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B & S INTERNATIONAL HOLDINGS LTD.

寶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 2020

FINANCIAL HIGHLIGHTS

- The Group’s revenue amounted to approximately HK\$513.7 million for the year ended 31 March 2020, representing a decrease of approximately 1.1% as compared with the year ended 31 March 2019. Net profit for the year ended 31 March 2020 declined 87.8% to HK\$1.8 million.
- Our retail business was severely hit by the weakened demand under the COVID-19 outbreak. Strong actions have been taken to control operating costs including staff costs and rental expenses. The Group is confident of its business growth when the market situation recovers.
- In view of the operating results for the year and to maintain healthy financial position, the Board has resolved not to propose the payment of a final dividend for the year ended 31 March 2020.

	For the year ended 31 March 2020	For the year ended 31 March 2019	Increase/ (decrease)
	<i>HK\$ million</i>	<i>HK\$ million</i>	
Revenue	513.7	519.5	(1.1%)
Gross profit	94.2	113.3	(16.9%)
Net profit	1.8	14.7	(87.8%)
Basic earnings per share (HK cents)	0.27	3.37	(92.0%)

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 2020, together with the comparative figures for the year ended 31 March 2019, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	4	513,743	519,488
Cost of sales	7	(419,540)	(406,200)
Gross profit		94,203	113,288
Other losses	5	(1,257)	(1,396)
Other income	6	5,417	183
Selling and distribution expenses	7	(49,120)	(47,871)
Administrative expenses	7	(42,004)	(44,544)
Operating profit		7,239	19,660
Finance income	8	545	1,023
Finance costs	8	(6,928)	(3,354)
Finance costs, net	8	(6,383)	(2,331)
Profit before income tax		856	17,329
Income tax credit/(expense)	9	951	(2,651)
Profit and total comprehensive income for the year		1,807	14,678
Profit and total comprehensive income attributable to:			
Owners of the Company		1,099	13,466
Non-controlling interest		708	1,212
		1,807	14,678
Earnings per share for profit attributable to owners of the Company during the year (expressed in HK cents per share)			
– basic and diluted	10	0.27	3.37

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		33,999	34,353
Right-of-use assets		84,876	–
Deferred income tax assets		5,247	1,810
Deposits and other assets		<u>16,206</u>	<u>13,735</u>
		<u>140,328</u>	<u>49,898</u>
Current assets			
Inventories		26,503	29,036
Trade receivables	12	67,000	66,493
Deposits, prepayments and other receivables		15,908	10,179
Income tax recoverable		590	813
Restricted cash		30,000	42,000
Short-term bank deposits		413	2,647
Cash and cash equivalents		<u>38,086</u>	<u>51,315</u>
		<u>178,500</u>	<u>202,483</u>
Total assets		<u>318,828</u>	<u>252,381</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	4,000	4,000
Reserves		79,794	79,794
Retained earnings		<u>46,016</u>	<u>55,098</u>
		<u>129,810</u>	138,892
Non-controlling interest		<u>6,548</u>	<u>5,840</u>
Total equity		<u>136,358</u>	<u>144,732</u>

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
LIABILITIES			
Non-current liability			
Lease liabilities		39,351	–
Current liabilities			
Trade and other payables	14	30,578	40,664
Income tax payables		–	3,088
Lease liabilities		52,708	–
Bank borrowings		59,833	63,897
		143,119	107,649
Total liabilities		182,470	107,649
Total equity and liabilities		318,828	252,381

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 (collectively, the “Business”).

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

These consolidated financial statements 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 statements 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 statements 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 statements 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) *New standards and interpretation and amendments to standards adopted by the Group*

The following new standards and interpretation and amendments to standards are mandatory for the Group’s financial year beginning on or after 1 April 2019 and have been adopted in the preparation of the consolidated financial statements.

