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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 September 2019 decreased by approximately 1.1% as compared with same period in 2018.
- The "TenRen (天仁茗茶)" retail network has grown to 54 stores as at 30 September 2019 (30 September 2018: 38 stores).
- The net profit for the six months ended 30 September 2019 decreased by approximately 66.4% as compared with the same period in 2018.

	Six months ended		
	30 September 2019	30 September 2018	**Increase/ (decrease)**
	HK$ million	*HK$ million*	
	(Unaudited)	(Unaudited)	
Revenue	**260.8**	263.7	(1.1%)
Gross Profit	**54.2**	61.5	(11.9%)
Net profit	**3.9**	11.6	(66.4%)
Basic earnings per share *(HK cents)*	**0.9**	2.8	(67.9%)

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 2019, together with the comparative figures for the six months ended 30 September 2018, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 September	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	5	**260,764**	263,725
Cost of sales	7	**(206,611)**	(202,234)
Gross profit		**54,153**	61,491
Other losses, net	6	**(868)**	(112)
Selling and distribution expenses	7	**(24,887)**	(25,572)
Administrative expenses	7	**(21,337)**	(20,795)
Operating profit		**7,061**	15,012
Finance income		**337**	541
Finance costs		**(2,719)**	(1,850)
Finance costs, net	8	**(2,382)**	(1,309)
Profit before income tax		**4,679**	13,703
Income tax expense	9	**(758)**	(2,107)
Profit and total comprehensive income for the period		**3,921**	11,596
Profit and total comprehensive income attributable to:			
Owners of the Company		**3,531**	11,121
Non-controlling interest		**390**	475
		3,921	11,596
Earnings per share for profit attributable to owners of the Company during the period (expressed in HK cents per share)			
– basic and diluted	10	**0.9**	2.8

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

	Notes	**30 September 2019** **HK$'000** **(Unaudited)**	31 March 2019 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**39,401**	34,353
Right-of-use assets		**88,303**	–
Deferred income tax assets		**2,580**	1,810
Deposits and other assets		**16,316**	13,735
		146,600	49,898
Current assets			
Inventories		**27,902**	29,036
Trade receivables	12	**69,149**	66,493
Deposits, prepayments and other receivables		**15,652**	10,992
Restricted cash		**30,000**	42,000
Short-term bank deposits		**–**	2,647
Cash and cash equivalents		**36,430**	51,315
		179,133	202,483
Total assets		**325,733**	252,381
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	**4,000**	4,000
Reserves		**79,794**	79,794
Retained earnings		**49,249**	55,098
		133,043	138,892
Non-controlling interest		**6,230**	5,840
Total equity		**139,273**	144,732

	Note	30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
LIABILITIES			
Non-current liability			
Lease liabilities		**58,423**	–
Current liabilities			
Trade and other payables	14	**31,016**	40,664
Income tax payables		**4,220**	3,088
Lease liabilities		**32,283**	–
Bank borrowings		**60,518**	63,897
		128,037	107,649
Total liabilities		**186,460**	107,649
Total equity and liabilities		**325,733**	252,381

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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 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 2019 have 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"). The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2019, 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 to this interim condensed consolidated financial information are consistent with those of the annual financial statements for the year ended 31 March 2019 as described in those annual financial statements except that 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) Amendments to existing standards adopted by the Group

The following amendments to existing standards are mandatory for the Group's financial year beginning on or after 1 April 2019 and have been adopted in the preparation of the interim condensed consolidated financial information:

Amendments to annual improvements projects	Annual improvements 2015–2017 cycle
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interests in associates and joint ventures
Amendments to HKFRS 9	Prepayment features with negative compensation
HKFRS 16	Leases
HK (IFRIC) 23	Uncertainty over income tax treatments

The impact of the adoption of HKFRS 16 "Leases" is disclosed in Note 3.2 below.

Apart from HKFRS 16 as mentioned above, there are no other new standards or amendments to standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

(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 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 3	Definition of business	1 January 2020
Conceptual Framework for Financial Reporting 2018		1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be announced by HKICPA

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

3.2 Change in accounting policies

This note explains the impact of the adoption of HKFRS 16 "Leases" on the Group's interim condensed consolidated financial information and details of new accounting policies that have been applied from 1 April 2019.

