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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 2021**

HIGHLIGHTS

- For the six months ended 30 September 2021, the revenue recorded by the Group amounted to approximately HK\$862,978,000, representing an increase of approximately 21.7% as compared to approximately HK\$709,387,000 for the six months ended 30 September 2020.
- Profit attributable to owners of the Company for the six months ended 30 September 2021 was approximately HK\$22,699,000, representing a decrease of approximately 36.4% as compared to approximately HK\$35,689,000 for the six months ended 30 September 2020. Excluding the related non-recurring subsidy income during the last corresponding year, the profit attributable to owners of the Company for the six months ended 30 September 2021 increased by approximately 56.5% as compared to the Corresponding Period Last Year.
- Earnings per share attributable to owners of the Company for the six months ended 30 September 2021 was approximately HK2.3 cents (six months ended 30 September 2020: approximately HK3.6 cents per share).
- The board of Directors recommended the payment of an interim dividend of HK1.5 cents per share for the six months ended 30 September 2021 (six months ended 30 September 2020: HK2.0 cents per share).

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 2021, together with the comparative figures for the six months ended 30 September 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

		Six months ended	
		30 September	
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	5	862,978	709,387
Cost of sales		(583,846)	(486,626)
Gross profit		279,132	222,761
Other income and other gains, net	6	271	22,408
Selling and distribution expenses		(216,023)	(181,441)
Administrative and other expenses		(32,692)	(20,733)
Operating profit		30,688	42,995
Finance costs	7	(3,824)	(5,219)
Profit before income tax	8	26,864	37,776
Income tax expense	9	(4,165)	(2,087)
Profit and total comprehensive income for the period		22,699	35,689
Profit and total comprehensive income attributable to owners of the Company		22,699	35,689
Earnings per share attributable to owners of the Company during the period:			
– Basic and diluted (HK cents)	11	2.3	3.6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	<i>Notes</i>	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		459,244	431,598
Deposits		30,665	37,449
Deposits paid for purchase of property, plant and equipment		489	7,108
Deferred tax assets		1,857	1,902
		<u>492,255</u>	<u>478,057</u>
Current assets			
Inventories		218,183	198,547
Trade receivables	12	3,753	2,927
Deposits, prepayments and other receivables		67,977	50,359
Cash and bank balances		54,762	91,312
		<u>344,675</u>	<u>343,145</u>
Total assets		<u>836,930</u>	<u>821,202</u>
Current liabilities			
Trade payables	13	62,158	59,695
Accruals and other payables	13	43,171	39,229
Bank borrowings		98,922	107,496
Lease liabilities		143,479	142,571
Income tax payable		12,201	8,083
		<u>359,931</u>	<u>357,074</u>
Net current liabilities		<u>(15,256)</u>	<u>(13,929)</u>
Total assets less current liabilities		<u>476,999</u>	<u>464,128</u>

		30 September	31 March
		2021	2021
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current liabilities			
Accruals and other payables	<i>13</i>	2,204	2,163
Lease liabilities		108,965	93,834
		<u>111,169</u>	<u>95,997</u>
Net assets		<u>365,830</u>	<u>368,131</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>14</i>	10,000	10,000
Reserves		355,830	358,131
		<u>365,830</u>	<u>368,131</u>
Total equity		<u>365,830</u>	<u>368,131</u>

NOTES

For the six months ended 30 September 2021

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 11th Floor, C-Bons International Center, No. 108 Wai Yip Street, 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 2021.

These unaudited condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2020/2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2022. Details of changes in accounting policies are set out in note 3 to the unaudited condensed consolidated interim financial information, 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 2020/2021 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 2020/2021 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 2020/2021 consolidated financial statements.

As at 30 September 2021, the Group had net current liabilities of approximately HK\$15,256,000. This condition may affect the Group’s ability to continue as a going concern.

The net current liabilities as at 30 September 2021 included bank borrowings of approximately HK\$98,922,000. Within these bank borrowings, there was a mortgage loan of approximately HK\$84,922,000, out of which approximately HK\$80,999,000 is contractually due for repayment after a year, contains a discretionary repayable on demand clause and is therefore classified as a current liabilities.