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures
Amendments to Annual Improvement Projects	Annual improvements 2015 – 2017 cycle
HK(IFRIC) – Int 23	Uncertainty over income tax treatments

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt HKFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the reporting year ended 31 March 2019, as permitted under the specific transitional provisions in the standard. The adjustments arising from the new leasing rules are therefore recognised in the opening consolidated financial position on 1 April 2019. This is disclosed in Note 2.2.

Apart from HKFRS 16, there are no other new standards or interpretations or amendments to the standards that are effective for the first time for this financial year that could be expected to have a material impact on the Group.

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

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 April 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 April 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 April 2020
Amendments to HKFRS 3	Definition of a business	1 April 2020
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge Accounting	1 April 2020
HKFRS 17	Insurance contracts	1 April 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be announced by HKICPA

The directors of the Company are in the process of assessing the financial impact of the adoption of the above amendments to standards. The directors of the Company will adopt the new standards and amendments to standards when it is appropriate to do so.

(c) *Early adoption of amendments to standards during the year ended 31 March 2020 where early adoption is permitted*

HKFRS 16 (Amendment), “COVID-19-Related Rent Concessions” (effective for annual periods beginning on or after 1 April 2021). The amendment provides lessees with exemption from assessing whether COVID-19-related rent concession is a lease modification and requires lessees that apply the exemption to account for COVID-19-related rent concession as if they were not lease modifications. In applying HKFRS 16 (Amendment) for the first time, the Group has applied the practical expedient and elected not to assess whether COVID-19-related rent concession is a lease modification. All of the COVID-19-related rent concessions amounted to HK\$1,945,000 has been credited to the consolidated statement of comprehensive income within “cost of sales”.

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 “Leases” on the Group’s consolidated financial statements.

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 “Leases” retrospectively from 1 April 2019, but has not restated comparatives for the reporting period ended 31 March 2019, as permitted under the specific transition provisions in the standard. The adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 April 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 April 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 4.2%.

Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The following table presents the reconciliation of lease liabilities as at 1 April 2019:

	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 March 2019	105,825
Discounted using the lessee's incremental borrowing rate of 4.2% at the date of initial application	(6,015)
Less: short-term/low value leases not recognised as on a straight-line basis as expenses	<u>(3,862)</u>
Lease liabilities recognised as at 1 April 2019	<u><u>95,948</u></u>
Of which are:	
Current lease liabilities	49,457
Non-current lease liabilities	<u>46,491</u>
	<u><u>95,948</u></u>

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. The change in accounting policy affected the following items in the consolidated statement of financial position on 1 April 2019:

- right-of-use assets – increase by approximately HK\$93,779,000
- prepaid rent – decrease by approximately HK\$443,000
- deferred tax assets – increase by approximately HK\$431,000
- lease liabilities – increase by approximately HK\$95,948,000

The net impact on retained earnings on 1 April 2019 was a decrease of approximately HK\$2,181,000.

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 considers the business from a product perspective. They reviewed the qualitative factors such as business activities, economic and legal characteristics and quantitative factors such as the financial performance of the Distribution Business and 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 2020 and 2019 is as follows:

	For the year ended 31 March 2020		
	Distribution	Retail	
	Business	Business	Total
	HK\$'000	HK\$'000	HK\$'000
Segment revenue – recognised at a point in time	<u>267,154</u>	<u>246,589</u>	<u>513,743</u>
Segment results	<u>39,157</u>	<u>226</u>	<u>39,383</u>
Unallocated expenses			(36,304)
Other losses			(1,257)
Other income			5,417
Finance costs, net			<u>(6,383)</u>
Profit before income tax			856
Income tax credit			<u>951</u>
Profit for the year			<u>1,807</u>
Segment items included:			
Depreciation of property, plant and equipment	<u>2,540</u>	<u>18,738</u>	<u>21,278</u>
Depreciation of right-of-use assets	<u>7,996</u>	<u>50,446</u>	<u>58,442</u>
Impairment loss on property, plant and equipment	<u>–</u>	<u>1,034</u>	<u>1,034</u>
Impairment loss on right-of-use assets	<u>–</u>	<u>3,119</u>	<u>3,119</u>

