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**Best Mart 360 Holdings Limited**

**優品360控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2360)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

**HIGHLIGHTS**

- For the six months ended 30 September 2020, the revenue recorded by the Group amounted to approximately HK\$709,387,000, representing an increase of approximately 16.3% as compared to approximately HK\$609,857,000 for the six months ended 30 September 2019.
- Profit attributable to owners of the Company for the six months ended 30 September 2020 was approximately HK\$35,689,000 (six months ended 30 September 2019: approximately HK\$13,457,000), representing an increase of approximately 165.2%.
- Earnings per share attributable to owners of the Company for the six months ended 30 September 2020 was approximately HK3.6 cents (six months ended 30 September 2019: approximately HK1.3 cents per share).
- The board of Directors recommended the payment of an interim dividend of HK2.0 cents per share for the six months ended 30 September 2020 (six months ended 30 September 2019: HK1.5 cents per share) out of the share premium account of the Company, subject to the approval of the shareholders of the Company at the forthcoming extraordinary general meeting.

## INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Best Mart 360 Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2020, together with the comparative figures for the six months ended 30 September 2019, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 September 2020*

		Six months ended	
		30 September	
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	5	<b>709,387</b>	609,857
Cost of sales		<b>(486,626)</b>	(400,575)
Gross profit		<b>222,761</b>	209,282
Other income and other gains, net	6	<b>22,408</b>	2,161
Selling and distribution expenses		<b>(181,441)</b>	(168,050)
Administrative and other expenses		<b>(20,733)</b>	(19,809)
Operating profit		<b>42,995</b>	23,584
Finance costs	7	<b>(5,219)</b>	(7,064)
Profit before income tax	8	<b>37,776</b>	16,520
Income tax expenses	9	<b>(2,087)</b>	(3,063)
Profit and total comprehensive income for the period		<b>35,689</b>	13,457
Profit and total comprehensive income attributable to owners of the Company		<b>35,689</b>	13,457
Earnings per share attributable to owners of the Company during the period:			
– Basic and diluted (HK cents)	11	<b>3.6</b>	1.3

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2020*

	<i>Notes</i>	<b>30 September 2020 HK\$'000 (Unaudited)</b>	31 March 2020 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		420,734	242,717
Deposits		39,674	39,683
Deposits paid for purchase of property, plant and equipment		1,296	800
Deferred tax assets		1,936	1,496
		<b>463,640</b>	284,696
<b>Current assets</b>			
Inventories		174,431	135,755
Trade receivables	12	3,348	2,488
Deposits, prepayments and other receivables		55,298	41,450
Income tax recoverable		10,945	9,529
Cash and bank balances		92,781	215,911
		<b>336,803</b>	405,133
<b>Total assets</b>		<b>800,443</b>	689,829
<b>Current liabilities</b>			
Trade payables	13	54,770	31,031
Accruals, receipts in advance and other payables	13	33,246	23,563
Bank borrowings		140,030	79,242
Lease liabilities		127,783	119,026
		<b>355,829</b>	252,862
<b>Net current (liabilities)/assets</b>		<b>(19,026)</b>	152,271
<b>Total assets less current liabilities</b>		<b>444,614</b>	436,967

		<b>30 September</b>	31 March
		<b>2020</b>	2020
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current liabilities</b>			
Accruals and other payables	<i>13</i>	<b>2,263</b>	2,229
Bank borrowings		–	20,300
Lease liabilities		<b>99,980</b>	107,756
		<u>102,243</u>	<u>130,285</u>
<b>Net assets</b>		<b>342,371</b>	306,682
		<u><u>342,371</u></u>	<u><u>306,682</u></u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>14</i>	<b>10,000</b>	10,000
Reserves		<b>332,371</b>	296,682
		<u>342,371</u>	<u>306,682</u>
<b>Total equity</b>		<b>342,371</b>	306,682
		<u><u>342,371</u></u>	<u><u>306,682</u></u>

## NOTES

*For the six months ended 30 September 2020*

### 1. GENERAL

Best Mart 360 Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 24 January 2018. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong is 14/F., SML Tower, 165 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

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

### 2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”), issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). These unaudited interim condensed consolidated financial statements were authorised for issue on 26 November 2020.

These unaudited condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2019/2020 annual financial statements, except for those relate to new standards or interpretations effective for first time for period beginning on or after 1 April 2020. Details of changes in accounting policies are set out in note 3. Except for the adoption of Amendments to HKFRS 3: Definition of a Business (“Amendments to HKFRS 3”), the adoption of the new and revised HKFRSs have no material effect on these unaudited interim condensed consolidated financial statements. The Group has not early adopted any new and revised HKFRSs that has been issued but not yet effective in the current accounting period.

The preparation of these unaudited interim condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements were largely the same as those applied to 2019/2020 annual financial statements.

These unaudited interim condensed consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated. These interim condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019/2020 annual financial statements. These unaudited interim condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) and should be read in conjunction with the 2019/2020 consolidated financial statements.

As at 30 September 2020, the Group had net current liabilities of approximately HK\$19,026,000. This condition may affect the Group’s ability to continue as a going concern.

The net current liabilities as at 30 September 2020 included bank borrowings of approximately HK\$140,030,000. Subsequent to the reporting period, a 20-year mortgage loan of HK\$88,431,000 was raised, out of which HK\$50,000,000 was used to settle a general bank borrowing included in the bank borrowings. The remaining proceeds of HK\$38,431,000 is used to enhance the base of working capital of the Group. The mortgage loan is not wholly repayable within one year on contractual terms but contains a discretionary repayable on demand clause and therefore is a current liability.

The directors of the Company considered that it is highly unlikely that the relevant bank will exercise the discretion to demand immediate repayment of the mortgage loan and believes that such mortgage loan will be repaid in accordance with the scheduled dates set out in the relevant loan agreement. A cash flow forecast covering a period of twelve months from the end of the reporting period was also prepared by the directors of the Company and it is considered that the Group would be able to meet the conditions set out in the existing banking facility letter and that these facilities will continue to be available to the Group over the forecast period. On this basis, the Group is able to maintain sufficient liquidity and working capital that enables the Group to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company have considered the Group’s financial position to conclude that the Group has sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months. Accordingly, the Group’s consolidated financial statements have been prepared on a going concern basis.

