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## **B & S INTERNATIONAL HOLDINGS LTD.**

### **賓仕國際控股有限公司**

(incorporated in the Cayman Islands with limited liability)

(the “**Company**”)

(**Stock code: 1705**)

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022**

### **FINANCIAL HIGHLIGHTS**

- The fifth wave of COVID-19 in Hong Kong in February and March 2022 seriously disrupted the Group’s operations and business, as well as the business recovery and momentum achieved in the first three quarters of the financial year. Significant decrease in the revenue of our retail business was recorded during the two months.
- Gross profit increased by approximately 44.1% as compared with the year ended 31 March 2021 due to the one-off obsolete inventory provision made amounted to approximately HK\$9.2 million in relation to the masks received which had failed to meet the merchantable quality during the year ended 31 March 2021 and business recovery achieved in the first three quarters of the financial year which was offset by the outbreak of fifth wave of COVID-19 in Hong Kong.
- COVID-19 relief and subsidies from the government of approximately HK\$2.1 million were recorded during the year, which was much lower as compared to approximately HK\$24.4 million recorded in the previous financial year.
- In view of the operating results for the year and to maintain a healthy financial position, the Board has resolved not to propose the payment of a final dividend for the year ended 31 March 2022.

	<b>For the year ended 31 March 2022 HK\$ million</b>	<b>For the year ended 31 March 2021 HK\$ million</b>	<b>Increase/ (decrease)</b>
Revenue	<b>468.2</b>	483.1	(3.1%)
Gross profit	<b>77.1</b>	53.5	44.1%
Net profit	<b>1.2</b>	1.6	(25.0%)
Basic earnings per share (HK cents)	<b>0.15</b>	0.15	0.0%

## 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 2022, together with the comparative figures for the year ended 31 March 2021, as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2022*

	<i>Note</i>	<b>2022</b> <b>HK\$’000</b>	2021 <i>HK\$’000</i>
Revenue	4	<b>468,239</b>	483,068
Cost of sales	7	<b>(391,155)</b>	(429,552)
<b>Gross profit</b>		<b>77,084</b>	53,516
Other losses	5	<b>(858)</b>	(1,334)
Other income	6	<b>2,199</b>	24,562
Selling and distribution expenses	7	<b>(35,884)</b>	(35,182)
Administrative expenses	7	<b>(37,954)</b>	(39,921)
<b>Operating profit</b>		<b>4,587</b>	1,641
Finance income	8	<b>24</b>	189
Finance costs	8	<b>(3,721)</b>	(4,807)
Finance costs, net	8	<b>(3,697)</b>	(4,618)
<b>Profit/(loss) before income tax</b>		<b>890</b>	(2,977)
Income tax credit	9	<b>355</b>	4,593
<b>Profit and total comprehensive income for the year</b>		<b>1,245</b>	1,616
<b>Profit and total comprehensive income attributable to:</b>			
Owners of the Company		<b>596</b>	583
Non-controlling interest		<b>649</b>	1,033
		<b>1,245</b>	1,616
<b>Earnings per share for profit attributable to owners of the Company during the year (expressed in HK cents per share)</b>			
– basic and diluted	10	<b>0.15</b>	0.15

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2022*

	<i>Note</i>	2022 <b>HK\$'000</b>	2021 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		9,702	21,830
Right-of-use assets		46,555	55,523
Deferred income tax assets		11,064	10,248
Deposits and other assets		10,538	12,493
		77,859	100,094
<b>Current assets</b>			
Inventories		19,781	18,880
Trade receivables	12	52,914	61,915
Deposits, prepayments and other receivables		16,034	17,662
Income tax recoverable		–	2,059
Restricted cash		30,000	30,000
Short-term bank deposits		410	393
Cash and cash equivalents		54,809	44,681
		173,948	175,590
<b>Total assets</b>		<b>251,807</b>	275,684
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	13	4,000	4,000
Reserves		79,794	79,794
Retained earnings		43,195	42,599
		126,989	126,393
Non-controlling interest		3,950	4,281
<b>Total equity</b>		<b>130,939</b>	130,674

	<i>Note</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liability</b>			
Lease liabilities		<b>18,488</b>	26,025
<b>Current liabilities</b>			
Trade and other payables	14	<b>39,266</b>	40,096
Income tax payable		<b>198</b>	–
Lease liabilities		<b>32,545</b>	35,796
Bank borrowings		<b>30,371</b>	43,093
		<b>102,380</b>	118,985
<b>Total liabilities</b>		<b>120,868</b>	145,010
<b>Total equity and liabilities</b>		<b>251,807</b>	275,684

