\$10,000,000 (HK2.5 cents per ordinary share).

A final dividend in respect of the year ended 31 March 2023 of HK2.5 cents per ordinary share, totalling HK\$10,000,000, was proposed by the Board on 27 June 2023 which is subject to the approval of shareholders at the forthcoming annual general meeting. These proposed dividends are not reflected as dividend payable in the consolidated statement of financial position.

## 12 TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables – third parties	<u>54,434</u>	<u>52,914</u>

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

As at 31 March 2023 and 2022, the ageing analysis of the trade receivables based on invoice date was as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–30 days	20,795	18,510
31–60 days	11,902	9,183
61–90 days	12,660	13,975
91–180 days	8,108	10,072
Over 180 days	<u>969</u>	<u>1,174</u>
	<u>54,434</u>	<u>52,914</u>

### 13 SHARE CAPITAL

	Number of shares	Share capital HK\$'000
<b>Authorised:</b>		
At 1 April 2021, 31 March 2022 and 2023	10,000,000,000	100,000
<b>Issued and fully paid:</b>		
At 1 April 2021, 31 March 2022 and 2023	400,000,000	4,000

### 14 TRADE AND OTHER PAYABLES

	2023 HK\$'000	2022 HK\$'000
Trade payables ( <i>Note</i> )	19,541	15,877
Accruals for employee benefits	10,606	6,694
Contract liabilities	4,145	5,551
Provision for unused annual leave	598	598
Provision for long service payment	416	416
Provision for reinstatement costs	3,518	3,459
Accruals for operating expenses	5,549	5,506
Other payables	2,324	1,165
	<b>46,697</b>	<b>39,266</b>

*Note:* During the year ended 31 March 2021, the Group entered into an agreement with a supplier in relation to supply of masks with total contract value of HK\$31,000,000. As at 31 March 2023, masks with invoiced value of HK\$9,250,000 (2022: HK\$9,250,000), after deducting the sales rebates of HK\$500,000, under the agreement were delivered to the Group and the Group recorded a trade payable as such in accordance with its accounting policy (2022: same). The Company is now in litigation procedure with the supplier for breach of the agreement (see Note 16). Pending outcome of such litigation, should the Company be able to win the case, the respective trade payable amounts will be derecognised.

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

	2023 HK\$'000	2022 HK\$'000
0–30 days	6,910	2,615
31–60 days	3,376	3,347
61–90 days	–	269
Over 90 days	9,255	9,646
	<b>19,541</b>	<b>15,877</b>

### 15 COMMITMENTS

The Group does not have any material capital commitment as at 31 March 2023 and 31 March 2022.

## 16 CONTINGENT LIABILITIES

On 13 August 2020, Wise Fine Enterprises Limited (“Wise Fine”), an indirect wholly-owned subsidiary of the Company entered into an agreement (the “Agreement”) with a supplier (the “Supplier”) for purchasing a quantity of no less than 21,000,000 pieces of masks with a total contract sum of HK\$31,500,000. The Group placed order to the Supplier for delivery of masks and around 6,500,000 pieces of masks with total transaction price of HK\$9,250,000, after deducting sales rebates of HK\$500,000, were delivered to the Group during December 2020 to January 2021 (the “Delivered Masks”).

Upon receipt of the Delivered Masks, the Group carried out quality check on the masks through certain Hong Kong accredited laboratories and noted consistent failure in meeting the quality standard as stipulated in the Agreement. The Group has been actively negotiating with the Supplier in relation to the quality problem but the Supplier was unable to deliver masks up to the quality standard as stated in the Agreement.

On 29 January 2021, Wise Fine issued a writ of summons through its solicitors against the Supplier in the Court of First Instance of the High Court of Hong Kong (the “Court”). Wise Fine as plaintiff stated that the goods delivered by the Supplier under the Agreement failed to meet the agreed quality and/or standards under the Agreement, and claims against the Supplier of, inter alia, (i) a declaration that the Agreement was lawfully terminated upon the Supplier’s repudiatory breach; (ii) a declaration that the Agreement was lawfully rescinded on the ground of misrepresentation; and (iii) damages, interests and costs of HK\$9,083,000.

On 2 February 2021, Wise Fine received a writ of summons issued in the Court by the solicitors acting for the Supplier as plaintiff against Wise Fine as defendant. As stated in the claim filed against Wise Fine, the Supplier alleged that Wise Fine has breached the Agreement, and claims against Wise Fine, inter alia, the sum of HK\$9,750,000 plus damages, interests and costs. This allegation is mainly related to Wise Fine not settling a payable balance of the same amount relating to purchase of the Delivered Masks from the Supplier.