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. SIGNIFICANT ACCOUNTING POLICIES

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 HKFRS 16: COVID-19 Related Rent Concession
- 2021 Amendment to HKFRS 16: COVID-19 Related Rent Concessions beyond 30 June 2021
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16: Interest Rate Benchmark Reform – Phase 2

The application of the above amendments to HKFRSs during the period has had no material effect on the amounts reported in the unaudited condensed consolidated interim financial information and/or disclosures set out in the unaudited condensed consolidated interim financial information.

4. SEGMENT INFORMATION

During the period ended 30 September 2021, 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 2021 and 30 September 2020 and certain non-current assets information as at 30 September 2021 and 31 March 2021.

	Hong Kong <i>HK\$'000</i>	Macau <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Total <i>HK\$'000</i>
30 September 2021 (unaudited)				
Revenue	<u>835,005</u>	<u>27,973</u>	<u>–</u>	<u>862,978</u>
Non-current assets*	<u>438,091</u>	<u>21,074</u>	<u>79</u>	<u>459,244</u>
30 September 2020 (unaudited)				
Revenue	<u>692,101</u>	<u>17,286</u>	<u>–</u>	<u>709,387</u>
31 March 2021 (audited)				
Non-current assets*	<u>411,056</u>	<u>20,542</u>	<u>–</u>	<u>431,598</u>

* 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 2021 (six months ended 30 September 2020: 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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from		
Retailing sales	870,087	711,428
Less: Sales discounts	(7,109)	(2,041)
	<u>862,978</u>	<u>709,387</u>

6. OTHER INCOME AND OTHER GAINS, NET

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income from bank deposits	24	948
Losses on written-off/disposal of property, plant and equipment, net	(164)	(198)
Promotion income	–	377
Government grant	–	21,189
Others	411	92
	<u>271</u>	<u>22,408</u>

Note:

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

During six months ended 30 September 2021 no government grant was recognised by the Group.

7. FINANCE COSTS

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expense on borrowings	722	1,182
Interest expense on lease liabilities	3,102	4,037
	<u>3,824</u>	<u>5,219</u>

8. PROFIT BEFORE INCOME TAX

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

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Directors' emoluments	738	738
Staff costs:		
– Wages, salaries and other benefits	83,280	65,035
– Contributions to defined contribution pension plans	3,567	2,753
Depreciation of property, plant and equipment	93,984	75,571
Exchange differences, net	(219)	(110)
Cost of inventories recognised as expenses	583,846	486,626
Written-off of inventories	2,416	1,338
Service expenses for using the operating facilities of warehouse	–	6,782
Operating lease payments in respect of retail stores and office		
– Short-term lease expenses	3,058	5,309
– Contingent rents	5,873	5,566
	<u>8,931</u>	<u>10,875</u>

9. INCOME TAX EXPENSE

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

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong Profits Tax	4,368	2,527
– Macau Complementary Income Tax (“MCIT”)	200	–
	<u>4,568</u>	<u>2,527</u>
– Over-provision in respect of prior year	(447)	–
	<u>4,121</u>	<u>2,527</u>
Deferred income tax	44	(440)
Income tax expense	<u>4,165</u>	<u>2,087</u>

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.

During the period ended 30 September 2021 and 2020, under the two-tiered profits tax rates regime, the first HK\$2 million of estimated assessable profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of other group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

MCIT has been provided at the progressive rate on the estimated assessable profits. The maximum tax rate is 12% for the period ended 30 September 2021. No provision of MCIT has been made as the Group has no assessable profit for MCIT for the period ended 30 September 2020.

No provision of Corporate Income tax (“CIT”) for subsidiaries operating in People’s Republic of China has been made as the Group has no assessable profit for CIT for the period ended 30 September 2021 and 2020.

10. DIVIDENDS

On 26 November 2021, the Board has resolved to pay an interim dividend of HK1.5 cents per share (for the six months ended 30 September 2020: HK2.0 cents per share), amounting to a total dividend of HK\$15,000,000, in respect of the six months ended 30 September 2021. This interim dividend has not been recognised as a liability in this unaudited interim condensed consolidated financial statements.

On 18 August 2021, a final dividend of HK2.5 cents per share for the year ended 31 March 2021 was approved by the Company's shareholders ("2021 Final Dividend"). The 2021 Final Dividend of HK\$25,000,000 was paid during the period ended 30 September 2021.