These interim condensed consolidated financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the HKICPA.

### 3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 1 and HKAS 8: Definition of Material
- Amendments to HKFRS 3: Definition of a Business
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7: Interest Rate Benchmark Reform

The impact of the adoption of Amendments to HKFRS 3 have been summarised in below. The other new or amended HKFRSs that are effective from 1 April 2020 did not have any significant on the Group’s accounting policies.

#### **Amendments to HKFRS 3: Definition of a Business**

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 April 2020. In particular, the Group has elected to apply the concentration test to an acquisition during the interim reporting period, as described below.

On 17 July 2020, the Group entered into a sale and purchase agreement to acquire the entire issued shares of Allied Wide Limited (“Allied Wide”) and all debts owing by Allied Wide to Lee Wei Hsim, Luk Kau Ying and Lee Wai Man Karen (the “Vendors”) and their associates at the consideration of HK\$176,862,000. The consideration will be adjusted by adding all current tangible assets and deducting all liabilities (other than the debts owing by Allied Wide to the Vendors and their associates) of Allied Wide. The total cost, being the sum of the adjusted consideration and other directly attributable cost to the acquisition, was approximately HK\$178,227,000. The transaction was completed in September 2020 and was recognised as an acquisition of assets, rather than a business combination, given that substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets. The assets acquired and liabilities assumed at the date of acquisition of the entire issued shares of Allied Wide comprise the following:

	<i>HK\$’000</i>
Property, plant and equipment	178,865
Deposits and prepayments	275
Accruals and other payables	(796)
Income tax payable	(117)
	<hr/>
	178,227
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#### 4. SEGMENT INFORMATION

During the period ended 30 September 2020, the Group operates one reportable and operating segment which is the retailing of food and beverage, household and personal care products under the “Best Mart 360° (優品360°)” brand stores in Hong Kong and Macau. The Group determines its operating segment based on information reported to executive directors of the Company who are also the chief operating decision-makers that are used to make strategic decisions. Accordingly, the Group does not present separately segment information.

##### Geographical segment

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

The following table presents revenue regarding the Group’s geographical segments for the six months ended 30 September 2020 and 30 September 2019 and certain non-current assets information as at 30 September 2020 and 31 March 2020.

	<b>Hong Kong</b> <i>HK\$’000</i>	<b>Macau</b> <i>HK\$’000</i>	<b>Total</b> <i>HK\$’000</i>
<b>30 September 2020 (unaudited)</b>			
Revenue	692,101	17,286	709,387
Non-current assets*	400,997	19,737	420,734
<b>30 September 2019 (unaudited)</b>			
Revenue	609,857	–	609,857
<b>31 March 2020 (audited)</b>			
Non-current assets*	228,674	14,043	242,717

\* Excludes deposits and deferred tax assets.

##### Information about major customers

Since none of the Group’s sales to a single customer amounted to 10% or more of the Group’s total revenue for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil), no information about major customers in accordance with HKFRS 8 Operating Segments is presented.



## 5. REVENUE

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

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

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from		
Retailing sales	711,428	612,357
Less: Sales discounts	(2,041)	(2,500)
	<u>709,387</u>	<u>609,857</u>

## 6. OTHER INCOME AND OTHER GAINS, NET

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income from bank deposits	948	2,230
Losses on written-off/disposal of property, plant and equipment, net	(198)	(419)
Promotion income	377	195
Government grants ( <i>note</i> )	21,189	–
Others	92	155
	<u>22,408</u>	<u>2,161</u>

*Note:* The government grants recognised during the current interim period are mainly related to the COVID-19 related subsidy from Employment Support Scheme of Hong Kong government and government grant from Macau Government. During the six months ended 30 September 2020, the Group recognised government grants of approximately HK\$21,053,000 and approximately HK\$136,000 from Employment Support Scheme of Hong Kong Government and government grant from Macau government, respectively. The Group has elected to present these government grants separately, rather than reducing the related expense. The Group had to commit to spending the assistance on payroll expenses, and not to reduce employee head count below prescribed levels for a specified period of time. The Group does not have any unfulfilled obligations relating to these government grants.

## 7. FINANCE COSTS

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest expenses on bank overdrafts and borrowings	1,182	1,031
Interest expenses on lease liabilities	4,037	6,033
	<u>5,219</u>	<u>7,064</u>

## 8. PROFIT BEFORE INCOME TAX

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

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Directors' emoluments	738	738
Staff costs:		
– Wages, salaries and other benefits	65,035	62,778
– Contributions to defined contribution pension plans	2,753	2,758
Depreciation of property, plant and equipment	75,571	55,035
Exchange differences, net	(110)	271
Cost of inventories recognised as expenses	486,626	400,575
Written-off of inventories	1,338	979
Service expenses for using the operating facilities of warehouse	6,782	6,990
Operating lease payments in respect of retail stores		
– Short-term lease expenses	5,309	17,510
– Contingent rents	5,566	2,657
	<u>10,875</u>	<u>20,167</u>

## 9. INCOME TAX EXPENSES

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

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
– Tax for the period	2,527	4,282
Deferred income tax	(440)	(1,219)
	<hr/>	<hr/>
Income tax expenses	<b>2,087</b>	<b>3,063</b>
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The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is not subject to income tax in the Cayman Islands.

Hong Kong profits tax has been provided at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million for the six months ended 30 September 2020 and 2019.

## 10. DIVIDENDS

On 26 November 2020, the Board has resolved to pay an interim dividend of HK2.0 cents per share, amounting to a total dividend of HK\$20,000,000, in respect of the six months ended 30 September 2020 which is proposed to be paid out of the share premium account and is subject to the approval of the shareholders at an extraordinary general meeting. This interim dividend has not been recognised as a liability in this unaudited interim condensed consolidated financial statements.

On 7 August 2019, a final dividend of HK6.0 cents per share for the year ended 31 March 2019 was approved by the Company's shareholders. Total dividend of HK\$60,000,000 was paid during the six months ended 30 September 2019.

On 27 November 2019, the Board has resolved to pay an interim dividend of HK1.5 cents per share, amounting to a total dividend of HK\$15,000,000, in respect of the six months ended 30 September 2019. Total dividend of HK\$15,000,000 was paid during the year ended 31 March 2020.

