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Best Mart 360 Holdings Limited

優品360控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2360)

ANNUAL RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2023

HIGHLIGHTS

- For the nine months ended 31 December 2023, the revenue recorded by the Group amounted to approximately HK\$1,930,831,000, as compared to approximately HK\$2,305,907,000 for the year ended 31 March 2023.
- Profit attributable to owners of the Company for the nine months ended 31 December 2023 was approximately HK\$168,335,000, as compared to approximately HK\$200,997,000 for the year ended 31 March 2023.
- Earnings per share attributable to owners of the Company for the nine months ended 31 December 2023 was approximately HK16.8 cents (year ended 31 March 2023: HK20.1 cents).
- The Board recommended the payment of final dividend of HK6.0 cents per share for the nine months ended 31 December 2023.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Best Mart 360 Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the nine months ended 31 December 2023 (the “**Financial Period under Review**”), together with the comparative figures for the year ended 31 March 2023, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 December 2023

		Period ended 31 December 2023 <i>HK\$'000</i>	Year ended 31 March 2023 <i>HK\$'000</i>
	<i>Notes</i>		
Revenue	5	1,930,831	2,305,907
Cost of sales		<u>(1,236,573)</u>	<u>(1,488,644)</u>
Gross profit		694,258	817,263
Other income and other gains, net	6	4,676	19,920
Selling and distribution expenses		(422,722)	(515,266)
Administrative and other expenses		<u>(62,568)</u>	<u>(72,996)</u>
Operating profit		213,644	248,921
Finance costs	7	<u>(10,930)</u>	<u>(8,708)</u>
Profit before income tax	8	202,714	240,213
Income tax expense	9	<u>(34,379)</u>	<u>(39,216)</u>
Profit for the period/year attributable to owners of the Company		<u><u>168,335</u></u>	<u><u>200,997</u></u>
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of overseas operations		<u>(674)</u>	<u>(328)</u>
Other comprehensive expense for the period/year, net of tax		<u>(674)</u>	<u>(328)</u>
Total comprehensive income for the period/year		<u><u>167,661</u></u>	<u><u>200,669</u></u>
Earnings per share attributable to owners of the Company:			
– Basic and diluted (HK cents)	11	<u><u>16.8</u></u>	<u><u>20.1</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

		31 December	31 March
		2023	2023
	<i>Notes</i>	HK\$'000	HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		446,843	444,408
Deposits		35,500	42,560
Deposits paid for purchase of property, plant and equipment		285	944
Deferred tax assets		2,526	2,311
		<u>485,154</u>	<u>490,223</u>
Current assets			
Inventories		276,691	244,219
Trade receivables	12	16,149	6,139
Deposits, prepayments and other receivables		74,578	50,999
Cash and bank balances		130,712	146,047
		<u>498,130</u>	<u>447,404</u>
Total assets		<u>983,284</u>	<u>937,627</u>
Current liabilities			
Trade payables	13	88,496	68,926
Accruals and other payables	13	60,301	42,026
Bank borrowing		76,756	79,349
Lease liabilities		143,015	133,218
Dividend payable		306	–
Income tax payable		50,044	21,908
		<u>418,918</u>	<u>345,427</u>
Net current assets		<u>79,212</u>	<u>101,977</u>
Total assets less current liabilities		<u>564,366</u>	<u>592,200</u>

		31 December	31 March
		2023	2023
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Accruals and other payables	<i>13</i>	2,805	1,919
Lease liabilities		<u>105,188</u>	<u>111,569</u>
		<u>107,993</u>	<u>113,488</u>
Net assets		<u>456,373</u>	<u>478,712</u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		10,000	10,000
Reserves		<u>446,373</u>	<u>468,712</u>
Total equity		<u>456,373</u>	<u>478,712</u>

NOTES

For the nine months ended 31 December 2023

1. GENERAL

Best Mart 360 Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands 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 on 24 January 2018. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong is 11th Floor, C-Bons International Centre, No. 108 Wai Yip Street, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in retailing of food and beverage, household and personal care products under the “Best Mart 360° (優品360°)” and “FoodVille” brand stores in the Hong Kong Special Administrative Region (“**Hong Kong**”), the Macau Special Administrative Region (“**Macau**”) and the Mainland of the People Republic of China (“**PRC**”) and wholesaling in Hong Kong.

The Directors consider the ultimate controlling party of the Group to be China Merchants Group Limited, which was established in the PRC.

The consolidated financial statements are presented in Hong Kong Dollars (“**HK\$**”), which is also the functional currency of the Company and its subsidiaries and all values are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Change of financial year end date

On 5 September 2023, the Board announced that financial year end date of the Company has been changed from 31 March to 31 December commencing from the financial period ended 31 December 2023 in order to align its financial year end date with the controlling shareholder of the Company. Accordingly, the accompanying consolidated financial statements of the current financial period cover a period of nine months from 1 April 2023 to 31 December 2023. The comparative figures for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes, however, cover a period of twelve months from 1 April 2022 to 31 March 2023, and hence are not directly comparable.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs AND CHANGES IN OTHER ACCOUNTING POLICIES

Application of new and amendments to HKFRSs

In the current year, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2023:

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimate
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules

The application of the new and amendments to HKFRSs in the current period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRSs issued but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of Exchangeability ²

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ Effective for annual periods beginning on or after a date to be determined

The Directors anticipate that the application of the amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

4. SEGMENT INFORMATION

During the period ended 31 December 2023 and the year ended 31 March 2023, the Group operated one reportable and operating segment which is the retail sale of food and beverage, household and personal care products under the “Best Mart 360° (優品360°)” and “FoodVille” brand stores in Hong Kong, Macau and the PRC and wholesaling in Hong Kong. The Group determines its operating segment based on information reported to executive Directors of the Company, who are also the chief operating decision-makers that are used to making strategic decisions. Accordingly, the Group does not present separately segment information.