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 approximately HK\$22,699,000 (six months ended 30 September 2020: approximately HK\$35,689,000), and the weighted average number of ordinary shares of 1,000,000,000 (six months ended 30 September 2020: 1,000,000,000 shares) in issue. The Company did not have any potential dilutive shares for the six months ended 30 September 2021 and 2020. Accordingly, the diluted earnings per share are the same as the basic earnings per share.

12. TRADE RECEIVABLES

	30 September 2021	31 March 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	<u>3,753</u>	<u>2,927</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:

	30 September 2021	31 March 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0-30 days	3,529	2,699
31-60 days	117	187
61-90 days	95	22
Over 90 days	<u>12</u>	<u>19</u>
	<u>3,753</u>	<u>2,927</u>

13. TRADE PAYABLES AND ACCRUALS AND OTHER PAYABLES

(a) Trade payables

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

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
0-30 days	48,145	49,819
31-60 days	13,748	8,996
61-90 days	170	358
Over 90 days	95	522
	<u>62,158</u>	<u>59,695</u>

(b) Accruals and other payables

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Current:		
Accruals for employee benefit expenses	20,736	16,654
Accruals for rental expenses	4,514	6,493
Accruals for logistic expenses	7,827	11,429
Contract liabilities in relation to customer loyalty programme (<i>Note (c)</i>)	1,516	384
Accruals for property, plant and equipment	517	198
Contract liabilities in relation to cash coupon (<i>Notes (c)</i>)	230	312
Provision for reinstatement costs	1,824	1,464
Accruals for operating and other expenses	6,007	2,295
	<u>43,171</u>	<u>39,229</u>
Non-current:		
Provision for reinstatement costs	2,204	2,163

(c) **Contract liabilities**

The contract liabilities represented the aggregated amount of the transaction price allocated to the performance obligation that are unsatisfied as of the period ended date. The Group expects the transaction price allocated to the unsatisfied performance obligations will be recognised as revenue when the award points in related to customer loyalty programme and the cash coupons are redeemed. HK\$696,000 of the contract liabilities as of 31 March 2021 has been recognised as revenue due to the redemption of the cash dollars and cash coupon in purchase by customer during the six months ended 30 September 2021.

14. SHARE CAPITAL

	Number	Amount <i>HK\$'000</i>
Authorised:		
At 31 March 2021, 1 April 2021 and 30 September 2021	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each At 31 March 2021, 1 April 2021 and 30 September 2021	<u>1,000,000,000</u>	<u>10,000</u>

15. CAPITAL COMMITMENTS

	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
Commitments for acquisition of property, plant and equipment:	<u>964</u>	<u>4,855</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group mainly operates leisure food chain retail stores under the brand name of “Best Mart 360°” (“優品360°”), with stores in prime shopping and residential locations in Hong Kong and Macau. Under the mission of offering the “Best Quality” and “Best Price” to customers, the Group adheres to its belief in global procurement and has sold more than 900 brands and approximately 3,000 SKUs of imported products, offering them a more diversified range of choices. The Group keeps moving with the times and constantly strives to improve its product portfolio and store layout to provide customers with a more comfortable and enjoyable shopping experience. The Company’s product range includes confectioneries, snacks, nuts and dried fruits, biscuits and pastries, cereals and milk, personal care and household products, frozen and chilled food, groceries, rice and noodles, and beverages and alcohol. In addition to procurement, the Company owns a number of high-quality private labels to achieve better price advantage and also exercises a higher degree of quality control over its products to further enhance the Group’s brand awareness and customer loyalty.