	For the year ended 31 March 2019		
	Distribution	Retail	Total
	Business	Business	
	HK\$'000	HK\$'000	HK\$'000
Segment revenue – recognised at a point in time	265,326	254,162	519,488
Segment results	46,567	16,493	63,060
Unallocated expenses			(42,187)
Other losses			(1,396)
Other income			183
Finance costs, net			(2,331)
Profit before income tax			17,329
Income tax expense			(2,651)
Profit for the year			14,678
Segment items included:			
Depreciation of property, plant and equipment	1,233	14,499	15,732
Impairment loss on property, plant and equipment	–	662	662

The segment assets as at 31 March 2020 and 2019 and the reconciliation to the total assets are as follows:

	As at 31 March 2020		
	Distribution	Retail	Total
	Business	Business	
	HK\$'000	HK\$'000	HK\$'000
Total segment assets	97,726	144,230	241,956
Total segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	2,614	72,278	74,892
	As at 31 March 2019		
	Distribution	Retail	Total
	Business	Business	
	HK\$'000	HK\$'000	HK\$'000
Total segment assets	87,339	64,715	152,054
Total segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	5,868	25,317	31,185

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Total segment assets	241,956	152,054
Unallocated:		
Deferred income tax assets	5,247	1,810
Deposits and prepayments	3,126	2,555
Restricted cash	30,000	42,000
Short-term bank deposits	413	2,647
Cash and cash equivalents	38,086	51,315
Total assets	318,828	252,381

The segment liabilities as at 31 March 2020 and 2019 and the reconciliation to the total liabilities are as follows:

	As at 31 March 2020		
	Distribution Business HK\$'000	Retail Business HK\$'000	Total HK\$'000
Total segment liabilities	70,481	98,209	168,690

	As at 31 March 2019		
	Distribution Business HK\$'000	Retail Business HK\$'000	Total HK\$'000
Total segment liabilities	55,602	20,834	76,436

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Total segment liabilities	168,690	76,436
Unallocated:		
Other payables	1,780	1,875
Income tax payables	–	3,088
Bank borrowings	12,000	26,250
Total liabilities	182,470	107,649

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Sales of goods	267,154	265,326
Catering services	246,589	254,162
	513,743	519,488

For the year ended 31 March 2020, customer A from Distribution Business accounted for approximately 20% (2019: approximately 22%) 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 2020 and 2019.

5 OTHER LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Change in cash surrender value of key management life insurance contracts	(136)	(147)
Loss on disposal of property, plant and equipment	(176)	(758)
Exchange loss	(945)	(491)
	(1,257)	(1,396)

6 OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Government subsidy	5,360	–
Sundry income	57	183
	5,417	183

Note: The government subsidy represents a subsidy of HK\$5,360,000 granted by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic fund.

7 EXPENSES BY NATURE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of inventories sold	238,277	244,125
Depreciation of property, plant and equipment	21,278	15,732
Depreciation of right-of-use assets	58,442	–
Employee benefit expenses	109,315	98,118
Short-term and variable lease (2019: Operating lease rentals in respect of rented premises)	6,860	61,455
Utilities expenses	13,685	14,076
Transportation and logistic service expenses	14,956	15,685
Freight charges	6,107	6,341
Advertising and promotion expenses	17,991	19,633
Auditor's remuneration		
– Audit services	1,360	1,360
– Non-audit services	340	400
Franchise fee	4,400	4,642
Travelling expenses	785	1,550
Impairment loss on trade receivables	50	139
Impairment loss on property, plant and equipment	1,034	662
Impairment loss on right-of-use assets	3,119	–
Provision for slow moving and obsolete inventories	–	497
Legal and professional fees	3,755	5,827
Others	8,910	8,373
	510,664	498,615
Representing:		
Cost of sales	419,540	406,200
Selling and distribution expenses	49,120	47,871
Administrative expenses	42,004	44,544
	510,664	498,615

Note: The operating lease rentals includes contingent rentals of HK\$3,357,000 for the year ended 31 March 2020 (2019: HK\$7,198,000) in respect of the Group's catering business.