Geographical segments

The Group’s geographical segments are based on the location of the Group’s assets. Revenue to external customers disclosed in geographical segments are based on the geographical location of its customers.

The following table presents revenue and certain non-current assets information regarding the Group’s geographical segments as at and for the period ended 31 December 2023 and the year ended 31 March 2023.

	Hong Kong <i>HK\$’000</i>	Macau <i>HK\$’000</i>	PRC <i>HK\$’000</i>	Total <i>HK\$’000</i>
31 December 2023				
Revenue	<u>1,885,309</u>	<u>43,333</u>	<u>2,189</u>	<u>1,930,831</u>
Non-current assets*	<u>436,102</u>	<u>9,869</u>	<u>1,157</u>	<u>447,128</u>
31 March 2023				
Revenue	<u>2,242,462</u>	<u>59,624</u>	<u>3,821</u>	<u>2,305,907</u>
Non-current assets*	<u>432,099</u>	<u>11,002</u>	<u>2,251</u>	<u>445,352</u>

* Excludes financial instruments and deferred tax assets.

Information about major customers

Since none of the Group’s sales to a single customer amounted to 10% or more of the Group’s total revenue for the period ended 31 December 2023 (31 March 2023: Nil), no information about major customers in accordance with HKFRS 8 Operating Segments is presented.

5. REVENUE

The Group principally engages in retailing of food and beverage, household and personal care products under the “Best Mart 360° (優品360°)” and “FoodVille” brand stores in Hong Kong, Macau and the PRC and wholesaling in Hong Kong. All revenue of the Group is recognised at a point in time.

Revenue from the Group’s principal activities during the period is as follows:

	Period ended 31 December 2023 HK\$’000	Year ended 31 March 2023 HK\$’000
Revenue from		
Retail sale	1,912,879	2,296,460
Wholesale	41,481	36,142
Less: Sales discounts	(23,529)	(26,695)
	<u>1,930,831</u>	<u>2,305,907</u>

6. OTHER INCOME AND OTHER GAINS, NET

	Period ended 31 December 2023 HK\$’000	Year ended 31 March 2023 HK\$’000
Interest income from bank deposits	5,074	1,292
Losses on written-off/disposal of property, plant and equipment, net	(335)	(868)
Government grant (Note)	–	17,996
Others	(63)	1,500
	<u>4,676</u>	<u>19,920</u>

Note:

The government grant recognised during the year ended 31 March 2023 was mainly related to the COVID-19 related subsidy from Employment Support Scheme of Hong Kong government. During the year ended 31 March 2023, the Group recognised government grant of approximately HK\$17,996,000 from Employment Support Scheme of Hong Kong Government. The Group has elected to present this government grant separately, rather than reducing the related expense. The Group had to commit to spending the assistance on payroll expenses, and not to reduce employee head count below prescribed levels for a specified period of time. The Group did not have any unfulfilled obligations relating to this government grant.

7. FINANCE COSTS

	Period ended 31 December 2023 <i>HK\$'000</i>	Year ended 31 March 2023 <i>HK\$'000</i>
Interest expenses on bank borrowing	1,775	1,844
Interest expenses on lease liabilities	<u>9,155</u>	<u>6,864</u>
	<u><u>10,930</u></u>	<u><u>8,708</u></u>

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Period ended 31 December 2023 <i>HK\$'000</i>	Year ended 31 March 2023 <i>HK\$'000</i>
Directors' emoluments	1,284	1,476
Staff cost:		
– Wages, salaries and other benefits	173,994	194,538
– Contributions to defined contribution pension plans	7,355	8,800
Depreciation of property, plant and equipment	155,215	184,104
Auditor's remuneration		
– Audit services	1,044	1,630
– Non-audit services	250	250
Exchange differences, net	(1,115)	(888)
Costs of inventories recognised as expenses	1,231,518	1,481,068
Written-off of inventories	5,055	7,576
Operating lease payments in respect of retail stores		
– Short-term lease expenses	8,519	22,978
– Contingent rents	<u>14,407</u>	<u>19,587</u>
	<u><u>22,926</u></u>	<u><u>42,565</u></u>

9. INCOME TAX EXPENSE

The income tax expense in the consolidated statement of profit or loss and other comprehensive income during the period represents:

	Period ended 31 December 2023 HK\$'000	Year ended 31 March 2023 HK\$'000
Current income tax		
– Hong Kong Profits Tax	34,108	39,004
– Macau Complementary Income Tax (“MCIT”)	<u>249</u>	<u>511</u>
	34,357	39,515
– Under-provision in respect of prior year	<u>237</u>	<u>496</u>
	34,594	40,011
Deferred income tax	<u>(215)</u>	<u>(795)</u>
Income tax expense	<u>34,379</u>	<u>39,216</u>

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is not subject to income tax in the Cayman Islands.