MARKET OVERVIEW

Hong Kong continued to face a challenging operating environment in 2021 so far. According to the visitor arrival statistics released by the Hong Kong Tourism Board, as Hong Kong is maintaining stringent immigration control measures amidst the novel coronavirus pandemic, visitor arrivals from 1 January 2021 to 30 September 2021 dropped by 98.2% as compared to the corresponding period in 2020. While there appeared to be an initial sign of recovery in August and September year-on-year, Hong Kong’s inbound tourism remained at a standstill when compared to the period before the implementation of various anti-epidemic measures, such as border closures and mandatory quarantine. During the six months ended 30 September 2021, economic activities in various sectors gradually recovered as the vaccination rate against novel coronavirus steadily picked up, the epidemic situation in Hong Kong remained under control, and the various levels of group gathering restrictions and social distancing measures have been relaxed by the Hong Kong government, coupled with the disbursement of the first consumption vouchers under the Consumption Voucher Scheme by the Hong Kong government which helped stimulate local consumption. According to the Census and Statistics Department, as at 30 September 2021, the value of total retail sales in Hong Kong for the first nine months of 2021 was provisionally estimated at approximately HK\$258,137 million, representing an increase of 8.0% as compared with the corresponding period in 2020.

BUSINESS REVIEW

For the six months ended 30 September 2021 (the “Period”/ “Period under Review”), the Group recorded revenue of approximately HK\$862,978,000, representing an increase of approximately 21.7% from that of approximately HK\$709,387,000 for the six months ended 30 September 2020 (the “Corresponding Period Last Year”). The increase in revenue mainly reflected the success of the Group’s expansion strategy and product mix optimisation. The Group’s retail stores in Hong Kong and Macau increased from 115 as at 30 September 2020 to 129 as at 30 September 2021. Gross profit for the Period under Review amounted to approximately HK\$279,132,000 with a gross profit margin of 32.3%, as compared to a gross profit of approximately HK\$222,761,000 with a gross profit margin of 31.4% for the Corresponding Period Last Year. Gross profit margin increased by 0.9 percentage point, which was mainly due to the product adjustment strategy and the constant effort to improve bargaining power, which enabled the Group to control the Group’s procurement costs effectively.

Profit attributable to owners of the Group for the Period under Review amounted to approximately HK\$22,699,000 (six months ended 30 September 2020: approximately HK\$35,689,000), representing a decrease of approximately 36.4% compared to the Corresponding Period Last Year. The decrease in profit was mainly due to the fact that the Group received an aggregate amount of approximately HK\$21,189,000 subsidy income from the governments of Hong Kong and Macau in the Corresponding Period Last Year, while neither government had introduced any subsidy schemes during the Period under Review. Excluding the related non-recurring subsidy income, the profit attributable to owners of the Company for the six months ended 30 September 2021 increased by approximately 56.5% compared to the Corresponding Period Last Year.

During the Period under Review, the Group continued to actively adjust its business strategy and optimise its product mix and portfolio to meet market needs while maintaining the Group’s profitability to create greater value for shareholders. In line with the Group’s expansion strategy, the Company has further opened a total of 10 retail stores in Hong Kong and Macau during the Period under Review, most of which were located in shopping arcades in community or residential areas, to further expand the Group’s retail network. At the same time, the Group expanded its broad range of frozen and chilled food, sauces and condiments, Chinese delicacies, dairy products and alcoholic beverages to promptly meet the market demand for these daily household food products during the Period. In addition, the Group continued to introduce frozen and chilled food products in selected stores in Hong Kong and has established a new global gourmet store, “FoodVille”, which opened its first store at LOHAS Park, Tseung Kwan O, to further satisfy the daily needs of different customers.

CHAIN RETAIL STORES

As at 30 September 2021, the Group operated a total of 129 chain retail stores, including 124 retail stores in Hong Kong and 5 retail stores in Macau (112 retail stores and 3 retail stores respectively as at 30 September 2020). The Group continued to strengthen its presence in the local community, with most of the newly opened retail stores in Hong Kong during the Period under Review locating in shopping arcades in community or residential areas with a view to providing better services to the local community. Moreover, larger retail spaces for new stores will be preferred over time to enable the Company to provide a more optimised and diversified product mix and a more comfortable shopping experience for customers. The rental expense (on a cash basis) to sales revenue ratio of retail stores for the six months ended 30 September 2021 was approximately 11.8% (approximately 12.3% for the six months ended 30 September 2020), representing a decrease of 0.5 percentage point compared to the Corresponding Period Last Year. Such improvement was mainly attributable to the effectiveness of the Group's strategy in selecting retail locations and the improvement in same store sales. During the Period, the Group recorded a 5.6% growth in same store sales performance.