## 11. EARNINGS PER SHARE

The basic earnings per share attributable to owners of the Company for the period is calculated based on the profit attributable to owners of the Company of HK\$35,689,000 (six months ended 30 September 2019: HK\$13,457,000), and the weighted average number of ordinary shares of 1,000,000,000 (six months ended 30 September 2019: 1,000,000,000 shares) in issue. The Company did not have any potential dilutive shares for the six months ended 30 September 2020 and 2019. Accordingly, the diluted earnings per share are the same as the basic earnings per share.

## 12. TRADE RECEIVABLES

	<b>30 September</b> <b>2020</b> <i>HK\$'000</i> <b>(Unaudited)</b>	31 March 2020 <i>HK\$'000</i> <b>(Audited)</b>
Trade receivables	<u><b>3,348</b></u>	<u>2,488</u>

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

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

	<b>30 September</b> <b>2020</b> <i>HK\$'000</i> <b>(Unaudited)</b>	31 March 2020 <i>HK\$'000</i> <b>(Audited)</b>
0-30 days	<b>3,233</b>	2,251
31-60 days	<b>3</b>	53
61-90 days	<b>48</b>	180
Over 90 days	<u><b>64</b></u>	<u>4</u>
	<u><b>3,348</b></u>	<u>2,488</u>

## 13. TRADE PAYABLES AND ACCRUALS, RECEIPTS IN ADVANCE AND OTHER PAYABLES

### (a) Trade payables

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

	<b>30 September</b> <b>2020</b> <i>HK\$'000</i> <b>(Unaudited)</b>	31 March 2020 <i>HK\$'000</i> <b>(Audited)</b>
0-30 days	<b>54,596</b>	19,727
31-60 days	<b>167</b>	10,343
61-90 days	<b>–</b>	355
Over 90 days	<u><b>7</b></u>	<u>606</u>
	<u><b>54,770</b></u>	<u>31,031</u>

(b) Accruals, receipts in advance and other payables

	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
<b>Current:</b>		
Accruals for employee benefit expenses	16,406	12,309
Accruals for rental expenses	4,371	3,043
Accruals for logistic expenses	8,217	4,582
Contract liabilities in relation to customer loyalty programme	727	238
Accruals for operating and other expenses	1,073	1,901
Accruals for property, plant and equipment	377	638
Contract liabilities in relation to cash coupon	148	152
Other payable	1,022	–
Provision for reinstatement costs	905	700
	<u>33,246</u>	<u>23,563</u>
<b>Non-current:</b>		
Provision for reinstatement costs	<u>2,263</u>	<u>2,229</u>

14. SHARE CAPITAL

	Number	Amount <i>HK\$'000</i>
Authorised:		
At 31 March 2020, 1 April 2020 and 30 September 2020	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each At 31 March 2020, 1 April 2020 and 30 September 2020	<u>1,000,000,000</u>	<u>10,000</u>

## 15. COMMITMENTS

### (a) Capital commitments

	<b>30 September 2020 <i>HK\$'000</i> (Unaudited)</b>	31 March 2020 <i>HK\$'000</i> (Audited)
Commitments for acquisition of property, plant and equipment	<b>2,146</b>	500

### (b) Other commitments

	<b>30 September 2020 <i>HK\$'000</i> (Unaudited)</b>	31 March 2020 <i>HK\$'000</i> (Audited)
Service expenses for using the operating facilities of warehouse: Not later than one year	<b>2,856</b>	8,537

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group is a leisure food retailer operating chain retail stores under the brand “Best Mart 360° (優品360°)”. The Group offers wide collection of imported prepackaged leisure foods and other grocery products principally from overseas, which can be broadly categorised into (i) confectioneries; (ii) packaged bakery products and snacks; (iii) nuts and dried fruits; (iv) grain and other miscellaneous food products; (v) beverages and wine; (vi) personal care products; and (vii) other products, such as chilled food and frozen food, baby food and products, health food and supplements and miscellaneous household items, such as cleaning agents, tableware and rain gear. It is the Group’s business objective to offer “Best Quality” and “Best Prices” products to the customers through continuous efforts on global procurement with a mission to provide comfortable shopping environment and pleasurable shopping experience to its customers.

### **BUSINESS REVIEW**

During the six months ended 30 September 2020, the Group continued to face challenging business environment. With the anti-epidemic measures implemented against novel coronavirus, such as border closure and compulsory quarantine measures, continued to be in force, inbound tourism remained a standstill during the period under review. Based on the monthly visitor arrival statistics released by The Hong Kong Tourist Board, the monthly arrival visitors of Hong Kong during the period under review recorded drop in the range of 99.6% to 99.9% as compared with the same months of last year. The local consumer spending sentiment remained cautious under the overall worsen economic environment and the pressure of unemployment in Hong Kong. To counter the adverse impact from the drastic drop of inbound tourists spending and the overall negative local consumption sentiment on the business performance of the Group, the Group proactively adjusted its business strategy and optimized its product structure and product portfolio during the period under review that effectively met the market demands and maintained profitability of the Group. During the period under review, the Group further strengthened its supply of basic food and essentials and basic grocery products, such as rice, pasta, flour, canned food, milk, and epidemic prevention supplies, such as face masks. Further, the Group introduced frozen food products and chilled food products including milk, butter, cheese, eggs, frozen seafood and frozen meat in selected retail stores in Hong Kong. In line with the business strategy of the Group, among the 13 new retail stores opened by the Group in Hong Kong during the period under review, 11 of the new stores were situated at shopping arcades of community or residential districts, thereby further expanding the retail network of the Group into Hong Kong local communities.

As part of the Group’s plan in outbound investment, the opening of two additional new retail stores in Macau during the period under review, had been proven to be practical investment of the Group. During the period under review, the three retail stores of the Group in Macau had satisfactorily contributed additional revenue and profitability to the Group.