The Group has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 3.0%.

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

The operating lease commitments disclosed as at 31 March 2019 is approximately HK$105,825,000 and the fixed lease payments discounted using lessee's incremental borrowing rate at the date of initial application is approximately HK$98,419,000. The difference were mainly arising from the discounting impact using the lessee's incremental borrowing rate and the recognition of some short-term leases on a straight-line basis as expenses.

	Total *HK$'000*
Lease liabilities recognised as at 1 April 2019	
Of which are:	
Current lease liabilities	50,745
Non-current lease liabilities	47,674
	98,419

	Total ***HK$'000***
Lease liabilities recognised as at 30 September 2019	
Of which are:	
Current lease liabilities	**32,283**
Non-current lease liabilities	**58,423**
	90,706

The right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following assets:

	30 September 2019 ***HK$'000***	1 April 2019 *HK$'000*
Properties	**88,303**	96,768

The change in accounting policy affected the following items in balance sheet on 1 April 2019:

– Right-of-use assets – increase by HK$96,768,000
– Lease liabilities – increase by HK$98,419,000
– Deferred income tax assets – increase by HK$271,000

The net impact on retained earnings on 1 April 2019 was a decrease of HK$1,380,000.

(b) Practical expedients applied

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

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics

- The accounting for operating leases with a remaining lease with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases

- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 14 "Determining whether an Arrangement Contains a Lease".

(c) ***The Group's leasing activities and how these are accounted for***

The Group leases various retail spaces and premises, warehouses and offices. Rental contracts are typically made for fixed periods of 1 month to 5 years but may contain extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until 31 March 2019, leases of properties were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;

- any lease payments made at or before the commencement date less any lease incentives received;

- any initial direct costs; and

- restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(i) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100 percent of lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

(ii) Termination options

Termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of termination options held are exercisable only by the Group and not by the respective lessor.

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 2019 and 2018 is as follows:

	For the period ended 30 September 2019 (Unaudited)		
	Distribution Business *HK$'000*	**Retail Business** *HK$'000*	**Total** *HK$'000*
Segment revenue	**129,441**	**131,323**	**260,764**
Segment results	**17,952**	**8,453**	**26,405**
Unallocated expenses			**(18,476)**
Other losses, net			**(868)**
Finance costs, net			**(2,382)**
Profit before income tax			**4,679**
Income tax expense			**(758)**
Profit for the period			**3,921**
Segment items included:			
Depreciation of property, plant and equipment	**1,266**	**9,009**	**10,275**
Depreciation of right-of-use assets	**5,244**	**24,294**	**29,538**

	For the period ended 30 September 2018 (Unaudited)		
	Distribution Business *HK$'000*	Retail Business *HK$'000*	Total *HK$'000*
Segment revenue	134,512	129,213	263,725
Segment results	18,429	14,900	33,329
Unallocated expenses			(18,205)
Other losses, net			(112)
Finance costs, net			(1,309)
Profit before income tax			13,703
Income tax expense			(2,107)
Profit for the period			11,596
Segment items included:			
Depreciation of property, plant and equipment	961	5,801	6,762

The segment assets as at 30 September 2019 and 31 March 2019 and the reconciliation to the total assets are as follows:

	As at 30 September 2019 (Unaudited)		
	Distribution Business	**Retail Business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Total segment assets	**100,330**	**153,696**	**254,026**
Total segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**1,475**	**34,921**	**36,396**

	As at 31 March 2019 (Audited)		
	Distribution Business	Retail Business	Total
	HK$'000	*HK$'000*	*HK$'000*
Total segment assets	87,339	64,715	152,054
Total segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	5,868	25,317	31,185

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

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Total segment assets	**254,026**	152,054
Unallocated:		
Deferred income tax assets	**2,580**	1,810
Key management life insurance contracts	**2,697**	2,555
Restricted cash	**30,000**	42,000
Short-term bank deposits	**–**	2,647
Cash and cash equivalents	**36,430**	51,315
Total assets	**325,733**	252,381