On 18 March 2021, Wise Fine and the Supplier filed a consent summons to the Court for an order that the actions filed by Wise Fine and the Supplier mentioned above to be consolidated and thereafter be carried on as one action. On 19 March 2021, an order was granted for, inter alia, the consolidation of the actions. On 23 March 2021, the consolidated statement of claim was issued in the Court by Wise Fine, demanding, inter alia for lawful termination of the Agreement, damages for breach of contract or misrepresentation and an order that the Supplier indemnify Wise Fine from any and all loss and damage sustained by Wise Fine as a result of the defects in the goods supplied by the Supplier under the Agreement and further interest, costs and other reliefs, amounting to approximately HK\$9,083,000.

On 11 May 2021, Wise Fine received a consolidated defence and counterclaim from the Supplier in response to the consolidated statement of claim made by Wise Fine with claim amounts amounting to approximately HK\$27,186,000, including, among others, the claim on Delivered Masks of HK\$9,750,000 plus further damages, interests, costs and any other further reliefs.

Management believes that the allegations and claims from the Supplier are without merit and not substantiated. Management considers that the quality problems of the masks, as evidenced by certain testing reports prepared by several Hong Kong accredited laboratories, provided strong evidence that Wise Fine will win the court case eventually. Management considered that the Supplier has not fulfilled its obligations in the Agreement and it constituted a repudiatory breach of contract. Accordingly, management are of the view that no additional provision shall necessarily be made for the remaining claim amounts. Should the Group win the case in the end, the trade payables in relation to the Delivered Masks will be derecognised.

The final outcome of the litigation and the actual financial impacts to the consolidated financial statements cannot be estimated with certainty. Nonetheless, should Wise Fine lose the legal case in full, Wise Fine would have to record additional loss from litigation of HK\$17,936,000, being the claim sum submitted by the Supplier for the undelivered committed masks plus legal costs.

## MANAGEMENT DISCUSSION AND ANALYSIS

Compared to the results of FY2022, which were severely impacted by the fifth wave of the COVID-19 pandemic in Hong Kong, the Group's results improved significantly in FY2023 as Hong Kong economy began to recover from the second quarter of 2022.

For the year ended 31 March 2023, the Group's turnover amounted to approximately HK\$486.8 million (2022: approximately HK\$468.2 million), representing an increase of approximately 4.0%, which was mainly attributable to the post-pandemic economic recovery in Hong Kong. The Group's gross profit increased from approximately HK\$77.1 million in FY2022 to approximately HK\$105.1 million in FY2023, representing an increase of approximately HK\$28.0 million, which is equivalent to an increase of approximately 36.3%. Profit attributable to owners of the Company for FY2023 was approximately HK\$27.8 million (2022: approximately HK\$0.6 million), representing an increase of approximately HK\$27.2 million or 4,533.3%.

The Group is a well-established food and beverage company with over 30 years of operating history in Hong Kong. It has two business segments, namely (i) the distribution business; and (ii) the retail business.

### DISTRIBUTION BUSINESS

For distribution business, we distribute and market a diversified portfolio of overseas branded food and beverage products to mainly retailers, such as supermarkets, pharmacies, convenience stores and department store chains in Hong Kong. We also provide supply chain solutions from importing the products from the overseas brand owners to marketing the products to retailers in Hong Kong. Our services include (i) arranging inbound logistics; (ii) relabeling the products to comply with the relevant Hong Kong food safety and labelling laws; (iii) repackaging the products to suit the needs of the retailers or consumers; and (iv) formulating marketing and sales strategies, including advising on retail prices, organising promotion campaigns as well as designing and producing customised display racks or stands to be placed at the customers' points of sales.

The Group was able to offer a total of approximately 7,000 SKUs of food and beverage products from over 100 brands, including "UHA" (味覺糖) and "Hsin Tung Yang" (新東陽) which are regarded as popular items in the market.

Our distribution business continued to prioritise marketing our existing offerings to maintain market share, while actively sourcing high-quality products from around the world. Our efforts enabled us to capitalise on the opportunities presented by the economic recovery in Hong Kong.

For the year ended 31 March 2023, the revenue generated from the distribution business increased to approximately HK\$244.3 million (2022: approximately HK\$244.0 million), representing an increase of approximately HK\$0.3 million. Revenue generated from the distribution business contributed to approximately 50.2% of the Group's total revenue in FY2023.