Since the outburst of novel coronavirus in January 2020, government authorities in Hong Kong and Macau had launched various relief measures in minimizing the impacts of the epidemic on local economy and for supporting the recovery of domestic economy. During the period under review, the Group was granted (i) HK\$15,965,508 wage subsidies under the first tranche of the Employment Support Scheme (“Employment Support Scheme”) launched by the Hong Kong Government for the payment of wages of employees from June 2020 to August 2020; (ii) a further sum of HK\$15,965,508 under the second tranche of the Employment Support Scheme for payment of wages of employees from September 2020 to November 2020; and (iii) MOP140,000 in aggregate under an anti-epidemic fund (Planos do Fundo de Apoio ao Combate à Epidemia no Valor de 10 Mil Milhões de Patacas 百億抗疫援助基金計劃) launched by the Macau Government, (collectively “Government Grants”). The Government Grants had strengthened the Group’s cash flow position and attributed extraordinary income to the Group.

For the six months ended 30 September 2020, the revenue recorded by the Group amounted to approximately HK\$709,387,000, representing an increase of approximately 16.3% as compared to approximately HK\$609,857,000 for the six months ended 30 September 2019. Sales to walk-in customers from the general public remained the major source of income of the Group which accounted to approximately 98.4% of the revenue of the Group for the period under review while bulk-sales to certain bulk-purchase customers, such as corporate customers and trading companies in the industry accounted to approximately 1.6% of the revenue of the Group for the period under review. The increase in revenue was mainly attributable to the increase in the number of retail stores from 98 retail stores in Hong Kong as at 30 September 2019 to 112 retail stores in Hong Kong and three retail stores in Macau as at 30 September 2020.

Gross profit of the Group for the six months ended 30 September 2020 was approximately HK\$222,761,000, while gross profit of the Group for the six months ended 30 September 2019 was approximately HK\$209,282,000. Profit attributable to owners of the Company for the six months ended 30 September 2020 was approximately HK\$35,689,000 (six months ended 30 September 2019: approximately HK\$13,457,000), representing an increase of approximately 165.2%. The increase in profit attributable to owners of the Company was mainly attributable to the recognition of the Government Grants proportionally as other income for the period under review in the sum of approximately HK\$21,053,000 and MOP140,000 (equivalent to approximately HK\$136,000), totally amounting to approximately HK\$21,189,000 (“Government Grants Accounted for the Period”).



## **Chain Retail Stores**

As at 30 September 2020, the Group operated a total of 115 chain retail stores, including 112 retail stores in Hong Kong (as at 30 September 2019: 98) and three retail stores in Macau (as at 30 September 2019: 0). During the six months ended 30 September 2020, the Group opened 15 new stores (including 13 new stores in Hong Kong and two new stores in Macau) and closed three retail stores in Hong Kong. All of the retail stores in Hong Kong being closed during the period under review were retail stores situated at traffic hubs interconnecting cross-border transportation where customer traffic had drastically dropped due to border closure for epidemic control. Most of the new retail stores opened in Hong Kong during the period under review are situated at shopping arcades of community or residential districts that are targeted to better serve local community. As at 30 September 2020, the 112 retail stores of the Group in Hong Kong consisting of 21 retail stores located in Hong Kong Island, 39 retail stores located in Kowloon and 52 retail stores located in New Territories. Amongst which 43 retail stores were situated at street-level, 65 retail stores were situated at shopping arcades of community or residential districts and four retail stores were situated at various traffic hubs, which spanned over all of the 18 districts in Hong Kong. Rental expenses (on cash basis) for retail stores was approximately HK\$87,243,000 for the six months ended 30 September 2020, representing an increase of approximately 13.0% as compared with approximately HK\$77,179,000 for the six months ended 30 September 2019 principally due to the increase in number of retail stores of the Group. The typical saleable area of the Group's retail stores is in the range of approximately 402 square feet to 3,070 square feet. The average monthly rental for the six months ended 30 September 2020 was approximately HK\$120.3 per square feet, representing a decrease of approximately 5.1% when compared with approximately HK\$126.8 per square feet for the six months ended 30 September 2019. The percentage of rental expenses of retail stores to sales revenue for the six months ended 30 September 2020 was approximately 12.3%, which was slightly lower than that of approximately 12.7% for the six months ended 30 September 2019.

To cautiously manage the operating costs of the Group under the weak economic climate and dampened retail market conditions, the Group continuously pursued for rental concession from its landlords during the period under review and had been supported by certain landlords by granting certain short term rental reductions ranging from approximately 3% to 75% for periods ranging from one month to six months and certain short term rent free concession.

## **Employees**

The number of employees of the Group decreased from totally 816 employees, which, excluding five Directors, comprised of 587 full-time employees and 224 part-time employees in Hong Kong as at 30 September 2019 to totally 798 employees, which excluding five Directors, comprised of 610 full-time employees and 163 part-time employees in Hong Kong and 20 full-time employees in Macau as at 30 September 2020. During the period under review, the Group had enhanced its front-line staffing structure (“Enhancement of front-line Staffing Structure”) by retaining additional full-time employees to cater the increasing number of retail stores in Hong Kong and reduced the engagement of part-time front line staff in Hong Kong. The Enhancement of front-line Staffing Structure had been proven to be effective for staff costs control by the Group that on one hand lower the staff costs of the Group and on the other hand uplift the manpower efficiency catering the increasing number of retail stores in Hong Kong. The staff costs (excluding Directors’ emoluments) for the six months ended 30 September 2020 was approximately HK\$67,788,000 (for the six months ended 30 September 2019: approximately HK\$65,536,000), representing an increase of approximately 3.4% from that of the six months ended 30 September 2019. The increase in staff costs for the period under review was due to the increase in the number of retail stores in Hong Kong and the operation of three retail stores in Macau. The staff costs (excluding the Directors’ emoluments) for the six months ended 30 September 2020 represented approximately 9.6% of the revenue of the Group in the period under review while the staff costs (excluding the Directors’ emoluments) for the six months ended 30 September 2019 represented approximately 10.7% of the revenue of the Group in the corresponding period.

## **The Products**

To cope with the market demands for daily needs and necessities from the local community in the epidemic period, the Group continuously optimize its product structure and product portfolio during the period under review to cover wider range of basic grocery products for home cooking and various epidemic prevention supplies. During the period under review, apart from increasing supplies of varieties of face masks at competitive prices, the Group further expanded the scope of basic grocery products for home cooking, such as various staple food, canned food and sauces and condiments. Since May 2020, the Group commenced to introduce frozen food and chilled food in selected retail stores situated at residential districts in Hong Kong. As at 30 September 2020, frozen food and chilled food were supplied at 19 retail stores of the Group.