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

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

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

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

These consolidated financial 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) *Amendments to existing standards adopted by the Group*

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 April 2021:

<b>Standards</b>	<b>Subject of amendment</b>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021

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

- (b) *New standards, amendments to existing standards and interpretations not yet adopted*  
 Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 March 2022 reporting periods and have not been early adopted by the Group:

<b>Standards</b>	<b>Subject of amendment</b>	<b>Effective for annual periods beginning on or after</b>
Annual Improvements to HKFRS Standards 2018–2020	Annual Improvements to HKFRS Standards 2018–2020	1 April 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 April 2022
Amendments to HKAS 37	Onerous Contract: Cost of Fulfilling a Contract	1 April 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 April 2022
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination	1 April 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 April 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 April 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 April 2023
Amendments to HKAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction	1 April 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 April 2023
HKFRS 17	Insurance Contracts	1 April 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

### 3 SEGMENT INFORMATION

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

The Group is principally engaged in Distribution Business and Retail Business in Hong Kong. The Executive Directors 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 2022 and 2021 is as follows:

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

	For the year ended 31 March 2021		
	Distribution Business HK\$'000	Retail Business HK\$'000	Total HK\$'000
Segment revenue – recognised at a point in time	253,462	229,606	483,068
Segment results	20,197	(6,882)	13,315
Unallocated expenses			(34,902)
Other losses			(1,334)
Other income			24,562
Finance costs, net			(4,618)
Loss before income tax			(2,977)
Income tax credit			4,593
Profit for the year			1,616
<b>Segment items included:</b>			
Depreciation of property, plant and equipment	2,794	17,682	20,476
Depreciation of right-of-use assets	6,194	48,491	54,685
Impairment loss on property, plant and equipment	–	1,169	1,169
Impairment loss on right-of-use assets	–	1,076	1,076

The segment assets as at 31 March 2022 and 2021 and the reconciliation to the total assets are as follows:

	As at 31 March 2022		
	Distribution Business HK\$'000	Retail Business HK\$'000	Total HK\$'000
Total segment assets	71,221	80,401	151,622
Total segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	1,134	36,634	37,768
	As at 31 March 2021		
	Distribution Business HK\$'000	Retail Business HK\$'000	Total HK\$'000
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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Total segment assets	151,622	184,777
Unallocated:		
Deferred income tax assets	11,064	10,248
Income tax recoverable	–	2,059
Deposit and other assets	3,902	3,526
Restricted cash	30,000	30,000
Short-term bank deposits	410	393
Cash and cash equivalents	54,809	44,681
	<u>251,807</u>	<u>275,684</u>

The segment liabilities as at 31 March 2022 and 2021 and the reconciliation to the total liabilities are as follows:

	As at 31 March 2022		
	Distribution Business <i>HK\$'000</i>	Retail Business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total segment liabilities	<u>41,568</u>	<u>69,581</u>	<u>111,149</u>
	As at 31 March 2021		
	Distribution Business <i>HK\$'000</i>	Retail Business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total segment liabilities	<u>54,455</u>	<u>80,775</u>	<u>135,230</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Total segment liabilities	111,149	135,230
Unallocated:		
Other payables	1,521	1,780
Income tax payable	198	–
Bank borrowings	8,000	8,000
	<u>120,868</u>	<u>145,010</u>
Total liabilities	<u>120,868</u>	<u>145,010</u>

#### 4 REVENUE

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Sales of goods	244,025	253,462
Catering services	224,214	229,606
	<u>468,239</u>	<u>483,068</u>

For the year ended 31 March 2022, customer A from Distribution Business accounted for approximately 18% (2021: approximately 16%) 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 2022 and 2021.

#### 5 OTHER LOSSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Change in cash surrender value of key management life insurance contracts	127	155
Loss on disposal of property, plant and equipment	45	293
Exchange loss	686	886
	<u>858</u>	<u>1,334</u>

#### 6 OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Government subsidy ( <i>Note</i> )	2,100	24,447
Sundry income	99	115
	<u>2,199</u>	<u>24,562</u>

*Note:* Government subsidy represents subsidies of HK\$2,100,000 (2021: HK\$24,447,000) granted by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic fund. There are no unfulfilled conditions or other contingencies attaching in the subsidy.