The pandemic outbreak has led to a change in lifestyle for Hong Kong people. An increasing number of Hong Kong people prefer to stay home for meals or even enjoy cooking at home during the pandemic, resulting in a growing demand for quality food ingredients and products. The Group's new global gourmet store, "FoodVille", was launched in response to such demand and the first FoodVille first store was officially opened in September in Tseung Kwan O, which mainly provides globally sourced medium-to-high-end quality food products ranging from wines, chocolates, health food, cheeses, western sauces and ingredients from around the world to satisfy consumers' desire for high-quality tastes.

Furthermore, the Group continued to expand its outbound business. The number of retail stores in Macau increased to 5 as at 30 September 2021 (as at 30 September 2020: 3). The encouraging result of Macau business contributed to the Group's revenue and profitability during the Period under Review.

THE PRODUCTS

During the Period under Review, the Group adhered to its global procurement policy by sourcing a broad spectrum of products worldwide to optimise its product portfolio. For the six months ended 30 September 2021, the Group has sold more than 900 brands and approximately 3,000 SKUs of products, offering customers a diversified range of choices. In addition to optimising its product range, the Group will also be embarked on sorting the wheat from the chaff to make room for more new products and flavours in order to attract customers.

During the Period, the Group endeavoured to enrich the product mix. Besides constantly offering a wider range of masks at competitive prices, the Group also broadened its range of products such as frozen and chilled food, sauces and condiments, Chinese delicacies, dairy products and alcoholic beverages to promptly meet the market demand and changes for these daily household food products. The number of SKUs for the above products during the Period under Review increased from approximately 470 in the Corresponding Period Last Year to approximately 880 during the Period, and the revenue derived from these products has also up more than doubled compared to the Corresponding Period Last Year, accounting for approximately 22.8% of the Group's total revenue for the Period under Review (for the Corresponding Period Last Year: approximately 13.4%). This product strategy has enriched the product selection to meet the market needs of the local community, strengthened the Group's sales and stabilised its income stream. As at 30 September 2021, the Group had 36 retail stores located in Hong Kong that provides frozen and chilled food products (18 stores as at 30 September 2020).

During the Period under Review, the Group continued to actively develop its private label products to maintain more flexible and effective control of its product quality, availability and profitability. For the six months ended 30 September 2021, sales derived from private label products amounted to approximately HK\$140,044,000, representing an increase of approximately 1.7 times from approximately HK\$50,968,000 for the six months ended 30 September 2020, and accounted for approximately 16.2% of the Group's overall revenue for the Period under Review (for the Corresponding Period Last Year: approximately 7.2%). During the Period under Review, the Group has developed a cumulative total of 11 private labels and more than 150 products, including masks, canned Chinese delicacies, cereals, milk, honey, nuts and dried fruits and a wide range of leisure food products.

MEMBERSHIP SCHEME

Given that the retail business of the Group is consumer-driven, substantial efforts have been placed in developing and reinforcing its customer base. Accordingly, the Group has established a membership scheme since April 2015 to promote consumer loyalty, stimulate sales and expand customer base. In order to further deepen customer stickiness and expand customers' coverage, the Group has used big data analysis and reformulated its marketing strategy, and launched a new membership mobile app 2.0 in June 2020. The membership rewards under this new membership scheme have also been fully optimised and enhanced, with more membership benefits such as APP e-stamp promotion, special offers for selected products and access to latest market information, which enable the Group to attract more new members. Through diversified marketing strategies, the Group aims to strengthen the membership core from within and attract new customers through outward expansion, adopt an effective and targeted approach in fostering the ties between members and the Group, thereby generating recurring businesses with members and driving sustainable growth for the Group's business.

During the Period under Review, the number of the Group's registered fans and members increased from approximately 1,519,300 as at 30 September 2020 to approximately 1,764,600 as at 30 September 2021, representing an increase of approximately 16.1%. Since the launch of the mobile app, the number of mobile app members has reached 637,100 as at 30 September 2021 (as at 30 September 2020: 368,200).