The segment liabilities as at 30 September 2019 and 31 March 2019 and the reconciliation to the total liabilities are as follows:

	As at 30 September 2019 (Unaudited)		
	Distribution Business *HK$'000*	**Retail Business** *HK$'000*	**Total** *HK$'000*
Total segment liabilities	**74,029**	**96,500**	**170,529**

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

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

	30 September 2019 *HK$'000* **(Unaudited)**	31 March 2019 *HK$'000* (Audited)
Total segment liabilities	**170,529**	76,436
Unallocated:		
Other payables	**1,211**	1,875
Income tax payables	**4,220**	3,088
Bank borrowings	**10,500**	26,250
Total liabilities	**186,460**	107,649

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	
	2019 *HK$'000* **(Unaudited)**	2018 *HK$'000* (Unaudited)
Sales of goods	**129,441**	134,512
Catering services	**131,323**	129,213
	260,764	263,725

6 OTHER LOSSES, NET

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Change in cash surrender value of key management life insurance contracts	**73**	64
Exchange loss	**795**	6
Others	**–**	42
	868	112

7 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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**114,771**	125,950
Depreciation of property, plant and equipment	**10,275**	6,762
Depreciation of right-of-use assets	**29,538**	–
Employee benefit expenses	**52,052**	45,707
Operating lease rentals in respect of rented premises	**–**	29,014
Other lease expenses (short term lease)	**3,737**	–
Utilities expenses	**9,261**	7,151
Transportation and logistic service expenses	**8,119**	7,859
Freight charges	**3,261**	3,045
Advertising and promotion expenses	**9,077**	11,434
Auditor's remuneration		
– Audit services	**780**	930
– Non-audit services	**100**	100
Franchise fee	**2,424**	2,398
Travelling expenses	**452**	722
Insurance expenses	**685**	204
Write off of impaired trade receivables	**–**	139
Loss on disposal of property, plant and equipment	**–**	1,041
Legal and professional fees	**2,207**	2,659
Others	**6,096**	3,486
	252,835	248,601
Representing:		
Cost of sales	**206,611**	202,234
Selling and distribution expenses	**24,887**	25,572
Administrative expenses	**21,337**	20,795
	252,835	248,601

8 FINANCE COSTS, NET

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance income		
– Bank interest income	**337**	541
Finance costs		
– Interest expense on bank borrowings	**(1,245)**	(1,850)
– Interest expense on lease liabilities	**(1,474)**	–
	(2,719)	(1,850)
Finance costs, net	**(2,382)**	(1,309)

9 INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the six months ended 30 September 2019 (six months ended 30 September 2018: 16.5%).

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

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax	**1,257**	2,428
Deferred income tax	**(499)**	(321)
	758	2,107

10 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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company *(HK$'000)*	**3,531**	11,121
Weighted average number of ordinary shares in issue *(thousands)*	**400,000**	400,000
Basic earnings per share *(HK cents)*	**0.9**	2.8

(b) Diluted

For the periods ended 30 September 2019 and 2018, diluted earnings per share equals basic earnings per share as there was no dilutive potential shares.

11 DIVIDENDS

On 24 June 2019, a final dividend of HK2.0 cents per share for the year ended 31 March 2019 was approved by the Company's shareholders. Total dividend of HK$8,000,000 was paid out during the six months ended 30 September 2019.

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 September 2019 (for the six months ended 30 September 2018: HK1 cent).

12 TRADE RECEIVABLES

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables		
– third parties	**67,943**	65,711
– related party	**1,206**	782
	69,149	66,493
Less: allowance	**–**	–
	69,149	66,493

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

	30 September 2019 *HK$'000* (Unaudited)	31 March 2019 *HK$'000* (Audited)
0–30 days	**30,656**	24,537
31–60 days	**11,978**	16,296
61–90 days	**12,647**	15,523
91–180 days	**11,041**	9,848
Over 180 days	**2,827**	289
	69,149	66,493

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

During the period ended 30 September 2019, trade receivables of HK$Nil (30 September 2018: HK$139,000) were written off.