## 7 EXPENSES BY NATURE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories sold	229,761	244,222
Packing materials	1,495	3,433
Depreciation of property, plant and equipment	14,881	20,476
Depreciation of right-of-use assets	41,397	54,685
Employee benefit expenses	96,898	105,817
Short-term and variable lease payments	16,628	5,175
Utilities expenses	15,312	13,071
Transportation and logistics service expenses	11,728	13,156
Freight charges	6,121	4,901
Auditor's remuneration		
– Audit services	1,500	1,360
– Non-audit services	–	340
Franchise fee	3,579	3,094
Impairment loss on property, plant and equipment	881	1,169
Impairment loss on right-of-use assets	1,590	1,076
Write-off of obsolete inventories	–	9,192
Legal and professional fees	1,970	1,894
Loss on remeasurement of right-of-use assets	–	95
Others	21,252	21,499
	<u>464,993</u>	<u>504,655</u>
Representing:		
Cost of sales	391,155	429,552
Selling and distribution expenses	35,884	35,182
Administrative expenses	37,954	39,921
	<u>464,993</u>	<u>504,655</u>

## 8 FINANCE COSTS, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Finance income</b>		
– Bank interest income	24	189
<b>Finance costs</b>		
– Interest expense on bank borrowings	(1,122)	(1,690)
– Lease liabilities	(2,599)	(3,117)
	<u>(3,721)</u>	<u>(4,807)</u>
<b>Finance costs, net</b>	<u>(3,697)</u>	<u>(4,618)</u>

## 9 INCOME TAX CREDIT

Hong Kong profits tax has been provided at the two-tiered rate of 8.25% for the first HK\$2 million of the estimated assessable profits for one of the Group's subsidiaries in Hong Kong and 16.5% on the remaining entities estimated assessable profits for the year ended 31 March 2022 (2021: same).

The amount of taxation credited to the consolidated statement of comprehensive income represents:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current income tax	461	408
Deferred income tax	<u>(816)</u>	<u>(5,001)</u>
	<u><u>(355)</u></u>	<u><u>(4,593)</u></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.

	2022	2021
Profit attributable to owners of the Company ( <i>HK\$'000</i> )	596	583
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	400,000	400,000
Basic earnings per share ( <i>HK cents</i> )	<u><u>0.15</u></u>	<u><u>0.15</u></u>

### (b) Diluted earnings per share

For the years ended 31 March 2022 and 2021, diluted earnings per share equals basic earnings per share as there was no dilutive potential shares.

## 11 DIVIDENDS

No interim dividend was declared nor paid during the year ended 31 March 2022 (2021: HK\$4,000,000).

The Board does not recommend the payment of any final dividend for the year ended 31 March 2022 (2021: same).

## 12 TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables – third parties	<u>52,914</u>	<u>61,915</u>

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

As at 31 March 2022 and 2021, the ageing analysis of the trade receivables based on invoice date was as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	18,510	21,150
31–60 days	9,183	8,632
61–90 days	13,975	9,072
91–180 days	10,072	22,030
Over 180 days	1,174	1,031
	<u>52,914</u>	<u>61,915</u>

## 13 SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
<b>Authorised:</b> At 1 April 2020, 31 March 2021 and 2022	<u>10,000,000,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b> At 1 April 2020, 31 March 2021 and 2022	<u>400,000,000</u>	<u>4,000</u>

## 14 TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables ( <i>Note</i> )	15,877	15,365
Accruals for employee benefits	6,694	8,582
Contract liabilities	5,551	3,433
Provision for unused annual leave	598	598
Provision for long service payment	416	416
Provision for reinstatement costs	3,459	3,530
Accruals for operating expenses	5,506	6,539
Payables for property, plants and equipment	–	627
Other payables	1,165	1,006
	<u>39,266</u>	<u>40,096</u>

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	2,615	5,248
31–60 days	3,347	510
61–90 days	269	19
Over 90 days	9,646	9,588
	<u>15,877</u>	<u>15,365</u>

## 15 COMMITMENTS

### Capital commitments

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contracted but not provided for – Property, plant and equipment	<u>–</u>	<u>–</u>

## 16 CONTINGENT LIABILITIES

On 13 August 2020, Wise Fine Enterprises Limited (“Wise Fine”), an indirect wholly-owned subsidiary of the Company entered into an agreement (the “Agreement”) with a supplier (the “Supplier”) for purchasing a quantity of no less than 21,000,000 pieces of masks with a total contract sum of HK\$31,500,000. The Group placed order to the Supplier for delivery of masks and around 6,500,000 pieces of masks with total transaction price of HK\$9,250,000, after deducting sales rebates of HK\$500,000, were delivered to the Group during December 2020 to January 2021 (the “Delivered Masks”) (see Note 14).

