

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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**)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 September 2021 decreased by approximately 3.4% as compared with that of the same period in 2020.
- The net profit for the six months ended 30 September 2021 decreased by approximately 38.3% as compared with that of the same period in 2020.
- The Group has recorded a net profit of approximately HK\$6.6 million for the six months ended 30 September 2021. If the first tranche of wage subsidy from the Hong Kong government is excluded, the Group actually recorded an increase of net profit by approximately HK\$7.8 million as compared to the six months ended 30 September 2020. *(note 1)*
- The Board has resolved not to propose the declaration and payment of an interim dividend for the six months ended 30 September 2021 (for the six months ended 30 September 2020: HK1 cent per Share).

	Six months ended		
	30 September		
	2021	2020	Increase/ (decrease)
	<i>HK\$ million</i>	<i>HK\$ million</i>	
	(Unaudited)	(Unaudited)	
Revenue	238.8	247.3	(3.4%)
Gross Profit	46.8	44.9	4.2%
Net profit	6.6	10.7	(38.3%)
Basic earnings per Share (<i>HK cents</i>)	1.5	2.5	(40.0%)

Note 1: If the receipt of first tranche of wage subsidy under the Employment Support Scheme launched by the Hong Kong government of approximately HK\$11.9 million is excluded, the net loss for the six month ended 30 September 2020 will be approximately HK\$1.2 million.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of B & S International Holdings Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited condensed consolidated results of the Company for the six months ended 30 September 2021, together with the comparative figures for the six months ended 30 September 2020, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2021

		Six months ended	
		30 September	
	<i>Notes</i>	2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	238,775	247,259
Cost of sales	8	(192,002)	(202,345)
Gross profit		46,773	44,914
Other losses, net	6	(901)	(844)
Other income	7	25	11,884
Selling and distribution expenses	8	(18,168)	(24,693)
Administrative expenses	8	(18,000)	(17,967)
Operating profit		9,729	13,294
Finance income		6	86
Finance costs		(2,033)	(2,520)
Finance costs, net	9	(2,027)	(2,434)
Profit before income tax		7,702	10,860
Income tax expense	10	(1,111)	(133)
Profit and total comprehensive income for the period		6,591	10,727
Profit and total comprehensive income attributable to:			
Owners of the Company		6,162	10,158
Non-controlling interest		429	569
		6,591	10,727
Earnings per share for profit attributable to owners of the Company during the period (expressed in HK cents per share)			
– basic and diluted	11	1.5	2.5

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

		30 September 2021	31 March 2021
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		15,892	21,830
Right-of-use assets		47,546	55,523
Deferred income tax assets		9,473	10,248
Deposits and other assets		12,097	12,493
		85,008	100,094
Current assets			
Inventories		30,538	18,880
Trade receivables	13	61,125	61,915
Deposits, prepayments and other receivables		15,878	17,662
Income tax recoverable		1,386	2,059
Restricted cash		30,000	30,000
Short-term bank deposits		–	393
Cash and cash equivalents		53,405	44,681
		192,332	175,590
Total assets		277,340	275,684
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	4,000	4,000
Reserves		79,794	79,794
Retained earnings		48,761	42,599
		132,555	126,339
Non-controlling interest		4,220	4,281
Total equity		136,775	130,674

		30 September	31 March
		2021	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liability			
Lease liabilities		<u>19,000</u>	<u>26,025</u>
Current liabilities			
Trade and other payables	15	43,947	40,096
Lease liabilities		34,161	35,796
Bank borrowings		<u>43,457</u>	<u>43,093</u>
		<u>121,565</u>	<u>118,985</u>
Total liabilities		<u>140,565</u>	<u>145,010</u>
Total equity and liabilities		<u><u>277,340</u></u>	<u><u>275,684</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (together, “**the Group**”) are principally engaged in (i) 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 interim condensed consolidated financial information is presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 September 2021 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this announcement is to be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

3 ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

3.1 Accounting policies

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 March 2021 as described in those annual financial statements except for the estimation of income tax is accrued using the tax rate that would be applicable to the expected total annual earnings and the adoption of new and amended standards as set out below.