During the period ended 31 December 2023 and the year ended 31 March 2023, under the two-tiered profits tax rates regime, the first HK\$2 million of estimated assessable profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of other group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

MCIT has been provided at the progressive rate on the estimated assessable profits. The maximum tax rate is 12% for the period ended 31 December 2023 and the year ended 31 March 2023.

No provision of the PRC Corporate Income Tax (“CIT”) has been made as the Group has no assessable profit for CIT for the period ended 31 December 2023 and the year ended 31 March 2023.

10. DIVIDENDS

	Period ended 31 December 2023 HK\$'000	Year ended 31 March 2023 HK\$'000
Final dividend in respect of previous financial years, approved and paid during the period/year	110,000	80,000
Interim dividend declared	<u>80,000</u>	<u>80,000</u>
	<u>190,000</u>	<u>160,000</u>

On 19 August 2022, a final dividend of HK8.0 cents per share for the year ended 31 March 2022 was approved by the Company's shareholders ("**2022 Final Dividend**"). The 2022 Final Dividend of HK\$80,000,000 has been paid during the year ended 31 March 2023.

On 24 November 2022, the Board has resolved to pay an interim dividend of HK8.0 cents per share, amounting to a total dividend of HK\$80,000,000 ("**2023 1st Interim Dividend**"), in respect of the six months ended 30 September 2022. The 2023 1st Interim Dividend has been paid during the year ended 31 March 2023.

On 28 September 2023, a final dividend of HK11.0 cents per share for the year ended 31 March 2023 was approved by the Company's shareholder ("**2023 Final Dividend**"). The 2023 Final Dividend of HK\$110,000,000 was paid during the period ended 31 December 2023.

On 28 November 2023, the Board has resolved to pay an interim dividend of HK8.0 cents per share, amounting to a total dividend of HK\$80,000,000 ("**2023 2nd Interim Dividend**"), in respect of the six months ended 30 September 2023. The 2023 2nd Interim Dividend of HK\$79,694,000 was paid during the period ended 31 December 2023.

11. EARNINGS PER SHARE

The basic earnings per share attributable to owners of the Company for the period ended 31 December 2023 is calculated based on the profit attributable to owners of the Company of approximately HK\$168,335,000 (for the year ended 31 March 2023: HK\$200,997,000) and the weighted average number of ordinary shares of 1,000,000,000 (2023: 1,000,000,000) in issue. The Company did not have any potential dilutive shares for the period ended 31 December 2023 and the year ended 31 March 2023. Accordingly, the diluted earnings per share are the same as the basic earnings per share.

12. TRADE RECEIVABLES

	31 December 2023 HK\$'000	31 March 2023 HK\$'000
Trade receivables	<u>16,149</u>	<u>6,139</u>

As at 31 December 2023, the gross amount of trade receivables arising from contracts with customers amounted to approximately HK\$16,149,000 (31 March 2023: HK\$6,139,000).

Trade receivables mainly represent the outstanding amounts receivable by the Group from Octopus Cards Limited and credit card companies. The settlement terms with credit card companies and octopus card sales are usually within two business days after the date on which the sales are made. No credit term has been granted to any customers of the retail stores.

The Group allows an average credit period of 30 days to its wholesale customers with trading history, or otherwise sales on cash terms are required.

The ageing analysis of the Group's trade receivables based on invoice date is as follows:

	31 December 2023 HK\$'000	31 March 2023 HK\$'000
0-30 days	15,255	5,779
31-60 days	759	272
61-90 days	70	53
Over 90 days	<u>65</u>	<u>35</u>
	<u>16,149</u>	<u>6,139</u>

13. TRADE PAYABLES AND ACCRUALS AND OTHER PAYABLES

(a) Trade payables

The ageing analysis of the Group's trade payables based on invoice date is as follows:

	31 December 2023 HK\$'000	31 March 2023 HK\$'000
0-30 days	72,729	56,564
31-60 days	15,403	12,296
61-90 days	200	-
Over 90 days	<u>164</u>	<u>66</u>
	<u>88,496</u>	<u>68,926</u>

(b) **Accruals and other payables**

	31 December	31 March
	2023	2023
	HK\$'000	HK\$'000
Current:		
Accruals for employee benefit expenses	37,439	20,632
Accruals for rental expenses	6,003	5,871
Accruals for logistic expenses	7,151	6,299
Contract liabilities in relation to cash coupon	650	–
Contract liabilities in relation to customer loyalty programme	–	640
Provision for reinstatement costs	2,111	2,206
Receipt in advance	139	534
Accruals for operating expenses and other payables	<u>6,808</u>	<u>5,844</u>
	<u>60,301</u>	<u>42,026</u>
Non-current:		
Provision for reinstatement costs	<u>2,805</u>	<u>1,919</u>

14. CAPITAL COMMITMENTS

	31 December	31 March
	2023	2023
	HK\$'000	HK\$'000
Commitments for acquisition of property, plant and equipment contracted but not provided for	<u>71</u>	<u>681</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a leisure food retailer operating chain retail stores under the brands “Best Mart 360°” and “FoodVille” in Hong Kong, Macau and the PRC. The Group offers wide selection of imported pre-packaged leisure foods and other grocery products principally from overseas, which can be broadly categorised into (i) chocolates and confectioneries; (ii) nuts and dried fruits; (iii) packaged bakery products and snacks; (iv) biscuits and pastries; (v) cereals and milk; (vi) beverages and wine; (vii) rice, noodles and groceries; (viii) frozen and chilled food; and (ix) other products, such as personal care products, daily items and anti-epidemic products. It is the Group’s business objective to offer “Best Quality” and “Best Price” products to customers through continuous efforts on global procurement, with a mission to provide comfortable shopping environment and pleasurable shopping experience to customers.