During the period under review, the Group on one hand continued its global procurement policy and mission by sourcing broad spectrum of products worldwide, and, on the other hand, increased procurement of staple food and face masks in Hong Kong to swiftly meet the market demands for such daily necessities. For the six months ended 30 September 2020, approximately 55.1% of the products were procured from suppliers,

brand owners or importers in Hong Kong (for the six months ended 30 September 2019: approximately 40.8%), while the share of products imported directly from Japan, Europe and the United States amounted to approximately 13.9%, 5.4% and 4.4% respectively of the entire procurement (for the six months ended 30 September 2019: approximately 17.8%, 11.4% and 8.3% respectively). The numbers of SKUs of staple food and canned food, sauces and condiments and epidemic prevention products offered by the Group as at 30 September 2020 were increased by 75.6%, 112.7% and 66.3% respectively as compared with their SKUs as at 31 March 2020. The revenue attributed by the Group's basic grocery products, such as staple food and canned food, sauces and condiments, milk, pasta, rice, chilled food and frozen food, and personal care products, including epidemic prevention products, such as face masks, totally amounted to approximately 32.1% of the Group total revenue for the period under review (for the six months ended 30 September 2019: approximately 10.5%). While the sales of leisure food, such as confectionaries and other snacks, retreated during the period under review as compared with the same period of last year principally due to the border closure suspending tourists spending, the expansion of the product range of basic grocery products and epidemic prevention products during the period under review, on one hand enriched choices of products meeting market demands from local community, and on the other hand, strengthened the sales and stabilized income stream of the Group.

As at 30 September 2020, the total inventories of the Group amounted to approximately HK\$174,431,000, representing an increase of approximately 28.5% from the total inventories of the Group of approximately HK\$135,755,000 as at 31 March 2020. The increase in total inventories of the Group was mainly due to (i) the increase in the number of retail stores during the period under review resulting in the increases in both in-store inventories and inventories in warehouses; and (ii) the increase of stock for various basic grocery products that have relatively higher turnover rate due to higher market demand under epidemic period as compared with the corresponding period of last year.

During the period under review, the Group continued to actively develop private label products that on one hand allows the Group to capture advantages of pricing and exercise higher level of quality control on its products and on the other hand further uplifts its brand awareness and customers' loyalty. For the six months ended 30 September 2020, sales derived from private label products was approximately HK\$50,968,000 representing an increase of approximately 194% from that of HK\$17,339,000 for the six months ended 30 September 2019. During the period under review, the Group had launched 23 new private label products. As at 30 September 2020, the Group has accumulatively launched 56 private label products, including wet tissues, chestnuts, canned abalone, rice, milk, honey, different kind of dried fruits, aloe gel, pork jerky and various kind of mixed nuts.

During the period under review, gross profit margin of the Group was approximately 31.4%, representing a decrease of approximately 2.9 percentage points as compared with approximately 34.3% for the six months ended 30 September 2019. The decrease in gross profit margin of the Group for the period under review was mainly the combined effect of (i) the increase of sales in basic grocery products, which, on average, had comparatively lower profit margin as compared with those of confectionaries and snacks; and (ii) there were clearance sales on the stock of confectionaries and snacks that were unvendible due to the drastic drop of inbound tourists spending.

## **OTHER BUSINESS PROGRESS**

To further promote and strengthen consumer loyalty and stimulate sales, the Group has launched a new membership mobile app 2.0 in June 2020 with new membership tier and new membership reward mechanism to further uplift the shopping pleasure to the Group's customers and to extend the membership coverage of the Group. During the period under review, the number of the Group's members increased from approximately 1,379,300 as at 31 March 2020 to approximately 1,519,300 as at 30 September 2020, representing an increase of approximately 10.2%. The launch of the Group's new membership mobile app. 2.0 is expected to accelerate the recruitment of new members by the Group and to broaden the geographical coverage of the Group's members.

During the period under review, the outbound investment plan of the Group was still materially delayed due to the epidemic situation. While the Group had opened two new retail stores in Macau during the period under review and had achieved satisfactory operation results from the operation of three retail stores in Macau, the pace of outbound expansion was inevitably hindered under the border closure and compulsory quarantine measures. The startup of retail business in the PRC was adjourned during the period under review pending the re-open of the border and the release of compulsory quarantine measures.

As disclosed in the Company's announcement dated 22 May 2020 ("Acquisition Announcement") and the Company's circular dated 4 September 2020 ("Acquisition Circular"), the Group had entered into a formal sale and purchase agreement dated 17 July 2020 to conditionally acquire the entire issued shares of Allied Wide Limited ("Allied Wide") and relating director's loan extended to Allied Wide ("Acquisition") for a consideration of HK\$176,862,000 which was subsequently adjusted to approximately HK\$176,000,000. The sole business of Allied Wide is holding an office premises situated at "Offices Nos.1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 15 and 16 on 11th Floor and Car Parking Spaces Nos.P59, P60 and P65 on the 3rd Floor, C-Bons International Center, No.108 Wai Yip Street, Kowloon, Hong Kong" ("Property"). The Acquisition was completed on 28 September 2020. Upon completion, Allied Wide became an indirect wholly-owned subsidiary of the Company and the financial results, assets and liabilities of Allied Wide had been consolidated into the accounts of the Group. The Property will be used as the head office of the Group in Hong Kong that will serve as the administrative and management headquarter for its Hong Kong business and expanding outbound retailing business. For further details of the Acquisition, please refer to the Acquisition Announcement and the Acquisition Circular.

## OUTLOOK

Looking ahead, it is anticipated that the retail business environment in Hong Kong will continue to remain very challenging under the hazard of novel coronavirus. The resurgence of retail business in Hong Kong will be highly dependent on the continuous stabilisation in the local epidemic situation and the further relaxation of epidemic prevention measures, including the uplift of travel restrictions and stringent quarantine measures followed by the recovery of consumption sentiment and swift rebound of inbound tourism. On 23 November 2020, the Return2hk Scheme was launched, pursuant to which Hong Kong residents who have fulfilled specified conditions are allowed to return to Hong Kong from Guangdong Province or Macau without the need to quarantine. However, the implementation of the bilateral Air Travel Bubble between Hong Kong and Singapore was deferred due to the upsurge of confirmed cases of coronavirus in Hong Kong before its setting in motion. Although the Hong Kong Government had initiated negotiations with other countries and regions on further bilateral travel arrangements and had taken an important first step towards the resumption of travel and tourism, given the volatility of the local epidemic situation, it is anticipated that the re-opening of border lockdown with PRC Mainland and revival of tourism and travel with other countries and regions remains uncertain and unpredictable under the existential threat of the pandemic. Besides, the market competition for groceries products becomes increasingly fierce following the outburst of novel coronavirus in January 2020. Retailers for other products springing up in the sales of groceries products parallelly has intensified competition in the sector.