## RETAIL BUSINESS

We principally prepare and sell overseas branded food and beverage products licensed to us at our self-operated retail outlets in Hong Kong. As at 31 March 2023, we had set up 65 self-operated retail outlets and details of the outlets are set out below:

	2023	2022
TenRen (天仁茗茶)	57	55
Chef Hung (洪師傅)	4	4
Others	4	3
	<u>65</u>	<u>62</u>

The number of “TenRen (天仁茗茶)” retail outlets increased slightly from 55 stores as at 31 March 2022 to 57 as at 31 March 2023. Our “TenRen (天仁茗茶)” retail network spans across Hong Kong Island, Kowloon and New Territories in Hong Kong.

The Group’s retail business remained committed to enhancing margins through prudent cost control measures. Our successful branding and product marketing campaigns further contributed to an increase in sales, reflecting the effectiveness of our strategic initiatives.

The revenue generated from the retail business increased to approximately HK\$242.5 million for the year ended 31 March 2023 (2022: approximately HK\$224.2 million), representing an increase of approximately HK\$18.3 million. Revenue generated from the retail business contributed to approximately 49.8% of the Group’s total revenue in FY2023. Such increase in revenue generated from our retail business was mainly impacted by the post-pandemic recovery of the Hong Kong economy during the year.

### Same store sales performance

We evaluate our performance in each individual outlets by calculating the average same-store sales growth, which compares the average revenue derived from outlets that were in operation throughout the financial periods under comparison. The following table sets forth the average same-store sales performance of our “TenRen (天仁茗茶)” retail outlets:

	Year ended 31 March			
	2021	2022	2022	2023
Number of same-store	53		55	
Average same-store sales	HK\$3.33 million	HK\$3.19 million	<b>HK\$3.19</b> million	<b>HK\$3.41</b> million
Average same-store sales growth rate	(4.2%)		<b>6.9%</b>	

## Average selling prices and volume

The average selling price of our “TenRen (天仁茗茶)” beverage products increased during the year ended 31 March 2023. This was primarily due to the impact of inflation, rising wages, and increased raw material costs, which led us to make the decision to raise our product prices.

Despite the challenging market conditions, we remain committed to delivering high-quality products to our customers, while maintaining our competitiveness in the market. We will continue to closely monitor market trends and adjust our pricing strategies accordingly to ensure our long-term sustainability and success.

The following table sets forth the average selling price and average daily sales volume of our “TenRen (天仁茗茶)” tea drink products for the years indicated:

	Year ended 31 March	
	2023	2022
Average selling price (HK\$)		
Tea drink products ( <i>per cup</i> )	<b>26.4</b>	23.6
Packaged tea leaves products ( <i>per unit</i> )	<b>115.4</b>	105.3
Average daily sales volume		
Tea drink products ( <i>cup</i> )	<b>19,000</b>	19,000
Packaged tea leaves products ( <i>unit</i> )	<b>200</b>	200

## INDUSTRY OVERVIEW

Although the Hong Kong economy was encountering a post-pandemic recovery during FY2023, the market condition is still challenging and may continue to impact consumer sentiment in Hong Kong. The weak global economy as well as some external headwinds, including the uncertainties stemming from the high interest rate environment, high inflation and geopolitical tensions have led to a challenging trade environment for retail business in Hong Kong.

### Retail sector

Retail business operators in Hong Kong, especially the tea drinks serving retailers, continue to face the following challenges:

#### *Fierce competition in the tea drinks serving industry*

The competition within the tea drinks serving industry in Hong Kong is still fierce because of the massive number of participants in the market.

Given the keen competition, tea drinks operators would need to spend more effort on product offering and marketing to attract more consumers.

### ***Severe labour shortage in Hong Kong***

The food and beverage serving establishments in Hong Kong have been facing significant challenges due to the severe labour shortage in Hong Kong, which has made it extremely difficult to hire staff. Such labour shortage has resulted in an increase in market wages, together with the already high rental prices of private retail premises, it has created a significant financial burden for food and beverage serving establishments in Hong Kong.

### **Distribution sector**

In the distribution sector, distribution business operators in Hong Kong continue to face the following challenges:

#### ***High operating costs***

Distribution business operators are facing high rental costs of warehouses and retail premises. This has restricted the expansion of business scale and increased operating costs for the distribution business. On the other hand, as the distribution business is highly labour intensive and service-oriented, severe labour shortage in Hong Kong have laid pressure on the distribution business operators.

#### ***The ease of online retailing***

Nowadays, consumers can access to almost all products and services via the Internet, contributed by the online retailing and emergence of various payment platforms. Also, many food and beverage brands allow online purchases and offer fast delivery services, providing greater convenience for customers. This creates more competition for traditional brick-and-mortar retailers, as customers can directly purchase online rather than buying from the franchised outlets of these brands.