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

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

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendments to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

COVID-19 Related Rent Concessions beyond
30 June 2022

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

The following new standards and amendment to existing standards have been issued but are not effective for the financial year beginning on 1 April 2021 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020	1 January 2022
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Disclosure of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

4 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors of the Group (collectively referred to as the “CODM”) that make strategic decisions. The CODM reviews the internal reporting of the Group in order to assess 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 the sales and operating profits of the Group are derived in Hong Kong and all the operating assets of the Group are located in Hong Kong.

The segment information provided to the CODM for the reportable segments for the six months ended 30 September 2021 and 2020 is as follows:

	For the period ended 30 September 2021		
	(Unaudited)		
	Distribution Business HK\$'000	Retail Business HK\$'000	Total HK\$'000
Segment revenue – recognised at a point in time	117,760	121,015	238,775
Segment results	18,869	7,427	26,296
Unallocated expenses			(15,691)
Other losses			(901)
Other income			25
Finance costs, net			(2,027)
Profit before income tax			7,702
Income tax expense			(1,111)
Profit for the period			6,591
Segment items included:			
Depreciation of property, plant and equipment	1,273	6,947	8,220
Depreciation of right-of-use assets	–	21,213	21,213

For the period ended 30 September 2020
(Unaudited)

	Distribution Business <i>HK\$'000</i>	Retail Business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue – recognised at a point in time	133,994	113,265	247,259
Segment results	19,405	(1,678)	17,727
Unallocated expenses			(15,473)
Other losses			(844)
Other income			11,884
Finance costs, net			(2,434)
Profit before income tax			10,860
Income tax expense			(133)
Profit for the period			10,727
Segment items included:			
Depreciation of property, plant and equipment	1,378	9,147	10,525
Depreciation of right-of-use assets	5,095	23,599	28,694

The segment assets as at 30 September 2021 and 31 March 2021 and the reconciliation to the total assets are as follows:

	As at 30 September 2021 (Unaudited)		
	Distribution Business <i>HK\$'000</i>	Retail Business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total segment assets	88,132	90,152	178,284
Total segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	967	14,551	15,518

	As at 31 March 2021 (Audited)		
	Distribution	Retail	Total
	Business	Business	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total segment assets	79,259	105,518	184,777
Total segment assets include: Additions to non-current assets (other than financial instruments and deferred income tax assets)	1,522	36,019	37,541

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

	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
Total segment assets	178,284	184,777
Unallocated:		
Deferred income tax assets	9,473	10,248
Deposits and other assets	4,792	3,526
Income tax recoverable	1,386	2,059
Restricted cash	30,000	30,000
Short-term bank deposits	–	393
Cash and cash equivalents	53,405	44,681
Total assets	277,340	275,684

The segment liabilities as at 30 September 2021 and 31 March 2021 and the reconciliation to the total liabilities are as follows:

	As at 30 September 2021 (Unaudited)		
	Distribution	Retail	Total
	Business	Business	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total segment liabilities	56,914	74,751	131,665

	As at 31 March 2021 (Audited)		
	Distribution	Retail	Total
	Business	Business	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total segment liabilities	54,455	80,775	135,230

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

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Total segment liabilities	131,665	135,230
Unallocated:		
Other payables	900	1,780
Bank borrowings	8,000	8,000
Total liabilities	<u>140,565</u>	<u>145,010</u>

5 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 period are as follows:

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Sales of goods	117,760	133,994
Catering services	121,015	113,265
	<u>238,775</u>	<u>247,259</u>

6 OTHER LOSSES, NET

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Change in cash surrender value of key management life insurance contracts	(57)	(64)
Gain on disposal of property, plant and equipment	40	–
Exchange loss	(884)	(780)
	<u>(901)</u>	<u>(844)</u>

7 OTHER INCOME

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Government subsidy (<i>Note</i>)	–	11,866
Sundry income	<u>25</u>	<u>18</u>
	<u>25</u>	<u>11,884</u>

Note: There is no government subsidy (for the six months ended 30 September 2020: HK\$11,866,000) granted by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic fund. There are no unfulfilled conditions or other contingencies attaching in the subsidy.