Facing varying operating risks and increasing fierce competition in the sector, the Group will continuously adjust its operating strategies to suit the evolving market demands and to cautiously manage the challenges from the unfavorable retail environment and fierce market competition. To reinforce and enhance the Group's core competitiveness in the sector, the Group will, on one hand, strive to meticulously expand the scope of its products, in particular the basic grocery products, to satisfy the daily needs and necessities of the local community and will, on the other hand, conscientiously control the procurement costs of the Group's products so as to maintain competitive prices. Further, the Group will in the short to medium term progressively extend its Hong Kong retail network by identifying suitable retail stores in residential districts and shopping arcades in residential areas so as to further penetrate the Group's retail networks in the local community. The Group is also dedicated to expanding its retail network in Macau continuously when suitable opportunities arise.

Although the pace of outbound investment of the Group has been passively decelerated and slowed down due to the border lockdown and travel restrictions since the outburst of coronavirus pandemic in January 2020, the Group will actualize outbound investment in full gear once the pandemic is well-contained and while the border lockdown and travel restrictions are gradually eased. The management believes that outbound investment could be a catalyst for the Group's growth momentum and the satisfactory results recorded by the retail stores in Macau had initially justified the commercial viability of the outbound development plan of the Group and proved the vision of the management.

Lastly, the management wishes to express sincere appreciation to all staffs of the Group that stand fast at their posts in the challenging moment. The management is committed to overcome the operating risks faced by the Group and to proactively adjust business strategies with perseverance and courage under the supports of staffs so as to walk through the hard times for retail industry and to present satisfactory results and bring favourable returns to its shareholders.

## **FINANCIAL REVIEW**

### **Revenue**

For the six months ended 30 September 2020, the revenue recorded by the Group amounted to approximately HK\$709,387,000, representing an increase of approximately 16.3% as compared to approximately HK\$609,857,000 for the six months ended 30 September 2019. The increase in revenue was mainly attributable to the increase in the number of retail stores from 98 retail stores in Hong Kong as at 30 September 2019 to 112 retail stores in Hong Kong and three retail stores in Macau as at 30 September 2020.

### **Profit attributable to Owners of the Company**

Gross profit of the Group for the six months ended 30 September 2020 was approximately HK\$222,761,000, while gross profit of the Group for the six months ended 30 September 2019 was approximately HK\$209,282,000. Profit attributable to owners of the Company for the six months ended 30 September 2020 amounted to approximately HK\$35,689,000 representing an increase of approximately 165.2% from approximately HK\$13,457,000 for the six months ended 30 September 2019. The increase in profit attributable to owners of the Company was mainly attributable to the recognition of the Government Grants Accounted for the Period of approximately HK\$21,189,000.

### **Cost of Sales**

For the six months ended 30 September 2020, the cost of sales of the Group was approximately HK\$486,626,000 representing an increase of approximately 21.5% as compared to approximately HK\$400,575,000 for the six months ended 30 September 2019. The increase in cost of sales of the Group was generally in line with the increase in revenue for the six months ended 30 September 2020 following the opening of additional new retail stores in Hong Kong and Macau.

### **Gross Profit and Gross Profit Margin**

For the six months ended 30 September 2020, the gross profit of the Group was approximately HK\$222,761,000, representing an increase of approximately 6.4% from approximately HK\$209,282,000 for the six months ended 30 September 2019, while the gross profit margin for the six months ended 30 September 2020 was approximately 31.4%, representing a decrease of approximately 2.9 percentage points from approximately 34.3% for the six months ended 30 September 2019. The decrease in gross profit margin of the Group for the period under review was mainly the combined effect of (i) the increase of sales in basic grocery products which, on average, had a comparatively lower profit margin as compared with those of confectionaries and snacks; and (ii) there were clearance sales on the stock of confectionaries and snacks that were unvendible due to the drastic drop of tourists spending.

### **Other Income and other gains, net**

For the six months ended 30 September 2020, other income and other gains, net of the Group recorded an income of approximately HK\$22,408,000, while the other income and other gains, net of the Group for the six months ended 30 September 2019 recorded a gain of approximately HK\$2,161,000. The increase in other income was mainly attributable to the recognition of Government Grants Accounted for the Period of approximately HK\$21,189,000.

### **Selling and Distribution Expenses**

For the six months ended 30 September 2020, selling and distribution expenses of the Group amounted to approximately HK\$181,441,000, representing an increase of approximately 8.0% from approximately HK\$168,050,000 for the six months ended 30 September 2019. The increase in selling and distribution expenses during the period under review was mainly due to the increase of rental expenses of approximately HK\$10,064,000, the increase of front-line staff costs of approximately HK\$1,336,000 and the increase in logistic fees of approximately HK\$1,323,000, all due to the increase in the number of retail stores in Hong Kong and the operation of three retail stores in Macau.

### **Administrative and Other Expenses**

For the six months ended 30 September 2020, administrative and other expenses of the Group amounted to approximately HK\$20,733,000, representing an increase of approximately 4.7% from approximately HK\$19,809,000 for the six months ended 30 September 2019. The increase in administrative and other expenses was mainly due to the recruitment of additional management staff for setting up inventory planning department which incurred additional payment of salaries of approximately HK\$911,000 for the six months ended 30 September 2020.

## **Finance Costs**

Finance costs of the Group for the six months ended 30 September 2020 amounted to approximately HK\$5,219,000, representing a decrease of approximately 26.1% from approximately HK\$7,064,000 for the six months ended 30 September 2019. The decrease in finance costs was mainly attributable to the decrease in interest expenses on lease liabilities from approximately HK\$6,033,000 for the six months ended 30 September 2019 to approximately HK\$4,037,000 for the six months ended 30 September 2020.