CHANGE OF FINANCIAL YEAR END DATE

As disclosed in the announcement of the Company dated 5 September 2023, the Board resolved to change the financial year end date of the Company from 31 March to 31 December. Accordingly, the current audited consolidated financial statements of the Company covered a period of nine months from 1 April 2023 to 31 December 2023 and the audited comparative figures covered a period of twelve months from 1 April 2022 to 31 March 2023. Due to the difference in the length of the reporting period, the audited comparative figures may not be fully comparable.

BUSINESS REVIEW

During the Financial Period under Review, the COVID-19 outbreak has gradually stabilised, and since the resumption of travel in February last year, the Hong Kong Government has been actively preparing and organising a number of large-scale events for the purpose of attracting overseas visitors’ revisit and stimulating the retail consumption market. However, under the haze of the global monetary policy tightening cycle and the Russia-Ukraine war, with the slowdown of economic growths in various places, which dragged down the recovery of tourism, retail and other industries and weakened personal consumption expenditure, the business environment continued to be full of uncertainties.

According to statistics from the Census and Statistics Department, the provisional estimate of the value of retail sales for the whole year of 2023 increased by 16.2% year-on-year, of which the provisional estimates of the value and volume of seasonally adjusted total retail sales decreased by 3.3% and 3.6% respectively in the third quarter of 2023 and the fourth quarter of 2023. In addition, according to a spokesperson for the Hong Kong Tourism Board, the number of visits of tourists to Hong Kong in 2023 recorded approximately 34 million, just returning to approximately half of the pre-COVID-19 level.

Despite the challenging business environment in Hong Kong, the Group continues to rise to the challenge. The Group is committed to enrich its product range and product portfolio to meet the daily needs of consumers in the local community, as well as to introduce global and “made in Hong Kong” specialty foods to attract overseas tourists to purchase in response to the recovery of tourism, which led to the Group’s sales growth despite the weak overall retail market during the Financial Period under Review.

For the nine months ended 31 December 2023, the Group recorded revenue of approximately HK\$1,930,831,000, representing a period-on-period increase of approximately 17.3% as compared with the unaudited revenue of same nine-month period in 2022. Of which, revenue from retail stores in Hong Kong, Macau and the PRC accounted for approximately 97.9% of the Group’s revenue during the Financial Period under Review. The Group’s gross profit margin for the nine months ended 31 December 2023 was approximately 36.0%, representing an increase of 0.6 percentage points compared with 35.4% for the year ended 31 March 2023. During the Financial Period under Review, the Group recorded an approximately 3.4% growth in same store sales performance (for the year ended 31 March 2023: approximately 2.5% growth).

Profit attributable to owners of the Company for the nine months ended 31 December 2023 was approximately HK\$168,335,000 (for the year ended 31 March 2023: approximately HK\$200,997,000). The Group’s net profit margin was approximately 8.7% for both the nine months ended 31 December 2023 and the year ended 31 March 2023.

Chain Retail Stores

As at 31 December 2023, the Group operated a total of 167 chain retail stores (31 March 2023: 154 stores), including 159 chain retail stores (31 March 2023: 145 stores) in Hong Kong, 7 chain retail stores (31 March 2023: 7 stores) in Macau and 1 chain retail store (31 March 2023: 2 stores) in Mainland China, respectively. During the Financial Period under Review, the Group opened 19 new retail stores, and closed 6 stores upon expiration of their respective lease terms in alignment with the optimisation of the Group’s store opening strategy.

As at 31 December 2023, the 159 retail stores of the Group in Hong Kong consist of 28 retail stores located in Hong Kong Island, 54 retail stores located in Kowloon and 77 retail stores located in the New Territories; while 53 retail stores are street-level stores, 104 retail stores are situated in shopping arcades within community or residential districts and 2 retail stores are situated at traffic hubs that are easily accessible by tourists, spanning over all of the 18 districts in Hong Kong. Rental expense (cash basis) for retail stores was approximately HK\$183,154,000 for the nine months ended 31 December 2023 (for the year ended 31 March 2023: approximately HK\$220,230,000). The typical saleable area of the Group's retail stores ranges from approximately 515 square feet to 2,684 square feet.

The ratio of rental expense (cash basis) to sales revenue of retail stores for the nine months ended 31 December 2023 was approximately 9.5%, which was lower than that of approximately 9.6% for the year ended 31 March 2023.

Employees

Employees are crucial to the sustainable development of the Group's business, and in particular, front-line staffs constitute the majority of the labour force of the Group's retail business. Although the business environment remained challenging during the Financial Period under Review, the Group maintained a steady pace of expansion. As at 31 December 2023, the total number of employees of the Group was 1,322, which, excluding Directors, comprised of 863 full-time employees and 459 part-time employees, while the total number of employees of the Group as at 31 March 2023 was 1,121, which, excluding Directors, comprised of 813 full-time employees and 308 part-time employees. In order to retain talented and skilled labour force and to incentivise the Group's employees so as to increase cohesion and loyalty amongst them, the Group regularly reviews and refreshes the employee benefit scheme and remuneration packages with reference to the supply of the labour market, the trend of labour costs and the individual performance of the employees. The staff costs (excluding the Directors' emoluments) for the nine months ended 31 December 2023 amounted to approximately HK\$181,349,000, representing approximately 9.4% of the revenue of the Group for the Financial Period under Review, while the staff costs (excluding the Directors' emoluments) amounted to approximately HK\$203,338,000 for the year ended 31 March 2023, representing approximately 8.8% of the revenue of the Group for the year. Amongst which, the staff costs of frontline and warehouse staff (including basic salary, commission and other benefits) represented approximately 7.2% and 6.9% of the revenue for each of the nine months ended 31 December 2023 and the year ended 31 March 2023, respectively.