8 EXPENSES BY NATURE

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

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Cost of inventories sold	107,761	116,612
Depreciation of property, plant and equipment	8,220	10,525
Depreciation of right-of-use assets	21,213	28,694
Employee benefit expenses	48,815	52,036
Short-term and variable lease payments	8,733	–
Utilities expenses	9,322	8,945
Transportation and logistic service expenses	5,738	7,116
Freight charges	3,229	2,342
Auditor's remuneration		
– Audit services	680	680
– Non-audit services	100	100
Franchise fee	2,142	584
Travelling expenses	222	175
Insurance expenses	749	707
Legal and professional fees	696	768
Others	<u>10,550</u>	<u>15,721</u>
	<u>228,170</u>	<u>245,005</u>
Representing:		
Cost of sales	192,002	202,345
Selling and distribution expenses	18,168	24,693
Administrative expenses	<u>18,000</u>	<u>17,967</u>
	<u>228,170</u>	<u>245,005</u>

9 FINANCE COSTS, NET

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance income		
– Bank interest income	6	86
	<hr/>	<hr/>
Finance costs		
– Interest expense on bank borrowings	(578)	(946)
– Lease liabilities	(1,455)	(1,574)
	<hr/>	<hr/>
	(2,033)	(2,520)
	<hr/>	<hr/>
Finance costs, net	(2,027)	(2,434)
	<hr/> <hr/>	<hr/> <hr/>

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the two-tiered rate of 8.25% for the first HK\$2 million of the estimated assessable profits for one of the Group's subsidiaries in Hong Kong and 16.5% on the remaining estimated assessable profits for the six months ended 30 September 2021 (six months ended 30 September 2020: same).

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

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax	336	1,227
Deferred income tax	775	(1,094)
	<hr/>	<hr/>
	1,111	133
	<hr/> <hr/>	<hr/> <hr/>

11 EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (HK\$'000)	6,162	10,158
Weighted average number of ordinary shares in issue (thousands)	400,000	400,000
Basic earnings per share (HK cents)	1.5	2.5

(b) Diluted

For the periods ended 30 September 2021 and 2020, diluted earnings per share equals basic earnings per share as there was no dilutive potential shares.

12 DIVIDENDS

The Board does not recommend the payment of any interim dividend for the period ended 30 September 2021 (2020: HK1 cent per share, amounting to HK\$4,000,000).

13 TRADE RECEIVABLES

	30 September 2021	31 March 2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables – third parties	61,125	61,915

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

As at 30 September 2021 and 31 March 2021, the ageing analysis of the trade receivables based on invoice date was as follows:

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
0–30 days	24,967	21,150
31–60 days	15,261	8,632
61–90 days	10,125	9,072
91–180 days	9,001	22,030
Over 180 days	1,771	1,031
	<u>61,125</u>	<u>61,915</u>

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. There is no significant impact of loss allowance for trade receivables as at 30 September 2021 (31 March 2021: same).

The Group does not hold any collateral as security.

14 SHARE CAPITAL

	Number of Shares	Share capital HK\$'000
Authorised:		
Ordinary Shares of HK\$0.01 each		
At 1 April 2020, 30 September 2020, 1 April 2021 and 30 September 2021	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary Shares of HK\$0.01 each		
At 1 April 2020, 30 September 2020, 1 April 2021 and 30 September 2021	<u>400,000,000</u>	<u>4,000</u>

15 TRADE AND OTHER PAYABLES

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Trade payables	18,967	15,365
Other payables	24,980	24,731
	43,947	40,096

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

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
0–30 days	8,824	5,248
31–60 days	850	510
61–90 days	40	19
Over 90 days	9,253	9,588
	18,967	15,365

16 COMMITMENTS

The Group does not have any material capital commitment as at 30 September 2021 and 31 March 2021.

17 CONTINGENT LIABILITIES

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2021, the Group's revenue amounted to approximately HK\$238.8 million, representing a decrease of approximately 3.4% from approximately HK\$247.3 million for the same period in 2020. Such decrease was mainly attributable to the decrease in sales orders from local retailers in our Distribution Business.