13 SHARE CAPITAL

	Number of Shares	**Share capital** *HK$'000*
Authorised:		
Ordinary Shares of HK$0.01 each		
At 1 April 2018, 30 September 2018, 1 April 2019 and 30 September 2019	10,000,000,000	100,000
Issued and fully paid:		
Ordinary Shares of HK$0.01 each		
At 1 April 2018, 30 September 2018, 1 April 2019 and 30 September 2019	400,000,000	4,000

14 TRADE AND OTHER PAYABLES

	30 September 2019 *HK$'000* (Unaudited)	31 March 2019 *HK$'000* (Audited)
Trade payables	**8,505**	16,867
Other payables	**22,511**	23,797
	31,016	40,664

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

0–30 days	**6,458**	13,627
31–60 days	**892**	1,962
61–90 days	**358**	328
Over 90 days	**797**	950
	8,505	16,867

15 COMMITMENTS

(a) Capital commitments

	30 September 2019 *HK$'000* (Unaudited)	31 March 2019 *HK$'000* (Audited)
Contracted but not provided for		
– Property, plant and equipment	**369**	909

(b) Operating lease commitments

The Group had future minimum lease payments under non-cancellable operating leases as follows:

	30 September 2019 *HK$'000* (Unaudited)	31 March 2019 *HK$'000* (Audited)
Not later then one year	**2,200**	56,932
Later than one year and not later than five years	**–**	48,893
	2,200	105,825

The above lease commitments only include commitments for basic rentals, and do not include commitments for additional rentals payable, if any, when turnover of individual retail shop exceeds a pre-determined level as it is not possible to determine in advance the amount of such additional rentals.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2019, the Group's revenue amounted to approximately HK$260.8 million, representing a decrease of approximately 1.1% from approximately HK$263.7 million for the same period in 2018. Such decrease was mainly attributable to the weakened market sentiment.

The number of TenRen retail outlets has increased by 16, from 38 stores as at 30 September 2018 to 54 stores as at 30 September 2019. Our "TenRen (天仁茗茶)" retail network spans across Hong Kong Island, Kowloon and the New Territories in Hong Kong. The revenue derived from the retail business increased to approximately HK$131.3 million for the six months ended 30 September 2019 (six months ended 30 September 2018: approximately HK$129.2 million), representing an increase of approximately HK$2.1 million which contributed approximately 50.4% 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 seriously affected the customer sentiment in Hong Kong. As a result, our "TenRen (天仁茗茶)" has recorded an approximately 24.2% drop in SSSG for the six months ended 30 September 2019. 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			
	2017	2018	2018	**2019**
Number of same-store	29		**37**	
Average same-store sales	HK$3.0 million	HK$3.3 million	HK$3.3 million	**HK$2.5 million**
Average same-store sales growth rate	10.0%		**(24.2%)**	

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 2019 primarily because we 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 2019 is generally in line with the drop in SSSG, which was offsetted by the increase in the number of our 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	
	2018	**2019**
Average selling price (HK$)		
Beverage products (per cup)	22.1	**23.0**
Side products (per unit)*(Note)*	24.4	**16.3**
Average daily sales volume		
Beverage products (per cup)	27,500	**25,800**
Side products (per unit)*(Note)*	1,600	**2,300**

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 2019 amounted to approximately HK$54.2 million, representing a decrease of approximately 11.9% from approximately HK$61.5 million for the same period in 2018.

Profit attributable to owners of the Company for the six months ended 30 September 2019 was approximately HK$3.5 million, representing a decrease of approximately 68.5% from approximately HK$11.1 million for the same period in 2018. The net profit for the six months ended 30 September 2019 was approximately HK$3.9 million (six months ended 30 September 2018: approximately HK$11.6 million). Such decrease in the net profit was mainly attributable to the unattained growth in the Group's sales amidst the much weakened market sentiment during the period.

Outlook

Looking ahead, the market condition is still challenging in the second half of the financial year and is significantly impacting consumer sentiment in Hong Kong. As the market sentiment may take some time to improve, we will continue to spend effort on our products offerings and marketing in order to maintain our sales and market share. On the other hand, the Group will take a cautious approach to business expansion and will implement cost control measures and further drive efficiency.