Products

During the Financial Period under Review, the Group continued its global procurement policy and mission by sourcing broad spectrum of products worldwide that meet and satisfy market trend and demand. To better cater to the needs of the local community and the international travellers, the Group further strengthened the supply of basic foodstuffs such as cereals, noodles, canned food, milk, chilled and frozen food, daily necessities and basic grocery products. In addition, the Group continued to strengthen its private label sales in retail stores, including nuts and dried fruits, organic grains, wet tissues, canned food, biscuits and snacks, etc., providing consumers with more diversified choices.

For the nine months ended 31 December 2023, the Group offers a total of 3,724 stock keeping units (“SKUs”) of products (for the year ended 31 March 2023: 3,770 SKUs) from suppliers principally from overseas markets, and brand owners or importers in Hong Kong, with product origins mainly from, among others, Japan, Korea, the United States, Europe, Australia, Vietnam and Thailand, as well as other Asia-Pacific countries. The Group sourced the most popular and trendy food products from these countries or regions to offer a globally-diversified, multi-brand and multi-category selection for every customer.

As at 31 December 2023, the total amount of inventories of the Group amounted to approximately HK\$276,691,000 (31 March 2023: approximately HK\$244,219,000), representing an increase of approximately 13.3%. The increase in the Group’s total amount of inventories was mainly due to an increase in the number of retail stores and preparation for increased demand during the peak sales season in the coming quarter.

During the Financial Period under Review, the Group continued to actively develop private label products that on one hand allow the Group to capture advantages of pricing and exercise higher level of quality control on its products and on the other hand further uplift its brand awareness and strengthen customers’ loyalty. For the nine months ended 31 December 2023, sales derived from private label products was approximately HK\$305,520,000 which accounted for approximately 15.8% of the revenue of the Group for the nine months ended 31 December 2023, as compared to approximately HK\$346,352,000 for the year ended 31 March 2023, which accounted for approximately 15.0% of the revenue of the Group for the year ended 31 March 2023, representing an increase of approximately 0.8%. During the Financial Period under Review, the Group has launched an aggregate of 11 private labels, and the products for sale included nuts and dried fruits, organic grains, wet tissues, canned food, biscuits and snacks, etc.

Membership Scheme

Given that the retail business of the Group is a consumer-driven business, the Group placed substantial efforts in developing and reinforcing its customer base. As such, the Group has established a membership scheme since April 2015 in order to promote consumer loyalty, stimulate sales and expand customer base. In order to further deepen customer stickiness and expand customers' coverage, the Group used big data analysis and reformulated its marketing strategy to launch a new three-tier membership scheme and a second generation mobile app in mid-June 2020. The new membership scheme helps to elevate brand positioning and market recognition, and the membership rewards have been fully optimised and enhanced, with more member benefits such as multiple items purchase stamp reward, special offers for selected products and access to latest market information. Through diversified marketing strategies, the Group aims to internally strengthen the membership core from within and attract new customers through external expansion, so as to effectively and purposefully foster the ties between members and the Group, thereby driving recurring business from members and promoting sustainable growth of the Group's business.

During the Financial Period under Review, the number of the Group's members increased from approximately 2,059,688 as at 31 March 2023 to approximately 2,123,365 as at 31 December 2023, representing an increase of approximately 3%.

The year 2023 marked the 10th anniversary of the Group's establishment. The Group conducted various marketing and promotional activities during the Financial Period under Review, including the "Super Best Price (超級至優價)" promotional campaign, which provided customers with a series of special offers for selected quality products to express our gratitude for our customers' support over the years and to enhance customer loyalty. Meanwhile, the Group continued to advertise through television, newspapers, social media platforms and other media, which successfully obtained repeat customers, attracted new customers and greatly promoted the discussions about the Group in the market.

PROSPECTS

Looking ahead, the Board expects that the economy of Hong Kong and the global economy will remain weak in the near future, and the tourism and consumption-related sectors will continue to be under pressure. In the face of uncertainties in Hong Kong's economic and retail business environment, the Group will be cautiously optimistic in expanding its business, closely monitor the development of various adverse factors affecting the Group's operations, and promptly implement necessary and appropriate business measures in response to market changes to minimise the impact on the Group's business operations. With the successive hosting of various world-class mega events in Hong Kong, it is expected to accelerate the pace of recovery of local business activities and drive the gradual recovery of market consumption sentiment. Therefore, the Group will continue to focus on the Hong Kong market as the core of its development, by optimizing its product structure to cover more basic foodstuffs and necessities and enhancing the development of its private label products to cater to the needs of the local market, thus consolidating and strengthening the Group's competitiveness in the retail market.