## **PROSPECTS**

Looking forward to the opportunities and challenges in the coming financial year, the Group will continue to adhere to products of high quality and the multi-brand development strategy.

For retail business, increased level of social activities and gatherings are expected to drive the growth of our revenue, and a number of sales and marketing initiatives have been prepared to capture consumer spending fuelled by the economic recovery in Hong Kong. The Group plans to strengthen the leading market position of our TenRen business and expand our casual dining business through brand building, improving customer experience, product innovations, digitalisation and automation.

On the other hand, the Group is proactively reviewing its lease agreements with landlords to optimise our cost structure and business model for the future. At the same time, we will take strong actions to control operating costs including manpower, rental expenses and other operating expenses and further drive efficiency.

For the distribution business, the Group intends to enlarge its brand and product portfolio to remain competitive in the market and to ensure a wider selection for its customers. The Group will focus on identifying overseas brands and products that suit the tastes and preferences of Hong Kong consumers in order to capitalise on the opportunities presented by the economic recovery in Hong Kong.

## **FINANCIAL OVERVIEW**

### **Revenue**

For the year ended 31 March 2023, the Group's revenue amounted to approximately HK\$486.8 million, representing an increase of approximately 4.0% from approximately HK\$468.2 million for the same period in 2022. The revenue generated from the retail business increased to approximately HK\$242.5 million for the year ended 31 March 2023, representing an increase of approximately HK\$18.3 million (2022: approximately HK\$224.2 million), which has contributed to approximately 49.8% of the Group's total revenue. Such increase was mainly due to the post-pandemic recovery of the Hong Kong economy during the year ended 31 March 2023.

The revenue generated from the distribution business increased to approximately HK\$244.3 million for the year ended 31 March 2023, representing an increase of approximately HK\$0.3 million (2022: approximately HK\$244.0 million), which has contributed to approximately 50.2% of the Group's total revenue.

### **Cost of sales**

For the year ended 31 March 2023, the Group's cost of sales amounted to approximately HK\$381.7 million, representing a decrease of approximately 2.4% from approximately HK\$391.2 million for the same period in 2022. Such decrease was mainly due to the lowered purchase cost resulted from the depreciation of the Japanese yen and the New Taiwan dollar against the Hong Kong dollar during FY2023. Our cost of sales accounted for approximately 78.4% of the Group's total revenue for the year ended 31 March 2023 (2022: approximately 83.5%).

## **Gross profit and gross profit margin**

For the year ended 31 March 2023, the Group's gross profit amounted to approximately HK\$105.1 million, representing an increase of approximately 36.3% from approximately HK\$77.1 million for the same period in 2022. The Group's gross profit margin for the year ended 31 March 2023 increased by approximately 5.1% to approximately 21.6% as compared to that of approximately 16.5% in 2022. The increase in gross profit margin was mainly due to the prudent cost control measures and margin enhancing strategy implemented by the Group and the depreciation of the Japanese yen and the New Taiwan dollar against Hong Kong dollar as stated above.

## **Selling and distribution expenses**

For the year ended 31 March 2023, selling and distribution expenses of the Group amounted to approximately HK\$36.1 million, representing a slight increase of approximately 0.6% from approximately HK\$35.9 million for the same period in 2022.

## **Administrative expenses**

For the year ended 31 March 2023, administrative expenses of the Group amounted to approximately HK\$42.6 million, representing an increase of approximately 12.1% from approximately HK\$38.0 million for the same period in 2022. Such increase was primarily due to the inflation of various expenses.

## **Finance costs, net**

For the year ended 31 March 2023, net finance costs of the Group amounted to approximately HK\$3.3 million, representing a decrease of approximately 10.8% from approximately HK\$3.7 million for the same period in 2022, which was mainly attributable to the decrease of borrowing level during FY2023.

## **Income tax expense/credit**

For the year ended 31 March 2023, the Group recorded income tax expense of approximately HK\$3.6 million (2022: income tax credit of approximately HK\$0.4 million), representing an effective tax rate of approximately 11.1% (2022: N/A).

## **Net profit**

Profit attributable to owners of the Company for the year ended 31 March 2023 was approximately HK\$27.8 million, which increased by approximately 4,533.3% from approximately HK\$0.6 million in FY2022. The net profit margin (calculated as the ratio of the net profit for the year to the revenue) for the year ended 31 March 2023 was approximately 6.0%, which increased significantly as compared to that of approximately 0.3% for the same

period in 2022. Basic earnings per share for the year ended 31 March 2023 amounted to approximately HK6.94 cents, as compared to that of approximately HK0.15 cents for the same period in 2022.