FINANCIAL OVERVIEW

Revenue

For the six months ended 30 September 2019, the Group's revenue amounted to approximately HK$260.8 million, representing a decrease of approximately 1.1% from approximately HK$263.7 million for the same period in 2018. The number of TenRen retail outlets has increased by 16 stores from 38 stores as at 30 September 2018 to 54 stores as at 30 September 2019.

The revenue derived from the retail business increased to approximately HK$131.3 million for the six months ended 30 September 2019, representing an increase of approximately HK$2.1 million (six months ended 30 September 2018: approximately HK$129.2 million) which contributed approximately 50.4% of the Group's total revenue as a result of the opening of new retail outlets from 30 September 2018 to 30 September 2019.

The revenue derived from the distribution business decrease to approximately HK$129.4 million for the six months ended 30 September 2019, representing a decrease of approximately HK$5.1 million (six months ended 30 September 2018: approximately HK$134.5 million) which contributed approximately 49.6% of the Group's total revenue mainly due to the decrease in sales volume to local retailers in Hong Kong.

Cost of sales

For the six months ended 30 September 2019, the Group's cost of sales amounted to approximately HK$206.6 million, representing an increase of approximately 2.2% from approximately HK$202.2 million for the same period in 2018. Such increase was mainly due to the increase of rental expenses and staff costs due to the opening of new "TenRen (天仁茗茶)" retail outlet.

Gross profit and gross profit margin

For the six months ended 30 September 2019, the Group's gross profit amounted to approximately HK$54.2 million, representing a decrease of approximately 11.9% from approximately HK$61.5 million for the same period in 2018. The Group's gross profit margin for the six months ended 30 September 2019 decreased by approximately 2.5% to approximately 20.8% as compared to approximately 23.3% for the same period in 2018. The decrease in gross profit margin was mainly due to the drop in SSSG during the six months ended 30 September 2019 which increased the fixed costs such as rental expenses and staff costs as percentage of revenue.

Selling and distribution expenses

For the six months ended 30 September 2019, the selling and distribution expenses of the Group amounted to approximately HK$24.9 million, representing a decrease of approximately 2.7% from approximately HK$25.6 million for the same period in 2018. Such decrease was mainly due to the cost control measures adopted by the Group on advertising and promotion expenses when compared to that of the six months ended 30 September 2018.

Administrative expenses

For the six months ended 30 September 2019, the administrative expenses of the Group amounted to approximately HK$21.3 million, representing an increase of approximately 2.4% from approximately HK$20.8 million for the same period in 2018. Such increase was mainly attributable to the increase in staff cost due to increase in number of stores and inflation.

Finance costs, net

For the six months ended 30 September 2019, the net finance costs of the Group amounted to approximately HK$2.4 million, representing an increase of approximately 84.6% from approximately HK$1.3 million for the same period in 2018. Such increase was primarily due to the increase in interest expenses on lease liabilities as a result of the new accounting policy applied during the six months ended 30 September 2019.

Income tax expenses

For each of the six months ended 30 September 2019 and 30 September 2018, the Group recorded income tax expenses of approximately HK$0.8 million and HK$2.1 million, respectively, representing an effective tax rate of approximately 15.9% and 15.3%, respectively, for the corresponding periods.

Net profit

Profit attributable to owners of the Company for the six months ended 30 September 2019 was approximately HK$3.5 million, representing a decrease of approximately 68.5% from approximately HK$11.1 million for the same period in 2018. The net profit for the six months ended 30 September 2019 was approximately HK$3.9 million (six months ended 30 September 2018: approximately HK$11.6 million). Such decrease in the net profit was mainly attributable to the unattained growth in the Group's sales amidst the much weakened market sentiment during the period. As the market sentiment may take some time to improve, we will continue to spend effort on our products offerings and marketing in order to maintain our sales and market share. On the other hand, the Group will implement cost control measures and further drive efficiency.

The net profit margin (calculated as a ratio of profit for the period to revenue) for the six months ended 30 September 2019 was approximately 1.5%, as compared to approximately 4.4% for the same period in 2018. Basic earnings per share for the six months ended 30 September 2019 amounted to approximately HK0.9 cents, as compared to approximately HK2.8 cents for the same period in 2018.