In order to enhance business operational profits, the Group will continue to review the regional distribution of its brand stores, adjust its store mix through appropriate expansion policies and appropriate leasing strategies, and look for suitable opportunities to expand the store network of its major retail brands "Best Mart 360° (優品360°)" and global gourmet store "FoodVille" in Hong Kong and Macau, with a target of achieving a net increase of 15 retail stores each year to satisfy the demand of different customer segments for quality food products with the pattern of dual-brand. The "Best Mart 360°" brand will focus on serving residential areas, and the Group will continue to optimize the geographical distribution of its stores, review the spatial layout and store expansion opportunities of its existing retail stores, enhance store sales efficiency and provide customers with a more comfortable shopping experience; while "FoodVille" targets large and medium-to-high-end shopping malls in Hong Kong as well as stores with larger area and high customer traffic and density so as to further differentiate the two brands.

The Group introduced China Merchants Hoi Tung Trading Company Limited ("CMHT") as a substantial shareholder during the Financial Period under Review, providing substantial strategic support to the Group and synergy maximisation for the sustainable growth of the Group. The Group will continue to uphold its business mission in offering products with the "Best Quality" and "Best Price" to its customers, adhere to the concept of global sourcing. Through leveraging the extensive cooperation network and resources of CMHT, the Group is committed to explore more upstream suppliers, and optimise its sales categories and maintain its price competitiveness. Furthermore, the Group will proactively source a diversified range of food products worldwide as well as step up the development of its private label products, aiming not only to satisfy market demand for daily necessities but also to provide customers with a broader range of choices.

On the other hand, the Group has entered into a sales and procurement framework agreement with CMHT and will sell products to and purchase products from CMHT and its subsidiaries in the financial year of 2024. The Board believes that through CMHT's robust network of food importers and distributors, the Group will strengthen its procurement and business-to-business (B2B) operations, and provide a more diversified range of imported products and private label products of the Group to customers and other retailers in Hong Kong, online stores and even merchants or enterprises in overseas markets, enriching the Group's streams of revenue and expanding its potential customer base.

In the face of the rapidly changing business environment, the Group is confident, by working closely with its employees, customers and other stakeholders, in creating better results for the Group and the best returns for its shareholders.

FINANCIAL REVIEW

Revenue

During the nine months ended 31 December 2023, the revenue of the Group mainly represented the retail sales to walk-in customers through its retail stores which accounted for approximately 97.9% of the revenue of the Group. For the nine months ended 31 December 2023, the revenue of the Group was approximately HK\$1,930,831,000, as compared to approximately HK\$2,305,907,000 for the year ended 31 March 2023.

Profit for the Period

Profit of the Group for the nine months ended 31 December 2023 amounted to approximately HK\$168,335,000, as compared to approximately HK\$200,997,000 for the year ended 31 March 2023. Net profit margin before interest and tax for the nine months ended 31 December 2023 was approximately 11.1%, while the net profit margin before interest and tax for the financial year ended 31 March 2023 was approximately 10.8%. The increase was attributable to our improvement in gross profit margin as well as enhancement in operational efficiency. Net profit margin was approximately 8.7% for both the nine months ended 31 December 2023 and the year ended 31 March 2023.

Gross Profit and Gross Profit Margin

For the nine months ended 31 December 2023, the gross profit of the Group was approximately HK\$694,258,000 (year ended 31 March 2023: approximately HK\$817,263,000). The gross profit margin was approximately 36.0% (year ended 31 March 2023: approximately 35.4%). The increase was attributable to timely adjustment of sales and marketing strategy and continuous optimisation of product mix.

Other Income and Other Gains, Net

For the nine months ended 31 December 2023, the Group recorded net other income and other gains of approximately HK\$4,676,000, while for the financial year ended 31 March 2023 it recorded net other income and other gains of approximately HK\$19,920,000. The decrease in net other income and other gains was mainly due to HK\$17,996,000 received from the Employment Support Scheme provided by the Government of Hong Kong during the preceding financial year.

Selling and Distribution Expenses

For the nine months ended 31 December 2023, selling and distribution expenses of the Group amounted to approximately HK\$422,722,000, as compared to approximately HK\$515,266,000 for the financial year ended 31 March 2023. Selling and distribution expenses represented approximately 21.9% of total revenue for the nine months ended 31 December 2023 (financial year ended 31 March 2023: 22.3%). The decrease was mainly the result of our dedication to stringent cost control measures as well as enhancement in operational efficiency.

Administrative and Other Expenses

For the nine months ended 31 December 2023, administrative and other expenses of the Group amounted to approximately HK\$62,568,000, as compared to approximately HK\$72,996,000 for the financial year ended 31 March 2023. Administrative and other expenses represented approximately 3.2% of total revenue for the nine months ended 31 December 2023 (financial year ended 31 March 2023: 3.2%).

Finance Costs

Finance costs of the Group for the nine months ended 31 December 2023 amounted to approximately HK\$10,930,000, as compared to approximately HK\$8,708,000 for the financial year ended 31 March 2023. Effective interest rate for bank borrowings of the Group was approximately 3.13% for the nine months ended 31 December 2023, representing an increase of 0.25 percentage point from the financial year ended 31 March 2023 of approximately 2.88% as a result of increase in HIBOR for the Financial Period under Review.

Financial Position, Liquidity and Financial Resources

As at 31 December 2023, the Group's total cash and bank balances (including cash and cash equivalents) were approximately HK\$130,712,000 (31 March 2023: HK\$146,047,000), representing a decrease of approximately HK\$15,335,000 which was mainly used in financial activities, in particular payment of dividend of HK\$189,694,000.