As at 30 September 2021, we had set up 64 self-operated retail outlets and details of which are set out below:

	As at 30 September	
	2020	2021
TenRen (天仁茗茶)	58	56
Chef Hung (洪師父)	3	5
Others	6	3
	<u>67</u>	<u>64</u>

The revenue derived from the retail business increased to approximately HK\$121.0 million for the six months ended 30 September 2021 (six months ended 30 September 2020: approximately HK\$113.3 million), representing an increase of approximately HK\$7.7 million which contributed to approximately 50.7% of our total revenue.

Same store sales performance

We evaluate our sales performance of our “TenRen (天仁茗茶)” retail network within the existing outlets by calculating the average same store sales growth (“SSSG”), which compares the average revenue derived from outlets that were in operation throughout the financial periods compared. The soft economic performance and other market conditions have continued to affect the customer sentiment in Hong Kong. As a result, our “TenRen (天仁茗茶)” retail outlets have remained stable in SSSG for the six months ended 30 September 2021. The following table sets forth the average same-store sales performance of our “TenRen (天仁茗茶)” retail outlets:

	Six months ended 30 September			
	2019	2020	2020	2021
Number of same-store	53		54	
Average same-store sales	HK\$2.3 million	HK\$1.8 million	HK\$1.7 million	HK\$1.7 million
Average same-store sales growth rate	(21.7%)		0%	

Average selling prices and volume

The average selling price of our “TenRen (天仁茗茶)” beverage products increased slightly during the six months ended 30 September 2021 primarily because we slightly raised our prices in light of the inflation and rising raw material costs and rental expenses. The average daily sales volume of our “TenRen (天仁茗茶)” beverage products decreased throughout the six months ended 30 September 2021 which is mainly due to the decrease in the number of retail outlets. The following table sets forth the average selling price and average daily sales volume of our “TenRen (天仁茗茶)” beverage products for the periods indicated:

	Six months ended	
	30 September	
	2020	2021
Average selling price (HK\$)		
Beverage products (<i>per cup</i>)	24.0	24.5
Side products (<i>per unit</i>) ^(Note)	17.4	15.4
Average daily sales volume		
Beverage products (<i>per cup</i>)	21,200	19,500
Side products (<i>per unit</i>) ^(Note)	<u>2,000</u>	<u>1,100</u>

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

Gross profit for the six months ended 30 September 2021 amounted to approximately HK\$46.8 million, representing an increase of approximately 4.2% from approximately HK\$44.9 million for the same period in 2020.

Profit attributable to owners of the Company for the six months ended 30 September 2021 was approximately HK\$6.2 million, representing a decrease of approximately 39.2% from approximately HK\$10.2 million for the same period in 2020. The net profit for the six months ended 30 September 2021 was approximately HK\$6.6 million (six months ended 30 September 2020: approximately HK\$10.7 million). Whilst the net profit of the Group for the six months ended 30 September 2020 included the receipt of the first tranche of wage subsidy under the Employment Support Scheme launched by the Hong Kong government which amounted to approximately HK\$11.9 million, the Group did not receive such subsidy from the Hong Kong government during the six months ended 30 September 2021. If the above subsidy from the Hong Kong government is excluded, the Group actually recorded an increase of net profit by approximately HK\$7.8 million, which is mainly attributable to the improved market sentiment amidst the gradually stabilised COVID-19 situation in Hong Kong and the implementation of various cost control measures including but not limited to engaging in re-negotiations with landlords of the Group’s retail stores for rent concessions upon renewal of rental agreements and seeking for more favourable terms with the suppliers.

OUTLOOK

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

FINANCIAL OVERVIEW

Revenue

For the six months ended 30 September 2021, the Group's revenue amounted to approximately HK\$238.8 million, representing a decrease of approximately 3.4% from approximately HK\$247.3 million for the same period in 2020.

The revenue derived from the Retail Business increased to approximately HK\$121.0 million for the six months ended 30 September 2021, representing an increase of approximately HK\$7.7 million (six months ended 30 September 2020: approximately HK\$113.3 million) which contributed approximately 50.7% of the Group's total revenue. Such increase was mainly as a result of the partial recovery of the retail market under the stabilised COVID-19 situation in Hong Kong.