### **Capital expenditure**

During the year ended 31 March 2023, capital expenditure amounted to approximately HK\$42.6 million (2022: approximately HK\$37.8 million). This amount was used mainly for the opening of new retail outlets and addition of right-of-use assets.

### **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to achieving and maintaining the highest standard of corporate governance to safeguard Shareholder's interests.

During the year ended 31 March 2023, the Company has applied the principles in the Corporate Governance Code (the "**CG Code**") as set out in Part 2 of Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange. The corporate governance principles of the Company emphasise an effective Board with a high level of integrity, sound internal controls, as well as a high degree of transparency and accountability, which does not only enhance corporate value for Shareholders but also protect the long-term sustainability of the Group.

In the opinion of the Board, during the year and up to the date of this announcement, the Company has complied with all the code provisions of the CG Code, save and except for code provision C.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 is comprised of 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 of the CG Code.

## **Liquidity and financial resources review**

The Group is financially sound with bank deposits and cash amounting to approximately HK\$76.4 million as at 31 March 2023 (2022: approximately HK\$55.2 million). As at 31 March 2023, the gearing ratio of the Group was approximately 32.4% (2022: approximately 38.3%), which was calculated based on total debt divided by total capital at the end of the financial year. Debt of the Group refers to bank borrowings and lease liabilities. As at 31 March 2023, the Group has total banking facilities of approximately HK\$113.4 million (2022: approximately HK\$113.4 million) of which approximately HK\$31.6 million (2022: approximately HK\$39.7 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 consistent with the 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 the Japanese yen, the New Taiwan dollar and the 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 monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, 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 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 31 March 2023, the Company had 400,000,000 Shares in issue.

## **Capital commitments and contingent liabilities**

Details of the capital commitments and contingent liabilities are set out in Note 15 and Note 16 respectively to this announcement.

## **Employees and remuneration policies**

As at 31 March 2023, the Group employed a total of 692 employees (2022: 609) and the employee benefit expenses including directors' emoluments were approximately HK\$106.9 million (2022: approximately HK\$96.9 million). The Group offers a comprehensive remuneration package which is reviewed by management on a regular basis.

## **SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS**

For the year ended 31 March 2023, the Group did not have any significant investments, acquisitions or disposals of subsidiaries/associates and joint ventures.

## **EVENTS AFTER THE REPORTING DATE**

There were no significant events after the reporting period up to the date of this announcement.

## **AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS**

The audit committee of the Board comprises three independent non-executive Directors, namely, Mr. Chung Kwok Mo John, Mr. Pang Koon Kwai and Mr. See Hung Yan Peter. The audit committee of the Board has reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters with management including a review of the audited consolidated financial statements for the year ended 31 March 2023.

## **REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year.

The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules 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 with 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 year ended 31 March 2023 and up 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 year ended 31 March 2023 and up to the date of this announcement.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 March 2023 and up to the date of this announcement.

## **FINAL DIVIDEND**

Our Board recommends the declaration and payment of a final dividend of HK2.5 cents per share (2022: Nil) for the year ended 31 March 2023 payable to Shareholders whose names appeared on the register of members of the Company on Friday, 29 September 2023. Subject to the approval of Shareholders at the forthcoming annual general meeting (the “**AGM**”), the final dividend will be paid on or around Monday, 9 October 2023.

## **CLOSURE OF REGISTER OF MEMBERS**

### **In relation to the AGM**

Shareholders whose names appeared on the register of members of our Company on Tuesday, 19 September 2023 are entitled to attend and vote at the AGM of our Company. The register of members of our Company will be closed from Thursday, 14 September 2023 to Tuesday, 19 September 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, Shareholders should ensure that all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with our 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 no later than 4:00 p.m. on Wednesday, 13 September 2023.

## **In relation to the proposed final dividend**

For ascertaining Shareholders' entitlement to the proposed final dividend, the register of members of our Company will be closed from Wednesday, 27 September 2023 to Friday, 29 September 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, Shareholders should ensure that all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with our 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 no later than 4:00 p.m. on Tuesday, 26 September 2023.

## **ANNUAL GENERAL MEETING**

The AGM will be held on Tuesday, 19 September 2023. Notice of the AGM will be sent to the shareholders of the Company in due course.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement will be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.bandshk.com](http://www.bandshk.com). The annual report of the Company for the year ended 31 March 2023 and the notice of the AGM will be despatched to the Shareholders and made available on the websites of the Stock Exchange and the Company 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 June 2023

*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.*