As at 31 December 2023, the Group has total bank borrowings of approximately HK\$76,756,000, representing a decrease of approximately 3.3% as compared to approximately HK\$79,349,000 as at 31 March 2023. The total unutilised banking facility extended by commercial banks as at 31 December 2023 amounted to approximately HK\$240,630,000 (31 March 2023: HK\$244,411,000). The carrying amounts of the Group's borrowings are denominated in Hong Kong dollars, secured and approximate to their fair value.

As at 31 December 2023, the Group had a gross gearing ratio (i.e., gross debt divided by total equity) of approximately 16.8% (31 March 2023: 16.6%). For this purpose, gross debt is defined as total interest-bearing borrowings excluding lease liabilities.

The Group financed its liquidity and working capital requirements through a combination of various sources, including but not limited to cash generated from the Group's operations, bank borrowings, and other external equity and debt financings as and when appropriate.

The Group continued to maintain a strong financial position with cash and bank balances of approximately HK\$130,712,000 and the Group's working capital amounted to approximately HK\$79,212,000 as at 31 December 2023. Based on the Group's steady cash inflow from operations, coupled with sufficient cash and bank balances and readily available banking facilities, the Group has adequate liquidity and financial resources to meet its working capital requirements in the next twelve months from the balance sheet date. During the Financial Period under Review, the majority of the Group's cash and bank balances were in Hong Kong dollar, Macau Pataca, Renminbi and were deposited in reputable financial institutions.

Capital Structure

The shares of the Company (the "**Shares**") were successfully listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 January 2019 by way of share offer. Since then, there has been no change in the capital structure of the Company. The capital structure of the Company comprises issued share capital and reserves. As at 31 December 2023, the Company had 1,000,000,000 Shares in issue.

The capital structure of the Group as at 31 December 2023 in terms of debt profile is mainly bank borrowings and as at 31 December 2023, the Group has outstanding bank borrowings repayable within one year or contain a repayment on demand clause of approximately HK\$76,756,000 (31 March 2023: HK\$79,349,000). Bank borrowings bear interest at floating interest rates. The effective interest rates of the Group's bank borrowings is HIBOR plus 1.3% (31 March 2023: HIBOR plus 1.3%) per annum for the nine months ended 31 December 2023.

Capital Commitments

Details of capital commitments are set out in note 14 to the financial statements.

Charge on Group Assets

As at 31 December 2023, the bank borrowings and other banking facilities of the Group are secured by:

- (i) a corporate guarantee provided by the Company and a subsidiary; and
- (ii) property, plant and equipment of office premises of the Group with carrying amount of approximately HK\$162,615,000 (31 March 2023: HK\$166,358,000).

Foreign Currency Risk

The Group mainly operates in Hong Kong and is exposed to foreign exchange risk from (i) the purchase of products from various overseas suppliers, which are primarily settled in foreign currencies, mainly USD, JPY, EUR, GBP, AUD, SGD and RMB; and (ii) the revenue generated from the operation in Macau and PRC. Nevertheless, taking into account the retail industry practice, the Group's current operation, the stable exchange rate of Macau Pataca historically and that the Group's cash balance in Renminbi is considered to be not material, the Directors do not consider that the Group is subject to material foreign exchange risk. The Group will take proactive measures and monitor closely its exposure to such currencies movement.

Treasury Policies

The Group adopts prudent treasury management policies and does not engage in any highly leveraged or speculative derivative products. Cash balances are mostly placed in Hong Kong dollars bank deposit with appropriate maturity period for meeting future funding requirements.

EMPLOYEES REMUNERATION POLICY

The remuneration policy of the Group is to reward the employees based on their performance, qualifications, experience and competence. Remuneration package typically comprises salary, contribution to pension schemes, discretionary annual bonus, performance-related bonus, sales target bonus and miscellaneous duties-related allowances. The Group conducts annual review on the performance of the employees and make reference to such performance review for assessing discretionary annual bonus, salary adjustments and promotion appraisals. The remuneration packages of the executive Directors and the senior management are determined with reference to those paid by comparable companies, the time commitment and performance of the executive Directors and the senior management, as well as the performance of the Group. A remuneration committee is set up to review the Group's emolument policy and structure of all remuneration of the Directors and senior management of the Group with reference to their experience, responsibilities, workload and time devoted to the Group and performance of the Group.

The Group makes contributions to the social security fund for our eligible employees in Macau based on, inter alia, whether they are long term employees or fixed term employees. As stipulated by the labour regulations of PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its PRC employees. The Group is required to make contributions to the retirement plans at rates ranging from 14% to 15% of the eligible employees' salaries for the nine months ended 31 December 2023 (financial year ended 31 March 2023: 14% to 15%).

The Company's employer contribution for each of the abovementioned scheme/fund/plan vests fully with the employees when contributed into each respective scheme/fund/plan. Accordingly, for the nine months ended 31 December 2023 and the financial year ended 31 March 2023, there were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) that may be used by the employer to reduce the existing level of contributions.

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 18 December 2018 for the purpose of providing incentives and rewards to the participants for their contributions to the Group. As at the date of this announcement, no option has been granted under the Share Option Scheme.

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments during the nine months ended 31 December 2023.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions and disposals during the nine months ended 31 December 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have any plans for material investments and capital assets as at 31 December 2023.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2023.