EMPLOYEES

As at 30 September 2021, the number of full-time and part-time employees of the Group was 900 (30 September 2020: 798). In order to retain talented staff and strengthen the cohesion and loyalty among employees, the Group regularly reviews and updates its employee benefit plans and remuneration packages with reference to labour market supply and labour cost trend, as well as individual performance, and provides appropriate incentives. Staff costs (excluding Directors' emoluments) for the six months ended 30 September 2021 accounted for approximately 10.1% of the revenue (six months ended 30 September 2020: approximately 9.6%). The relative increase in the ratio of staff costs to revenue as compared to the Corresponding Period Last Year was mainly due to the recruitment of additional management personnel and office staff during the Period under Review to support the Group's active development of the various expansion and enhancement projects, as well as recruitment of additional warehouse staff to cope with the expansion of retail store network in Hong Kong and Macau. At the same time, in order to boost the morale of frontline staff and attract more talents to join the Company, during the Period under Review, the Group has made a relatively large improvement to the remuneration package of frontline staff to align with store expansion needs.

OUTLOOK

As the novel coronavirus pandemic appears to be under control for the time being, the market expects a gradual easing of global travel restrictions, especially the resumption of traveller clearance between Hong Kong and Mainland China as soon as possible. Local business sentiment has generally improved, which is beneficial to the continued recovery of business and investment activities. The Group will continue to closely monitor the various factors affecting the Group's operations, so as to promptly implement the necessary and appropriate business measures to capture market opportunities and maximise returns for shareholders and investors.

Looking ahead, the Group will continue its effort in persistently seeking appropriate opportunities to expand its retail network in Hong Kong and Macau and continue to review the geographical distribution of its stores, with a particular focus on increasing its presence in residential areas, to better meet the consumption needs of the local community. At the same time, the Group will review store expansion opportunities in the market from time to time, adjust the layout of existing retail stores on an ongoing basis with an aim to provide a comfortable and leasurable shopping experience for customers, and enhance the sales efficiency of each retail store. The Group will continue to strengthen the core competitiveness of its brands, adhere to its business mission of offering the "Best Quality" and "Best Price" to its customers, source a diversified range of global food products for customers, strive to expand its product range in a meticulous manner to meet the daily needs and necessities of the local community, and further develop the Group's private label products to enrich customers' choices. The Group will also continue to carefully control the procurement costs of the Group's products to maintain its price competitiveness.

The Board is of the view that business diversification can effectively expand the Group's income stream and generate satisfactory returns for the shareholders of the Group. The retail network of "FoodVille", the Group's new global gourmet store, will continue to be expanded in the future to satisfy the needs of different customer groups for healthy lifestyle and quality food, targeting large and medium-to-high-end shopping malls in Hong Kong as well as stores with larger area and locations with high customer traffic and population density.

In addition, the Group will further expand its business from the business-to-customer (B2C) segment to business-to-business (B2B) segment with an expectation of wholesaling the Group's private label products and other imported products to not only other retailers in Hong Kong but also other enterprises in overseas markets, with a view to generate more stable income streams for the Group.

The Group has established a wholly foreign-owned enterprise in Shenzhen, the People's Republic of China (the "PRC") in December 2019 under the name of 深圳優品叁陸零商業有限公司 (Shenzhen Best Mart 360 Commerce Limited) and sent our Hong Kong-based staff to set up a formal office in Futian District, Shenzhen, in April 2021 to commence staff recruitment and preliminary work for the opening of chain retail stores. The Group expects to officially open its first retail store in Shenzhen at the end of 2021, marking the Group's first presence in the Mainland China market, with the objective of expanding its operating model to other cities in the Greater Bay Area, thereby extending the Group's sales network to the whole nation.

Lastly, the Board would like to express its sincere gratitude to the management team and employees for their tireless efforts despite challenging conditions in actively coping with difficulties arising from the pandemic in the retail industry over the past two years. We will continue to adhere to our sustainability strategy to maximise the interests of the shareholders and the Company.

FINANCIAL REVIEW

Financial Position, Liquidity and Financial Resources

As at 30 September 2021, the Group's total cash and bank balances (including cash and cash equivalents) were approximately HK\$54,762,000 (as at 31 March 2021: approximately HK\$91,312,000), representing a decrease of approximately 40.0% which was mainly due to the renovation of the new office premises and the payment of final dividend. The current ratio (calculated by current assets divided by current liabilities) of the Group remained relatively stable at approximately 1.0 as at 31 March 2021 and as at 30 September 2021.