The revenue derived from the Distribution Business decreased to approximately HK\$117.8 million for the six months ended 30 September 2021, representing a decrease of approximately HK\$16.2 million (six months ended 30 September 2020: approximately HK\$134.0 million) which contributed approximately 49.3% of the Group's total revenue. Such decrease was mainly due to the decrease in sales volume to local retailers in Hong Kong.

Cost of sales

For the six months ended 30 September 2021, the Group's cost of sales amounted to approximately HK\$192.0 million, representing a decrease of approximately 5.1% from approximately HK\$202.3 million for the same period in 2020. Such decrease was in line with the decrease in sales volume in our Distribution Business.

Gross profit and gross profit margin

For the six months ended 30 September 2021, the Group's gross profit amounted to approximately HK\$46.8 million, representing an increase of approximately 4.2% from approximately HK\$44.9 million for the same period in 2020. The Group's gross profit margin for the six months ended 30 September 2021 increased by approximately 1.4% to approximately 19.6% as compared to that of approximately 18.2% for the same period in 2020. The increase in gross profit margin was mainly due to the rent concessions upon renewal of rental agreements.

Selling and distribution expenses

For the six months ended 30 September 2021, the selling and distribution expenses of the Group amounted to approximately HK\$18.2 million, representing a decrease of approximately 26.3% from approximately HK\$24.7 million for the same period in 2020. Such decrease was primarily due to the cost-saving plan implemented by the Group, such as transportation and logistic service expenses, during the six months ended 30 September 2021.

Administrative expenses

For the six months ended 30 September 2021, the administrative expenses of the Group amounted to approximately HK\$18.0 million (six months ended 30 September 2020: approximately HK\$18.0 million), which remained stable as compared with that of the same period in 2020.

Finance costs, net

For the six months ended 30 September 2021, the net finance costs of the Group amounted to approximately HK\$2.0 million, representing a decrease of approximately 16.7% from approximately HK\$2.4 million for the same period in 2020. Such decrease was mainly attributable to the decrease in lease liabilities level during the period ended 30 September 2021.

Income tax expenses

For each of the six months ended 30 September 2021 and 30 September 2020, the Group recorded income tax expenses of approximately HK\$1.1 million and HK\$0.1 million, respectively, representing an effective tax rate of approximately 14.3% and 1.2%, respectively, for the corresponding periods. The low effective tax rate for the six months ended 30 September 2020 was due to the recognition of the government subsidy granted by the Hong Kong Special Administrative Region Government under the Anti-Epidemic Fund, which was a non-taxable income.

Net profit

Profit attributable to owners of the Company for the six months ended 30 September 2021 was approximately HK\$6.2 million, representing a decrease of approximately 39.2% from approximately HK\$10.2 million for the same period in 2020. The net profit for the six months ended 30 September 2021 was approximately HK\$6.6 million (six months ended 30 September 2020: approximately HK\$10.7 million). Whilst the net profit of the Group for the six months ended 30 September 2020 included the receipt of the first tranche of wage subsidy under the Employment Support Scheme launched by the Hong Kong government which amounted to approximately HK\$11.9 million, the Group did not receive such subsidy from the Hong Kong government during the six months ended 30 September 2021. If the above subsidy from the Hong Kong government is excluded, the Group actually recorded an increase of net profit by

approximately HK\$7.8 million, which is mainly attributable to the improved market sentiment amidst the gradually stabilised COVID-19 situation in Hong Kong and the implementation of various cost control measures including but not limited to engaging in re-negotiations with landlords of the Group's retail stores for rent concessions upon renewal of rental agreements and seeking for more favourable terms with the suppliers. As the market sentiment may take some time to improve, we will continue to put effort in our products offerings and marketing in order to maintain our sales and market shares. On the other hand, the Group will implement cost control measures to further drive cost efficiency.