FINAL DIVIDEND

The Board has recommended the payment of final dividend of HK6.0 cents per Share for the nine months ended 31 December 2023 (final dividend for the year ended 31 March 2023: HK11.0 cents).

Subject to the approval of the shareholders of the Company (the “**Shareholders**”) at the forthcoming annual general meeting to be held on Friday, 24 May 2024 (the “**Forthcoming AGM**”), the proposed final dividend is expected to be paid on or around Thursday, 13 June 2024 to the Shareholders whose names appear on the register of members of the Company on Monday, 3 June 2024. To ascertain Shareholders’ entitlement to the final dividend, if the proposed final dividend is approved by the Shareholders at the Forthcoming AGM, the register of members of the Company will be closed from Thursday, 30 May 2024 to Monday, 3 June 2024 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 29 May 2024.

CLOSURE OF SHARE REGISTER FOR THE FORTHCOMING AGM

For determining the entitlement of the Shareholders to attend and vote at the Forthcoming AGM to be held on Friday, 24 May 2024, the register of members of the Company will be closed from Tuesday, 21 May 2024 to Friday, 24 May 2024 (both days inclusive), during which period no transfer of Shares will be effected. In order to qualify to attend and vote at the Forthcoming AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 20 May 2024.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Continuing connected transactions in relation to sales and purchase framework agreement

Reference is made to the announcement of the Company dated 26 January 2024. On 26 January 2024, the Company (for itself and on behalf of its subsidiaries) and CMHT (for itself and on behalf of its subsidiaries other than the Group) entered into a sales and procurement framework agreement (the “**CMHT Sales and Procurement Framework Agreement**”) for the term of one year from 1 January 2024 to 31 December 2024. As CMHT is a substantial Shareholder, the entering into of the CMHT Sales and Procurement Framework Agreement between the Company and CMHT and the transactions contemplated thereunder are continuing connected transactions of the Company under the Listing Rules.

Pursuant to the CMHT Sales and Procurement Framework Agreement, the Company and CMHT agree that (i) the Group shall sell to CMHT and its subsidiaries (other than the Group) liquor, food and beverages, personal care and health products, household and basic groceries, maternal and infant food and supplies, pet food and supplies and other ancillary services arising from the above sales (the “**CMHT Sales Transactions**”); and (ii) the Group shall procure from CMHT and its subsidiaries (other than the Group) liquor, food and beverages, personal care and health products, household and basic groceries, maternal and infant food and supplies, pet food and supplies and other ancillary services arising from the above procurement (the “**CMHT Procurement Transactions**”).

The table below sets out the annual caps of the CMHT Sales Transactions and CMHT Procurement Transactions for the year ending 31 December 2024:

	For the year ending 31 December 2024 <i>HK\$'000</i>
CMHT Procurement Transactions	35,000
CMHT Sales Transactions	25,600

Entering into the CMHT Sales and Procurement Framework Agreement is beneficial for both procurement and business-to-business sales of the Group. This arrangement not only increases the Group's revenue streams but also ensures a stable supply chain. In addition, the arrangement aligns with the business development needs of the Group, achieving a synergic effect in fair and reasonable manner, and realising resources complementarity and a win-win situation for all parties.

Save as disclosed above, there were no other significant events affecting the Group that have occurred since 31 December 2023 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the Financial Period under Review.

MODEL CODE FOR 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 C3 to the Listing Rules as its own code of conduct governing the securities transactions by the Directors. Following a specific enquiry made by the Company on the Directors, all Directors have confirmed that they had complied with the required standard set out in the Model Code during the Financial Period under Review.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance, to formulate good corporate governance practice for improvement of accountability and transparency in operations, and to strengthen the internal control system from time to time so as to ensure we meet the expectations of the Shareholders.

During the Financial Period under Review, the Company has adopted and complied with all applicable code provisions in the Corporate Governance Code as set out in Appendix C1 to the Listing Rules.

The roles of the Chairman and the Chief Executive Office are separate and performed by Mr. Li Guanpeng and Mr. Hui Chi Kwan respectively to ensure a balance of power and authority, so that power is not concentrated in any one individual.

The Board is primarily responsible for overseeing and supervising the overall management of the Group's business. The Board is collectively responsible for promoting the success of the Company by providing effective leadership and direction to its business, formulating group policies and business directions, monitoring internal controls and performances, and ensuring transparency and accountability of its operations. The Board has established three committees, namely the audit committee, the remuneration committee and the nomination committee to assist in carrying out its responsibilities and functions. Each of these committees has specific written terms of reference setting out its duties and authorities, and are available for review on the respective website of the Company and the Stock Exchange.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Group's audited annual results for the nine months ended 31 December 2023 had been reviewed by the audit committee of the Board, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement of the Company is published on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.bestmart360.com>). The annual report for the nine months ended 31 December 2023 will be available on the above websites and despatched to the Shareholders in due course.

By order of the Board
Best Mart 360 Holdings Limited
Li Guanpeng
Chairman

Hong Kong, 22 March 2024

As at the date of this announcement, the executive Directors are Mr. Li Guanpeng, Ms. Cui Qian, Mr. Lu Rong, Mr. Liu Yunfeng, Mr. Huang Shengchao, Ms. Wang Kanglin, Mr. Lin Tsz Fung and Ms. Hui Ngai Fan; and the independent non-executive Directors are Mr. Sze Irons, Ms. Choy So Yuk, Ms. Chan Yuen Sau Kelly and Mr. Gao Wei.