Capital expenditure

During the six months ended 30 September 2019, capital expenditure amounted to approximately HK$36.4 million. This amount was mainly used for the opening of new retail outlets.

Liquidity and financial resources review

Our Group is financially sound with cash and cash equivalents amounted to approximately HK$36.4 million as at 30 September 2019 (31 March 2019: approximately HK$51.3 million). As at 30 September 2019, the gearing ratio of the Group was approximately 43.5% (31 March 2019: approximately 44.1%), which was calculated based on the total debt divided by the total equity at the end of the financial period/year and multiplied by 100%. Debt of our Group refers to bank borrowings. As at 30 September 2019, the Group has total bank facilities of approximately HK$128.4 million (31 March 2019: approximately HK$146.8 million) of which approximately HK$83.5 million (31 March 2019: approximately HK$109.4 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 monitoring 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.

Operating lease commitments

The Group's operating lease commitments are related to the leased properties for the Group's retail outlets and warehouses. As at 30 September 2019, the lease commitments for short-term leases of the Group were approximately HK$2.2 million. As at 31 March 2019, the operating lease commitments for the leases of the Group were approximately HK$105.8 million.

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 2019, 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 2019, 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 2019, 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 are set out in note 15 to the interim condensed consolidated financial statements in this Announcement. The Group has no material contingent liabilities as at 30 September 2019.

Event after the reporting period

No significant event has taken place after 30 September 2019 and up to the date of this Announcement.

Employees and remuneration policies and training schemes

As at 30 September 2019, the Group employed a total of 937 employees (as at 31 March 2019: 805) and the employee benefit expenses including directors' emoluments were approximately HK$52.1 million. The Group offers a comprehensive remuneration package which is reviewed by the management on a regular basis. The increase in the number of employees was mainly due to the increase in the scale of the Group's business. The Group has also provided training programmes to its management and employees regularly to ensure that they are properly trained.

USE OF PROCEEDS

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

As at 30 September 2019, the unused net proceeds from the share offer were approximately HK$7.2 million. The Directors will review the business opportunities available to the Group from time to time for applying the net proceeds according to the purposes stated in the Prospectus (as defined below). Save for the announcements of the Company dated 20 August 2018 and 14 August 2019 regarding a change in allocation of IPO Proceeds (the "20 August 2018 Announcement" and "14 August 2019 Announcement"), the Directors do not anticipate that there will be any material change in the proposed use of the net proceeds from the share offer.

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

An analysis of the utilisation of the IPO Proceeds up to the period ended 30 September 2019 is set out below:

	Original allocation of the IPO Proceeds (as disclosed in the Allotment Results Announcement)	**Revised allocation of IPO Proceeds (as disclosed in the 14 August 2019 Announcement)**	**Utilised IPO Proceeds as at 30 September 2019**	**Unutilised IPO Proceeds as at 30 September 2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Opening new shops				
– *TenRen*	26,200	33,030	(33,030)	–
– *Jiu Tang Wu*	18,000	3,170	(3,170)	–
– *Uncle Tetsu*	2,400	–	–	–
Introducing a new beverage brand	–	1,640	(1,640)	–
Introducing another new food brand	–	8,000	(5,913)	2,087
Upgrading the ERP system	3,600	3,600	(3,600)	–
Leasing of warehouse facilities	12,300	12,300	(7,421)	4,879
Expansion of sales and marketing team	2,500	2,500	(2,290)	210
General working capital	6,100	6,860	(6,860)	–
Total	71,100	71,100	(63,924)	7,176

For details regarding the reasons for the reallocations of IPO Proceeds, please refer to the 14 August 2019 Announcement.

The Directors confirm that since the 14 August 2019 Announcement and up to the date of this Announcement, there has been no material change in the utilisation of the IPO Proceeds and reallocation of unutilised IPO Proceeds mentioned above.

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: 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 2019 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 noncompliance 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 2019 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 25 November 2019 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 compiled 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 2019 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, 25 November 2019

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.