As at 30 September 2021, the Group has total bank borrowings of approximately HK\$98,922,000, representing a decrease of approximately 8.0% as compared with approximately HK\$107,496,000 as at 31 March 2021. The total unutilised banking facility extended by commercial banks as at 30 September 2021 amounted to approximately HK\$197,002,000. 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 2021 was approximately 27.0% as compared to that of approximately 29.2% as at 31 March 2021, 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 decrease in gearing ratio was mainly due to the repayment of bank borrowings within the Period.

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.

Capital Structure

The capital structure of the Company comprises of issued share capital and reserves. As at 30 September 2021, 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 2021, the bank borrowings and other banking facilities of the Group are secured by:

- (i) the corporate guarantee provided by the Company and a subsidiary; and
- (ii) property, plant and equipment of office premises of the Group with carrying amount of HK\$173,846,000 (as at 31 March 2021: HK\$176,342,000).

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 Japan, Europe, Korea and the United States, 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 Directors will regularly review and assess the change in risks and 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 of the Company were listed on the Main Board on 11 January 2019. The net proceeds from the share offer (the "Net Proceeds") amounted to approximately HK\$213.7 million (after deducting the underwriting fees and related expenses).

As at 30 September 2021, approximately HK\$209.9 million (representing approximately 98.2% of the Net Proceeds) had been utilised. Set out below is the breakdown of the use of the Net Proceeds up to 30 September 2021:

	Original Amount of Net Proceeds allocated approximately <i>HK\$'million</i>	Revised allocation of Net Proceeds (as disclosed in the announcement of the Company dated 15 January 2020 approximately <i>HK\$'million</i>	Further revised allocation of Net Proceeds (as disclosed in the announcement of the Company dated 24 August 2020 approximately <i>HK\$'million</i>	Amount of proceeds used up to 30 September 2021 approximately <i>HK\$'million</i>	Unutilised amount of proceeds as at 30 September 2021 approximately <i>HK\$'million</i>
Specific use of Net Proceeds					
Opening of new retail stores	142.1	112.1	98.1	98.1	–
Intensifying and broadening marketing efforts	28.9	28.9	13.9	13.6	0.3
Upgrading information technology systems	21.6	21.6	8.6	8.6	–
General working capital	21.1	21.1	21.1	21.1	–
Outbound Investment	–	30.0	12.0	8.5	3.5
Acquisition of Property	–	–	60.0	60.0	–
	<u>213.7</u>	<u>213.7</u>	<u>213.7</u>	<u>209.9</u>	<u>3.8</u>

As at 30 September 2021, approximately HK\$3.8 million (representing approximately 1.8% of the Net Proceeds) had not yet been utilized. It is expected that the remaining Net Proceeds will be fully utilised by 2022.

The unutilised Net Proceeds have been placed as 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 increased from a total of 793 employees (excluding five Directors) as at 30 September 2020 to a total of 895 employees (excluding five Directors) as at 30 September 2021. The staff costs (excluding Directors' emoluments) for the six months ended 30 September 2021 was approximately HK\$86,847,000 (six months ended 30 September 2020: approximately HK\$67,788,000).

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 (the "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

The Group did not have any material acquisitions or disposals for the six months ended 30 September 2021.

MATERIAL INVESTMENTS

For the six months ended 30 September 2021, the Group did not have any material investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have other plans for material investments and capital assets as at 30 September 2021.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 September 2021.

INTERIM DIVIDEND

The Board has recommended to declare an interim dividend of HK1.5 cents per share for the six months ended 30 September 2021 (for the six months ended 30 September 2020: HK2.0 cents per share), representing an aggregate amount of HK\$15,000,000 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 15 December 2021. The interim dividend is expected to be paid on or around Thursday, 30 December 2021.

To ascertain shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from Monday, 13 December 2021 to Wednesday, 15 December 2021 (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, 10 December 2021.

EVENT AFTER THE END OF THE PERIOD

No significant events occurred since the end of the Period and up to the date of this announcement.

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 2021 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 2021 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 2021 and up to the date of this announcement, to the best knowledge of the Board, the Company has adopted and complied with all applicable code provisions in the Corporate Governance 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 2021 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 2021 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 2021 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 2021

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.