8 FINANCE COSTS, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Finance income		
– Bank interest income	545	1,023
Finance costs		
– Interest expense on bank borrowings	(2,601)	(3,354)
– Lease liabilities	(4,327)	–
	<u>(6,928)</u>	<u>(3,354)</u>
Finance costs, net	<u><u>(6,383)</u></u>	<u><u>(2,331)</u></u>

9 INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided for at the two-tiered rate of 8.25% for the first HK\$2 million of the estimated assessable profits for one of the Group's subsidiaries in Hong Kong and 16.5% on the remaining estimated assessable profits for the year ended 31 March 2020 (2019: same).

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current income tax	2,055	3,444
Deferred income tax	(3,006)	(793)
	<u>(951)</u>	<u>2,651</u>

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.

	2020	2019
Profit attributable to owners of the Company (<i>HK\$'000</i>)	1,099	13,466
Weighted average number of ordinary shares in issue (<i>thousands</i>)	400,000	400,000
Basic earnings per share (<i>HK cents</i>)	<u>0.27</u>	<u>3.37</u>

(b) Diluted earnings per share

For the years ended 31 March 2020 and 2019, diluted earnings per share equals basic earnings per share as there was no dilutive potential shares.

11 DIVIDENDS

No interim dividend was declared during the year (2019: Interim dividend of HK1 cent per ordinary share, totalling HK\$4,000,000, were declared and paid).

The Board does not recommend the payment of any final dividend for the year ended 31 March 2020 (2019: A final dividend of HK2 cents per ordinary share, totalling HK\$8,000,000, were proposed).

Dividends paid during the year ended 31 March 2020 were HK\$8,000,000 (HK2 cents per ordinary share) (2019: HK\$16,000,000, HK4 cents per ordinary share).

12 TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables		
– third parties	65,680	65,711
– related parties	1,320	782
	<u>67,000</u>	<u>66,493</u>

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

As at 31 March 2020 and 2019, the ageing analysis of the trade receivables based on invoice date was as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	25,303	24,537
31 – 60 days	15,465	16,296
61 – 90 days	15,356	15,523
91 – 180 days	9,731	9,848
Over 180 days	1,145	289
	<u>67,000</u>	<u>66,493</u>

13 SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Authorised:		
At 1 April 2018, 31 March 2019 and 2020	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 April 2018, 31 March 2019 and 2020	<u>400,000,000</u>	<u>4,000</u>

14 TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	11,581	16,867
Accruals for employee benefits	8,364	10,918
Provision for unused annual leave	598	1,354
Provision for long service payment	434	728
Provision for reinstatement costs	3,211	2,647
Accruals for operating expenses	4,788	6,317
Payables for property, plants and equipment	306	740
Other payables	1,296	1,093
	<u>30,578</u>	<u>40,664</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	9,117	13,627
31 – 60 days	1,752	1,962
61 – 90 days	206	328
Over 90 days	506	950
	<u>11,581</u>	<u>16,867</u>

15 COMMITMENTS

Capital commitments

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contracted but not provided for – Property, plant and equipment	<u>550</u>	<u>909</u>

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 March 2020, the turnover of the Group totalled approximately HK\$513.7 million (2019: approximately HK\$519.5 million), representing a decrease of approximately 1.1%, which was mainly attributable to the weakened market sentiment, in particular since the outbreak of the novel coronavirus disease (“COVID-19”). Gross profit decreased from approximately HK\$113.3 million in the previous year to approximately HK\$94.2 million for the year ended 31 March 2020, representing a decrease of approximately HK\$19.1 million which is equivalent to a decrease of approximately 16.9%. Profit attributable to owners of the Company for the year ended 31 March 2020 was approximately HK\$1.1 million (2019: approximately HK\$13.5 million), representing a decrease of approximately 91.9%.