## **Income Tax Expenses**

The income tax expenses of the Group decreased from approximately HK\$3,063,000 for the six months ended 30 September 2019 to approximately HK\$2,087,000 for the six months ended 30 September 2020, representing a decrease of approximately 31.9% mainly due to the decrease in assessable profit of a major operating subsidiary.

## **Financial Position, Liquidity and Financial Resources**

As at 30 September 2020, the Group's total cash and bank balances (including cash and cash equivalents) were approximately HK\$92,781,000 (as at 31 March 2020: HK\$215,911,000), representing a decrease of approximately HK\$123,130,000 which was mainly due to the payment of approximately HK\$126,000,000, being the part payment for the Acquisition ("Cash Payment for the Acquisition") during the period under review. The current ratio (calculated by current assets divided by current liabilities) of the Group decreased from approximately 1.6 times as at 31 March 2020 to approximately 1.0 time as at 30 September 2020.

As at 30 September 2020, the Group has total bank borrowings of approximately HK\$140,030,000, representing an increase of approximately 40.7% as compared with approximately HK\$99,542,000 as at 31 March 2020. The total unutilised banking facility extended by commercial banks as at 30 September 2020 amounted to approximately HK\$139,740,000. The carrying amounts of the Group's borrowings are denominated in Hong Kong dollars, secured and approximate to their fair value.

The gearing ratio of the Group as at 30 September 2020 was approximately 40.9% as compared to that of approximately 32.5% as at 31 March 2020, which was calculated by the total debts divided by the total equity at the end of the respective financial period and multiplied by 100%. The total debts of the Group refer to bank borrowings. The increase in gearing ratio was mainly due to the draw down of bank borrowings of HK\$50,000,000 by the Group for the payment of part of the consideration for the Acquisition ("Acquisition Facilities") during the period under review which resulted in the increase of bank borrowings of approximately HK\$40,488,000 as at 30 September 2020 as compared with that of 31 March 2020.



The overview of the Group's cash flow for the six months ended 30 September 2020 and 30 September 2019 respectively are set out as follows:

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash generated from operating activities	<b>94,908</b>	42,730
Net cash used in investing activities	<b>(186,656)</b>	(19,251)
Net cash used in financing activities	<b>(31,382)</b>	(106,952)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	<b>(123,130)</b>	(83,473)
	<hr/> <hr/>	<hr/> <hr/>

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

As at 30 September 2020, the Group had net current liabilities of approximately HK\$19,026,000 (31 March 2020: net current assets of HK\$152,271,000). The incurrence of net current liabilities as at 30 September 2020 was mainly due to (i) the decrease in current assets mainly due to the decrease of cash and bank balances after the payment of the Cash Payment for the Acquisition; and (ii) the increase in current liabilities mainly due to the increase of bank borrowings of approximately HK\$40,488,000 after the draw down of the Acquisition Facilities and the increase in trade payables of approximately HK\$23,739,000 due to the increase in inventories. The directors of the Company ("Directors") are of the opinion that, taking into consideration of (i) the performances of the Group; (ii) the draw down of a 20-year mortgage loan of HK\$88,431,000 with fixed repayment schedule after the period under review which is not wholly repayable within one year on contractual terms notwithstanding that it contains a discretionary repayable on demand clause; and (iii) the availability of unutilized banking facilities of the Group amounting to approximately HK\$191,516,000 as at the date of this announcement, the Group has sufficient financial resources to meet its financial obligations as and when they fall due for the next twelve months from the date of this announcement. Accordingly, the condensed consolidated financial statements are prepared on a going concern basis.

### **Capital Structure**

The Shares were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Main Board") on 11 January 2019. Since then, there has been no change in the capital structure of the Group. The capital structure of the Company comprises of issued share capital and reserves. As at 30 September 2020, the Company had 1,000,000,000 Shares in issue.

## **Capital Commitments**

Details of the capital commitments are set out in note 15.

## **Pledge of Assets**

As at 30 September 2020, the Group's banking facilities were granted to one of the operating subsidiaries of the Group and were secured by corporate guarantees from the Company and this operating subsidiary of the Group ("Corporate Guarantees") (as at 31 March 2020: Corporate Guarantees).

## **Foreign Currency Risk**

The Group operates in Hong Kong and Macau and is exposed to foreign exchange risk from (i) the purchase of products from various overseas suppliers mainly from the United States, Europe and Japan, which purchases are primarily settled in foreign currencies; and (ii) the revenue generated from the operation in Macau. Nevertheless, taking into account the retail industry practice, the Group's current operation and the stable exchange rate of Macau Pataca historically, the Directors do not consider the Group is subject to material foreign exchange risk. The Group will take proactive measures and monitor closely of its exposure to such currency movement.

## **Treasury Policies**

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

## **USE OF PROCEEDS FROM THE SHARE OFFER**

The Shares were listed on the Main Board on 11 January 2019. The net proceeds from the Share Offer ("Net Proceeds") amounted to approximately HK\$213.7 million (after deducting the underwriting fees and related expenses).

As disclosed in an announcement of the Company dated 15 January 2020 ("First Change of Proceeds Use Announcement"), the Board resolved to change the use of part of the unutilised Net Proceeds in the amount of HK\$30.0 million allocated for opening of new retail stores in Hong Kong to outbound investment (including but not limited to the expansion of the retail business of the Group in Macau and in the PRC Mainland). As further disclosed in an announcement of the Company dated 24 August 2020 ("Second Change of Proceeds Use Announcement"), the Board resolved to further change the use of part of the unutilised Net Proceeds in the amount HK\$ 60.0 million for the payment of part of the consideration for the Acquisition as disclosed in the Acquisition Announcement dated 22 May 2020.