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 approximately estimated HK\$17,936,000, being the claim sum submitted by the Supplier for the undelivered committed masks plus legal costs.

## 17 SUBSEQUENT EVENT

The COVID-19 pandemic in Hong Kong has not shown any indication of its end. While the Group has considered the potential financial impact of COVID-19 in the preparation of the financial statements, the full extent of the probable impact of the COVID-19 disruptions on its operating and financial performance for the financial year ending 31 March 2023 remains uncertain. Accordingly, there is a possibility that factors not currently anticipated by management could occur in the future and the Group's assets may be subject to impairment loss in the subsequent financial periods. The Group has been closely monitoring the impact from the COVID-19 on the Group's businesses to ensure the safety of employees and stable operations. Based on the information currently available, the Directors considered that there was no material adverse change in the financial or trading position of the Group up to the date of this report. However, the actual impacts may differ from these estimates as the situation continues evolving and is subject to further information becomes available.



## MANAGEMENT DISCUSSION AND ANALYSIS

With the novel coronavirus disease (“COVID-19”) situation in Hong Kong largely stabilised during the first half of the financial year ended 31 March 2022, the Group’s business recovered significantly by the interim reporting period. However, the fifth wave of the COVID-19 pandemic in the last quarter of the financial year brought serious disruptions to our operations and business in Hong Kong as a result of the government’s dine-in restrictions and the intermittent closure of shops due to infections in our workforce.

For the year ended 31 March 2022, the turnover of the Group totalled approximately HK\$468.2 million (2021: approximately HK\$483.1 million), representing a decrease of approximately 3.1%, which was mainly attributable to the weakened market sentiment, in particular since the outbreak of the fifth wave of COVID-19. The Group’s gross profit increased from approximately HK\$53.5 million in the previous year to approximately HK\$77.1 million for the year ended 31 March 2022, representing an increase of approximately HK\$23.6 million which is equivalent to an increase of approximately 44.1%. Profit attributable to owners of the Company for the year ended 31 March 2022 was approximately HK\$0.6 million (2021: approximately HK\$0.6 million), remains constant when compared to the previous year.

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 2022, the revenue generated from the distribution business decreased to approximately HK\$244.0 million (2021: approximately HK\$253.5 million), representing a decrease of approximately HK\$9.5 million, which has contributed to approximately 52.1% of the Group’s total revenue. Such decrease in revenue generated from our distribution business was mainly due to the decrease in sales volume to local retailers in Hong Kong.

## RETAIL BUSINESS

We principally prepare and sell overseas branded food and beverage products licensed to us at our self-operated retail outlets in Hong Kong. As at 31 March 2022, we had set up 62 self-operated retail outlets and details of the outlets are set out below:

	2022	2021	2020
TenRen (天仁茗茶)	55	56	56
Chef Hung (洪師傅)	4	5	2
Others	3	5	7
	<u>62</u>	<u>66</u>	<u>65</u>

During the year ended 31 March 2022, the number of “TenRen (天仁茗茶)” retail outlets decreased slightly from 56 stores to 55 stores as compared to 31 March 2021. 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\$224.2 million for the year ended 31 March 2022 (2021: approximately HK\$229.6 million), representing a decrease of approximately HK\$5.4 million, which has contributed to approximately 47.9% of the Group’s total revenue. Such decline in revenue generated from our retail business was mainly impacted by the outbreak of fifth wave of the COVID-19 during the year.

### Same store sales performance

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

	Year ended 31 March					
	2019	2020	2020	2021	2021	2022
Number of same-store	48		56		53	
Average same-store sales	HK\$5.57 million	HK\$4.24 million	HK\$4.09 million	HK\$3.43 million	<b>HK\$3.33 million</b>	<b>HK\$3.19 million</b>
Average same-store sales growth rate	<u>(23.9%)</u>		<u>(16.1%)</u>		<u>(4.2%)</u>	

## 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 2022 primarily due to less discount offered to customers in the first three quarters of the financial year as a result of the partial recovery from COVID-19. The following table sets forth the average selling price and average daily sales volume of our “TenRen (天仁茗茶)” tea drink products for the years indicated:

	Year ended 31 March	
	2022	2021
Average selling price (HK\$)		
Tea drink products ( <i>per cup</i> )	<b>23.6</b>	22.8
Packaged tea leaves products ( <i>per unit</i> )	<b>105.3</b>	95.4
Average daily sales volume		
Tea drink products ( <i>cup</i> )	<b>19,000</b>	21,000
Packaged tea leaves products ( <i>unit</i> )	<b>200</b>	280

## INDUSTRY OVERVIEW

The market condition is challenging and is significantly impacting consumer sentiment in Hong Kong during the year. The continual impact of the COVID-19 pandemic during the year has led to a challenging trade environment for retail business in Hong Kong. The Group recorded a decline in revenue for the year ended 31 March 2022.

### Retail sector

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

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

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

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

#### *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 increase in market wages and the average rental price of private retail premises is still maintained at high level. The rising operating costs translate 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:

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

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

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

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

## **PROSPECTS**

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

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

We remain confident that our operations are well positioned to return to strong levels of performance and profitability when the pandemic situation improves.

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

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

## **FINANCIAL OVERVIEW**

### **Revenue**

For the year ended 31 March 2022, the Group's revenue amounted to approximately HK\$468.2 million, representing a decrease of approximately 3.1% from approximately HK\$483.1 million for the same period in 2021. The weakening of consumer's spending sentiment in Hong Kong and the disruption brought by the COVID-19 pandemic led to a tough year. In addition, the number of "TenRen (天仁茗茶)" retail outlets has decreased slightly from 56 stores as at 31 March 2021 to 55 stores as at 31 March 2022. The revenue generated from the retail business decreased to approximately HK\$224.2 million for the year ended 31 March 2022, representing a decrease of approximately HK\$5.4 million (2021: approximately HK\$229.6 million), which has contributed to approximately 47.9% of the Group's total revenue. Such decrease was mainly due to the continued impact of the COVID-19 pandemic during the year ended 31 March 2022.

The revenue generated from the distribution business decreased to approximately HK\$244.0 million for the year ended 31 March 2022, representing a decrease of approximately HK\$9.5 million (2021: approximately HK\$253.5 million), which has contributed to approximately 52.1% 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 year ended 31 March 2022, the Group's cost of sales amounted to approximately HK\$391.2 million, representing a decrease of approximately 8.9% from approximately HK\$429.6 million for the same period in 2021. Such decrease was mainly due to the decrease in the one-off obsolete inventory provision made amounted to approximately HK\$9.2 million in relation to the masks received which failed to meet the merchantable quality. Our cost of sales accounted for approximately 83.6% of the Group's total revenue for the year ended 31 March 2022 (2021: approximately 88.9%).

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

For the year ended 31 March 2022, the Group's gross profit amounted to approximately HK\$77.1 million, representing an increase of approximately 44.1% from approximately HK\$53.5 million for the same period in 2021. The Group's gross profit margin for the year ended 31 March 2022 increased by approximately 5.4% to approximately 16.5% as compared to that of approximately 11.1% in 2021. The increase in gross profit margin was mainly due to the cost saving strategy implemented and the negative impact resulting from the one-off obsolete inventory provision made on the masks received which had failed to meet the merchantable quality during the year ended 31 March 2021.

### **Selling and distribution expenses**

For the year ended 31 March 2022, selling and distribution expenses of the Group amounted to approximately HK\$35.9 million, representing an increase of approximately 2.0% from approximately HK\$35.2 million for the same period in 2021.

### **Administrative expenses**

For the year ended 31 March 2022, administrative expenses of the Group amounted to approximately HK\$38.0 million, representing a decrease of approximately 4.8% from approximately HK\$39.9 million for the same period in 2021. Such decrease was primarily due to the cost-saving plan implemented by the Group during the year ended 31 March 2022.

### **Finance costs, net**

For the year ended 31 March 2022, net finance costs of the Group amounted to approximately HK\$3.7 million, representing a decrease of approximately 19.6% from approximately HK\$4.6 million for the same period in 2021 which was mainly attributable to the decrease of borrowing level during the year ended 31 March 2022.