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, organizing promotion campaigns as well as designing and producing customized 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.

For the year ended 31 March 2020, the revenue generated from the distribution business increased to approximately HK\$267.2 million (2019: approximately HK\$265.3 million), representing an increase of approximately HK\$1.9 million, which contributed to approximately 52.0% of the total revenue.

RETAIL BUSINESS

We principally prepare and/or sell overseas branded food and beverage products licensed to us at our self-operated retail outlets in Hong Kong. As at 31 March 2020, we had set up 65 self-operated retail outlets and the details of the outlets are set out below:

	2020	2019	2018
TenRen (天仁茗茶)	56	49	33
Chef Hung (洪師傅)	2	–	–
Jiu Tang Wu (九湯屋)	4	5	2
Uncle Tetsu (徹思叔叔)	–	–	3
Hotel Chocolat	–	–	3
Others	3	3	2
	<u>65</u>	<u>57</u>	<u>43</u>

During the year ended 31 March 2020, the number of TenRen retail outlets has increased by 7 stores, from 49 stores as at 31 March 2019 to 56 stores as at 31 March 2020. Our “TenRen (天仁茗茶)” retail network spans across Hong Kong Island, Kowloon and the New Territories in Hong Kong.

The revenue generated from the retail business decreased to approximately HK\$246.5 million for the year ended 31 March 2020 (2019: approximately HK\$254.2 million), representing a decrease of approximately HK\$7.7 million, which contributed approximately 48.0% of the total revenue. The decline in revenue is mainly impacted by the COVID-19 during the fourth quarter of the year.

Same store sales performance

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

	Year ended 31 March					
	2017	2018	2018	2019	2019	2020
Number of same-store	24		33		48	
Average same-store sales	HK\$4.63	HK\$5.26	HK\$6.04	HK\$6.05	HK\$5.57	HK\$4.24
	million	million	million	million	million	million
Average same-store sales growth rate	13.6%		0.2%		(23.9%)	

Average selling prices and volume

The average selling price of our “TenRen (天仁茗茶)” beverage products increased slightly during the year ended 31 March 2020 primarily because we raised our product prices in light of inflation and rising raw material costs. The following table sets forth the average selling price and average daily sales volume of our “TenRen (天仁茗茶)” products for the years indicated:

	Year ended 31 March	
	2019	2020
Average selling price (HK\$)		
Beverage products (per cup)	21.8	23.6
Side products (per unit) (<i>Note</i>)	26.2	29.6
Average daily sales volume		
Beverage products (per cup)	26,600	24,100
Side products (per unit) (<i>Note</i>)	1,500	800

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

INDUSTRY OVERVIEW

The market condition is challenging and is significantly impacting consumer sentiment in Hong Kong during the year. Various external factors have adversely impacted the Hong Kong business environment, leading a challenging trade for retail business in Hong Kong. Our business was further hit by the much weakened demand under the COVID-19 outbreak during the fourth quarter of the year. The Group recorded a decline in revenue and a significant drop in profit attributable to shareholders for the year ended 31 March 2020.

Retail Sector

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

COVID-19 outbreak

The outbreak of COVID-19 has been causing a great impact all over the world and the consumption sentiment is further devastated. Food and beverage and retail industries are especially suffering from the economic downturn.

Given the reduction of consumer confidence, retail operators would need to spend more effort to control operating costs including manpower and rental expenses, as well as enhance efficiency in operation.

Fierce competition in the tea drinks serving industry

The competition within the tea drinks serving industry is increasingly fierce because of the massive number of new entrants to the market followed by the upsurge trend of the tea drinks in Hong Kong.

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

Pressure from rental and labour costs

The cost of operating a food and beverage serving establishment in Hong Kong is continuously increasing due to the significant increase in market wages and the year-on-year increase in average rental price of private retail premises. The rising operating cost translates into intensifying financial burden to the operators.