The net profit margin (calculated as a ratio of net profit for the period to revenue) for the six months ended 30 September 2021 was approximately 2.8%, as compared to approximately 4.3% for the same period in 2020. Basic earnings per share for the six months ended 30 September 2021 amounted to approximately HK1.5 cents, as compared to approximately HK2.5 cents for the same period in 2020.

Capital expenditure

During the six months ended 30 September 2021, capital expenditure amounted to approximately HK\$15.5 million. Such amount was mainly used for the opening of new retail outlets and renovation of existing retail outlets.

Liquidity and financial resources review

Our Group is financially sound with cash and cash equivalents and short-term bank deposits amounted to approximately HK\$53.4 million as at 30 September 2021 (31 March 2021: approximately HK\$45.1 million). As at 30 September 2021, the gearing ratio of the Group was approximately 41.4% (31 March 2021: approximately 44.5%), which was calculated based on the total debt divided by the total capital at the end of the financial period/year and multiplied by 100%. Debt of the Group refers to bank borrowings and lease liabilities. As at 30 September 2021, the Group has total bank facilities of approximately HK\$149.2 million (31 March 2021: approximately HK\$149.2 million) of which approximately HK\$60.6 million (31 March 2021: approximately HK\$67.5 million) has been utilised. We aim to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable us to continue our business in a manner which is consistent with our short-term and long-term financial strategies of the Group.

Foreign currency risk

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

Treasury policies

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

Capital structure

The shares of the Company (the "Shares") were successfully listed on the Main Board of the Stock Exchange on 14 March 2018 (the "Listing Date"). There has been no change in the capital structure of the Group since then. The share capital of the Company only comprises ordinary Shares. As at 30 September 2021, the Company had 400,000,000 Shares in issue.

Material acquisitions and disposals of subsidiaries and affiliated companies

For the six months ended 30 September 2021, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Significant investments and acquisitions of capital assets

For the six months ended 30 September 2021, the Group did not hold any significant investments nor made any significant acquisitions of capital assets.

Capital commitments and contingent liabilities

Details of the capital commitments and contingent liabilities are set out in Note 16 and Note 17 to the interim condensed consolidated financial information in this Announcement.

Event after the reporting period

No significant event has taken place after 30 September 2021 and up to the date of this Announcement.

Employees and remuneration policies and training schemes

As at 30 September 2021, the Group employed a total of 597 employees (as at 31 March 2021: 721) and the employee benefit expenses including directors' emoluments were approximately HK\$48.8 million (as at 31 March 2021: HK\$105.8 million). The Group offers a comprehensive remuneration package which is reviewed by the management on a regular basis. The Group has also provided training programmes to its management and employees regularly to ensure that they are properly trained.

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: HK1 cent).

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining the highest standard of corporate governance to safeguard the Shareholder's interests. During the period from 1 April 2021 up to the date of this Announcement, the Company has applied the principles in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. The corporate governance principles of the Company emphasises an effective board with a high level of integrity, sound internal controls, as well as ensuring a high degree of transparency and accountability, which does not only enhance corporate value for the Shareholders but also protect the long-term sustainability of the Group. In the opinion of the Board, during the period from the Listing Date up to the date of this Announcement, the Company has complied with all the code provisions in the CG Code, save and except for code provision A.2.1 which states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Chan Kam Chuen Andrew is both our chairman and chief executive officer and is responsible for the overall management of the Group and directing the strategic development and business plans of the Group. The Board believes that vesting the roles of the chairman and chief executive officer in the same individual (that is, Mr. Chan Kam Chuen Andrew) would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2021 and up to the date of this Announcement, there has been no purchase, sale or redemption of any Company's listed securities by the Company or any of its subsidiaries.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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

The Audit Committee held a meeting on 23 November 2021 and has considered and reviewed the unaudited interim condensed consolidated results and interim condensed consolidated financial statements of the Group and given their opinion and recommendation to the Board. The Audit Committee considers that the unaudited interim condensed consolidated results and interim condensed consolidated financial statements of the Company have complied with the applicable accounting standards and the Company has made appropriate disclosure thereof.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of both the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.bandshk.com>). An interim report of the Company for the six months ended 30 September 2021 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 23 November 2021

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.