### **Income tax expenses**

For the years ended 31 March 2021 and 2022, the Group recorded income tax credit of approximately HK\$4.6 million and HK\$0.4 million, respectively, representing an effective tax rate of approximately (154.3%) and 39.9%, respectively, for the corresponding years. The negative effective tax rate for the year ended 31 March 2021 was mainly 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 2022 was approximately HK\$0.6 million, which remains constant at HK\$0.6 million for the same period in 2021. The net profit margin (calculated as the ratio of the profit for the year to the revenue) for the year ended 31 March 2022 was approximately 0.3%, which was relatively stable as compared to that of approximately 0.3% for the same period in 2021. Basic earnings per share for the year ended 31 March 2022 amounted to approximately HK0.15 cents, as compared to that of approximately HK0.15 cents for the same period in 2021.

### **Capital expenditure**

During the year ended 31 March 2022, capital expenditure amounted to approximately HK\$37.8 million (2021: approximately HK\$65.1 million). This amount was used mainly for the opening of new retail outlets and addition of right-of-use assets.

## CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 March 2022, 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 emphasise an effective Board with a high level of integrity, sound internal controls, as well as a high degree of transparency and accountability, which does not only enhance corporate value for Shareholders but also protect the long-term sustainability of the Group.

In the opinion of the Board, during the year and up to the date of this announcement, the Company has complied with all the code provisions of the CG Code, save and except for code provision C.2.1 which states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Chan Kam Chuen Andrew is both our chairman and chief executive officer and is responsible for the overall management of the Group and directing the strategic development and business plans of the Group.

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

The Board will nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, in order to maintain a high standard of corporate governance practices of the Company and ensure compliance with the code provisions of the CG Code.

## **Liquidity and financial resources review**

The Group is financially sound with bank deposits and cash amounting to approximately HK\$55.2 million as at 31 March 2022 (2021: approximately HK\$45.1 million). As at 31 March 2022, the gearing ratio of the Group was approximately 38.3% (2021: approximately 44.5%), 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 2022, the Group has total banking facilities of approximately HK\$113.4 million (2021: approximately HK\$149.2 million) of which approximately HK\$39.7 million (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 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 of the Company (the "**Shares**") were successfully listed on the Main Board of the Stock Exchange on 14 March 2018 (the "**Listing Date**"). There has been no change in the capital structure of the Group since then. The share capital of the Company only comprises ordinary Shares. As at 31 March 2022, the Company had 400,000,000 Shares in issue.



## **Capital commitments and contingent liabilities**

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

## **Employees and remuneration policies**

As at 31 March 2022, the Group employed a total of 609 employees (2021: 721) and the employee benefit expenses including directors' emoluments were approximately HK\$96.9 million (2021: approximately HK\$105.8 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 2022, the Group did not have any significant investments, acquisitions or disposals of subsidiaries/associates and joint ventures.

## **EVENTS AFTER THE REPORTING DATE**

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

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

The audit committee of the Board comprises three independent non-executive Directors, namely, Mr. Chung Kwok Mo John, Mr. Pang Koon Kwai and Mr. See Hung Yan Peter. The audit committee of the Board has reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters with management including a review of the audited consolidated financial statements for the year ended 31 March 2022.

## **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 2022 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year.

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

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct governing the Directors’ transactions in the listed securities of the Company. Employees of the Group (the “**Relevant Employees**”) who, because of their office or employment, are likely to possess inside information in relation to the Company or its securities are also subject to compliance with the Model Code.

The Company has made specific enquiry with all Directors, and each Director has confirmed that he or she has complied with the standards as set out in the Model Code during the year ended 31 March 2022 and up to the date of this announcement. No incident of non-compliance of the Model Code by the Relevant Employees was noted by the Company during the year ended 31 March 2022 and up to the date of this announcement.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 March 2022 and up to the date of this announcement.

## **FINAL DIVIDEND**

The Board does not recommend a final dividend for the year ended 31 March 2022 (2021: Nil).

## **CLOSURE OF REGISTER OF MEMBERS**

Shareholders whose names appeared on the register of members of our Company on Tuesday, 20 September 2022 are entitled to attend and vote at the AGM of our Company. The register of members of our Company will be closed from Thursday, 15 September 2022 to Tuesday, 20 September 2022, 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 our Company’s Hong Kong branch share registrar, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong no later than 4:00 p.m. on Wednesday, 14 September 2022.

## **ANNUAL GENERAL MEETING**

The AGM will be held on Tuesday, 20 September 2022. Notice of the AGM will be sent to the shareholders of the Company in due course.

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

This announcement will be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.bandshk.com](http://www.bandshk.com). The annual report of the Company for the year ended 31 March 2022 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 2022

*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.*