Distribution Sector

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

Increasing operating costs

Distribution businesses are facing increasing rental costs of warehouses and retail premises. This has restricted the expansions of business scale and increased operational costs for distribution businesses. On the other hand, as the distribution business is highly labour intensive and service-oriented, increasing labour costs in the import/export trading, wholesaling and retail industries have laid pressure to the distribution businesses.

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 service, providing great convenience for customers. This somehow creates competition for traditional brick-and-mortar retailers, as customers can directly purchase online rather than buying from the franchised outlets of these brands.

NEW RETAIL BRAND

Although the outlook remains uncertain at the moment, and the challenges of the COVID-19 situation are still continuing, the Group is focused on refining its business strategies to address fast-changing consumer behaviour by introducing a new food brand — Chef Hung Taiwanese Beef Noodle (“Chef Hung”), to capitalize market demand.

Chef Hung is a Taiwanese brand originated in Taiwan in 2014 which has won various awards for beef noodle dishes. The products offered at our retail outlets include Taiwanese beef noodle and other side dishes. As at 31 March 2020, we operated two Chef Hung retail outlets in Hong Kong.

PROSPECTS

Looking forward to 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 the retail business, the Group plans to strengthen the leading market position of our TenRen business and expand our Chef Hung business through brand building, improving customer experience and product innovations.

On the other hand, the Group is proactively reviewing lease agreements with landlords to optimise our cost structure 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 overseas brands and products that suit the tastes and preferences of Hong Kong consumers.

FINANCIAL OVERVIEW

Revenue

For the year ended 31 March 2020, the Group's revenue amounted to approximately HK\$513.7 million, representing a decrease of approximately 1.1% from approximately HK\$519.5 million for the same period in 2019. The weakening of consumer's spending sentiment in Hong Kong and the disruption brought by the COVID-19 outbreaks led to a tough year. Nevertheless, the number of TenRen retail outlets has increased by 7 stores, from 49 stores as at 31 March 2019 to 56 stores as at 31 March 2020. The revenue generated from the retail business decreased to approximately HK\$246.5 million for the year ended 31 March 2020, representing a decrease of approximately HK\$7.7 million (2019: approximately HK\$254.2 million), which contributed approximately 48.0% of the total revenue. Such decrease was mainly due to the outbreak of COVID-19 during the year ended 31 March 2020.

The revenue generated from the distribution business increased to approximately HK\$267.2 million for the year ended 31 March 2020, representing an increase of approximately HK\$1.9 million (2019: approximately HK\$265.3 million), which contributed approximately 52.0% of the Group's total revenue. Such increase in revenue was mainly due to the increase in sales volume to local retailers in Hong Kong.

Cost of sales

For the year ended 31 March 2020, the Group's cost of sales amounted to approximately HK\$419.5 million, representing an increase of approximately 3.3% from approximately HK\$406.2 million for the same period in 2019. Such increase was mainly due to the increase in rental expenses for our retail outlets. Our cost of sales accounted for approximately 81.7% of the revenue for the year ended 31 March 2020 (2019: approximately 78.2%).

Gross profit and gross profit margin

For the year ended 31 March 2020, the Group's gross profit amounted to approximately HK\$94.2 million, representing a decrease of approximately 16.9% from approximately HK\$113.3 million for the same period in 2019. The Group's gross profit margin for the year ended 31 March 2020 decreased by approximately 3.5% to approximately 18.3% as compared to approximately 21.8% in 2019. The decrease in gross profit margin was mainly due to the fierce competition in the tea drinks serving industry and the negative impact resulting from the decline in revenue as a result of COVID-19 outbreak during the year ended 31 March 2020.

Selling and distribution expenses

For the year ended 31 March 2020, selling and distribution expenses of the Group amounted to approximately HK\$49.1 million, representing an increase of approximately 2.5% from approximately HK\$47.9 million for the same period in 2019. Such increase was mainly due to the increase in advertising and promotion expenses as a result of the increase in number of promotion activities and marketing events held during the year ended 31 March 2020.