As at 30 September 2020, approximately HK\$178.7 million (representing approximately 83.6% of the Net Proceeds) had been utilised. Set out below is the breakdown of the use of the Net Proceeds up to 30 September 2020:

	Original Amount of Net Proceeds allocated approximately <i>HK\$'million</i>	Revised allocation of Net Proceeds (as disclosed in the First Change of Proceeds Use Announcement) approximately <i>HK\$'million</i>	Further revised allocation of Net Proceeds (as disclosed in the Second Change of Proceeds Use Announcement) approximately <i>HK\$'million</i>	Amount of proceeds used up to 30 September 2020 approximately <i>HK\$'million</i>	Unutilised amount of proceeds as at 30 September 2020 approximately <i>HK\$'million</i>
<b>Specific use of Net Proceeds</b>					
Opening of new retail stores	142.1	112.1	98.1	81.0	17.1
Intensifying and broadening marketing efforts	28.9	28.9	13.9	9.9	4.0
Upgrading information technology systems	21.6	21.6	8.6	6.3	2.3
General working capital	21.1	21.1	21.1	17.6	3.5
Outbound Investment	–	30.0	12.0	3.9	8.1
Acquisition of Property	–	–	60.0	60.0	–
	<u>213.7</u>	<u>213.7</u>	<u>213.7</u>	<u>178.7</u>	<u>35.0</u>

As at 30 September 2020, approximately HK\$35.0 million (representing approximately 16.4% of the Net Proceeds) had not yet been utilized. The Directors will continuously assess the plans for use of the Net Proceeds. In the event that the Directors consider it necessary to further change the use of Net Proceeds to support and realize the business development of the Group, the Company will make further announcement in accordance with the relevant requirements of the Listing Rules as and when appropriate.

The unutilised Net Proceeds have been placed as time deposits or bank balances with licensed banks in Hong Kong as at the date of this announcement.

## **EMPLOYEES AND REMUNERATION POLICIES**

Following the Enhancement of front-line Staffing Structure, the number of employees of the Group decreased from totally 816 employees, which, excluding five Directors, comprised of 587 full-time employees and 224 part-time employees as at 30 September 2019 to totally 798 employees, which, excluding five Directors, comprised of 610 full-time employees and 163 part-time employees in Hong Kong and 20 full-time employees in Macau as at 30 September 2020. The staff costs (excluding Directors' emoluments) for the six months ended 30 September 2020 was approximately HK\$67,788,000 (six months ended 30 September 2019: approximately HK\$65,536,000).

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

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

## **MATERIAL ACQUISITIONS AND DISPOSALS**

On 28 September 2020, the Group completed the acquisition of the entire issued shares of Allied Wide which holds an office premises situated at "Offices Nos.1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 15 and 16 on 11th Floor and Car Parking Spaces Nos.P59, P60 and P65 on the 3rd Floor, C-Bons International Center, No.108 Wai Yip Street, Kowloon, Hong Kong" and relating director's loan extended to Allied Wide for a consideration of HK\$176,862,000 which was subsequently adjusted to approximately HK\$176,000,000. Allied Wide became an indirect wholly-owned subsidiary of the Company and the financial results, assets and liabilities of Allied Wide have been consolidated into the accounts of the Group. For further details of the Acquisition, please refer to the Acquisition Announcement and the Acquisition Circular.

Save as disclosed in this announcement, the Group did not have any material acquisitions or disposals for the six months ended 30 September 2020.

## **MATERIAL INVESTMENTS**

For the six months ended 30 September 2020, the Group did not have any material investments.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save as disclosed in this announcement, the Group did not have other plans for material investments and capital assets as at 30 September 2020.

## **CONTINGENT LIABILITIES**

Save as disclosed in this announcement, the Group did not have any significant contingent liabilities as at 30 September 2020.

## **INTERIM DIVIDEND**

The Board has recommended to declare an interim dividend of HK2.0 cents per share for the six months ended 30 September 2020 (for the six months ended 30 September 2019: HK1.5 cents per share), representing an aggregate amount of HK\$20,000,000 out of the share premium account of the Company to the Shareholders whose names appear on the register of members of the Company on Wednesday, 23 December 2020, which is subject to the approval of the Shareholders in an extraordinary general meeting (“EGM”) to be held on Wednesday, 16 December 2020. The interim dividend is expected to be paid on or around Monday, 4 January 2021.

For determining the entitlement of the Shareholders to attend and vote at the forthcoming EGM to be held on Wednesday, 16 December 2020, the register of members of the Company will be closed from Friday, 11 December 2020 to Wednesday, 16 December 2020 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify to attend and vote at the EGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 10 December 2020.

To ascertain shareholders’ entitlement to the interim dividend, the register of members of the Company will be closed from Monday, 21 December 2020 to Wednesday, 23 December 2020 (both days inclusive) during which no transfer of shares will be effected. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 18 December 2020.

## **EVENT AFTER THE END OF THE REPORTING PERIOD**

As mentioned in the Acquisition Circular, mortgage loan with lower interest rate would be sought after the completion of the Acquisition to repay the Acquisition Facilities of HK\$50,000,000 obtained for financing the Acquisition. On 28 October 2020, a mortgage loan in the amount of HK\$88,431,000 (“Mortgage Loan”) had been drawn down by the Group which was secured by a legal charge on the Property and corporate guarantee of the Company amongst which, approximately HK\$50,003,000 had been applied to fully repay the Acquisition Facilities and its interests and the remaining Mortgage Loan of approximately HK\$38,428,000 will be used as general working capital of the Group.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed shares during the six months ended 30 September 2020 and up to the date of this announcement.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct governing the securities transactions by the Directors. Following a specific enquiry made by the Company on the Directors, all Directors have confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 September 2020 and up to the date of this announcement.

## **CORPORATE GOVERNANCE**

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

During the six months ended 30 September 2020 and up to the date of this announcement, the Company has adopted and complied with all applicable code provisions in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules.

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

## **REVIEW OF UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The Group's unaudited interim condensed consolidated financial statements for the six months ended 30 September 2020 had been reviewed by the audit committee, which was of the opinion that the preparation of such unaudited interim condensed consolidated financial statements complied with the applicable accounting standards and requirements and that adequate disclosures were made. In addition, the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 September 2020 had been reviewed by BDO Limited, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants.

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

The interim results announcement of the Company is published on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.bestmart360.com>). The interim report for the six months ended 30 September 2020 will be available on the above websites and despatched to Shareholders in due course.

By order of the Board  
**Best Mart 360 Holdings Limited**  
**Lin Tsz Fung**  
*Chairman*

Hong Kong, 26 November 2020

*As at the date of this announcement, the executive Directors are Mr. Lin Tsz Fung and Ms. Hui Ngai Fan, and the independent non-executive Directors are Mr. Sze Irons, Ms. Choy So Yuk and Mr. Lee Ka Lun.*