Administrative expenses

For the year ended 31 March 2020, administrative expenses of the Group amounted to approximately HK\$42.0 million, representing a decrease of approximately 5.6% from approximately HK\$44.5 million for the same period in 2019. Such decrease was mainly attributable to the decrease in professional fee during the year ended 31 March 2020.

Finance costs, net

For the year ended 31 March 2020, net finance costs of the Group amounted to approximately HK\$6.4 million, representing an increase of approximately 178.3% from approximately HK\$2.3 million for the same period in 2019 which was mainly attributable to the initial adoption of HKFRS 16.

Income tax expenses

For the years ended 31 March 2019 and 2020, the Group recorded income tax expenses of approximately HK\$2.7 million and income tax credit of approximately HK\$1.0 million, respectively, representing an effective tax rate of approximately 15.3% and (111.1%), respectively, for the corresponding years. The negative effective tax rate for the year ended 31 March 2020 was due to the recognition of government subsidy granted by the Government of the Hong Kong Special Administrative Region under the anti-epidemic fund, which was a non-taxable income.

Net Profit

Profit attributable to owners of the Company for the year ended 31 March 2020 was approximately HK\$1.1 million, representing a decrease of approximately 91.9% from approximately HK\$13.5 million for the same period in 2019 to approximately HK\$1.8 million for the year ended 31 March 2020. Such decrease was mainly attributable to (i) the intense competition of retail business, (ii) weak market sentiment in Hong Kong, (iii) outbreak of the novel coronavirus disease (“COVID-19”) as well as (iv) the shift of consumption pattern shifted in response to social distancing regulations. The net profit margin (calculated as the ratio of the profit for the year to the revenue) for the year ended 31 March 2020 was approximately 0.4%, as compared to that of approximately 2.8% for the same period in 2019. Basic earnings per share for the year ended 31 March 2020 amounted to approximately HK0.27 cents, as compared to that of approximately HK3.37 cents for the same period in 2019.

Capital Expenditure

During the year ended 31 March 2020, capital expenditure amounted to approximately HK\$74.9 million (2019: approximately HK\$31.2 million). This amount was used mainly for the opening of new retail outlets and addition of right-of-use assets due to initial adoption of HKFRS 16.

Corporate Governance Practices

The Company is committed to achieving and maintaining the highest standard of corporate governance to safeguard interests of shareholders of the Company (the “Shareholders”).

The Company has been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 14 March 2018 (the “Listing Date”). During the year ended 31 March 2020, the Company has applied the principles in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules (the “Listing Rules”) Governing the Listing of Securities on the Stock Exchange. The corporate governance principles of the Company are to emphasis an effective board with a high level of integrity, sound internal controls, as well as ensuring a high degree of transparency and accountability, which does not only enhance corporate value for the Shareholders but also protect the long-term sustainability of the Group.

In the opinion of the Board, during the period from 1 April 2019 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 A.2.1 which states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Chan Kam Chuen Andrew is both our chairman and chief executive officer and is responsible for the overall management of the Group and directing the strategic development and business plans of the Group.

The Board believes that vesting the roles of the chairman and chief executive officer in the same individual (that is, Mr. Chan Kam Chuen Andrew) would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises four executive Directors (including Mr. Chan Kam Chuen Andrew) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

The Board will nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, in order to maintain a high standard of corporate governance practices of the Company and to 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\$38.5 million as at 31 March 2020 (2019: approximately HK\$54.0 million). As at 31 March 2020, the gearing ratio of the Group was approximately 52.7% (2019: approximately 30.6%), which was calculated based on total debt divided by total capital at the end of the financial year and multiplied by 100%. Debt of the Group refers to bank borrowings and lease liabilities. As at 31 March 2020, the Group has total banking facilities of approximately HK\$103.4 million (2019: approximately HK\$145.9 million) of which approximately HK\$75.9 million (2019: approximately HK\$73.0 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 Japanese Yen, Taiwan New dollar and United States dollar.

The Group will continue to take proactive measures and monitor closely of its exposure to such currency movement.

Treasury policies

The Group adopts prudent treasury policies. The Group's management has 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 were successfully listed on the Main Board of the Stock Exchange on 14 March 2018. 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 2020, the Company had 400,000,000 Shares in issue.

Capital commitments and contingent liabilities

Details of the capital commitments are set out in note 15 to this announcement. The Group has no material contingent liabilities as at 31 March 2020.

Employees and remuneration policies

As at 31 March 2020, the Group employed a total of 730 employees (2019: 805) and the employee benefit expenses including directors' emoluments were approximately HK\$109.3 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 2020, the Group did not have any significant investments, acquisitions or disposals of subsidiaries/associates and joint ventures.

USE OF PROCEEDS

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

As at 31 March 2020, unused net proceeds from the share offer were approximately HK\$4.4 million. The Directors will review the business opportunities available to the Group from time to time for applying the net proceeds according to the purposes stated in the Prospectus (as defined below). Save for the announcement of the Company dated 14 August 2019 (the “14 August 2019 Announcement”) regarding a change in allocation of the net proceeds from the share offer and the announcement of the Company dated 20 August 2018 (the “20 August 2018 Announcement”), the Directors do not anticipate that there will be any material change in the proposed use of the net proceeds from the share offer.

References are made to: (1) the prospectus of the Company dated 26 February 2018 (the “Prospectus”); (2) the Company’s announcement dated 13 March 2018 (the “Allotment Results Announcement”); (3) the 20 August 2018 Announcement; and (4) the second revised announcement dated 14 August 2019.

An analysis of the utilisation of the net proceeds from the share offer up to the period ended 31 March 2020 is set out below:

	Original allocation of the IPO Proceeds (as disclosed in the Allotment Results Announcement) HK\$’000	Second revised allocation of IPO Proceeds (as disclosed in the 14 August 2019 Announcement) HK\$’000	Utilised IPO Proceeds as at 31 March 2020 HK\$’000	Unutilised IPO Proceeds as at 31 March 2020 HK\$’000
Opening new shops				
– TenRen	26,200	33,030	(33,030)	–
– Jiu Tang Wu	18,000	3,170	(3,170)	–
– Uncle Tetsu	2,400	–	–	–
Introducing a new beverage brand	–	1,640	(1,640)	–
Introducing another new food brand	–	8,000	(8,000)	–
Upgrading the ERP system	3,600	3,600	(3,600)	–
Leasing of warehouse facilities	12,300	12,300	(7,894)	4,406
Expansion of sales and marketing team	2,500	2,500	(2,500)	–
General working capital	6,100	6,860	(6,860)	–
Total	<u>71,100</u>	<u>71,100</u>	<u>(66,694)</u>	<u>4,406</u>

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 2020.

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 2020 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.

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 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 of all Directors, and each Directors has confirmed that he or she has complied with the standards as set out in the Model Code during the period from the Listing Date to the date of this announcement. No incident of non-compliance of the Model Code by the Relevant Employees was noted by the Company during the year ended 31 March 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2020 and up to the date of this announcement, there has been no purchase, sale or redemption of any Company's listed securities by the Company or any of its subsidiaries.

FINAL DIVIDEND

The Board does not recommend a final dividend for the year ended 31 March 2020.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appeared on the register of members of our Company on Monday, 7 September 2020 are entitled to attend and vote at the AGM. The register of members of our Company will be closed from Wednesday, 2 September 2020 to Monday, 7 September 2020, both days inclusive. 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 the Company's Hong Kong branch share registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m on Tuesday, 1 September 2020.

ANNUAL GENERAL MEETING

The AGM will be held on Monday, 7 September 2020. 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 and the Company's website at www.bandshk.com. The annual report of the Company for the year ended 31 March 2020 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, 29 June 2020

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