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B & S INTERNATIONAL HOLDINGS LTD.

寶仕國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(the “Company”)

(Stock code: 1705)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

FINANCIAL HIGHLIGHTS

- Revenue reached HK\$452.1 million for the year ended 31 March 2018 (“FY2018”), representing an increase of 22.9% as compared with last year
- Same store sales growth (“SSSG”) ^(note 1) for the Ten Ren retail stores have recorded double-digit growth at 13.7%
- Adjusted net profit ^(note 2) increased by 23.0% to HK\$34.8 million
- Proposed a final dividend of HK3 cents per share, representing a dividend payout ratio of approximately 35.6% on the adjusted profit attributable to owners of the Company ^(note 3)

| | Year ended 31 March | | Increase/ (decrease) |
|--|-----------------------------|-----------------------------|-------------------------|
| | 2018 <i>HK\$ million</i> | 2017 <i>HK\$ million</i> | |
| Revenue | 452.1 | 368.0 | 22.9% |
| Gross Profit | 115.8 | 91.2 | 27.0% |
| Net profit | 15.2 | 28.3 | (46.3%) |
| Adjusted net profit ^(note 2) | 34.8 | 28.3 | 23.0% |
| Basic earnings per share (<i>HK cents</i>) | 4.62 | 9.12 | (49.3%) |

Note 1: SSSG represented a comparison of average revenue derived from outlets that were in operation throughout the financial periods compared.

Note 2: Adjusted net profit is derived from net profit excluding the non-recurring listing expenses of approximately HK\$19.6 million incurred during FY2018.

Note 3: Adjusted profit attributable to owners of the Company of approximately HK\$33.7 million is derived from profit attributable to owners of the Company of approximately HK\$14.1 million excluding the non-recurring listing expenses of approximately HK\$19.6 million incurred during FY2018.

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2018, together with the comparative figures for the year ended 31 March 2017, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

| | <i>Note</i> | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| Revenue | 4 | 452,125 | 367,978 |
| Cost of sales | 7 | (336,300) | <u>(276,800)</u> |
| Gross profit | | 115,825 | 91,178 |
| Other losses, net | 5 | (1,466) | (1,117) |
| Other income | 6 | 315 | 301 |
| Selling and distribution expenses | 7 | (38,224) | (31,799) |
| Administrative expenses | 7 | (51,599) | <u>(23,386)</u> |
| Operating profit | | 24,851 | <u>35,177</u> |
| Finance income | 8 | 108 | – |
| Finance costs | 8 | (2,467) | <u>(1,388)</u> |
| Finance cost, net | 8 | (2,359) | <u>(1,388)</u> |
| Profit before income tax | | 22,492 | 33,789 |
| Income tax expense | 9 | (7,329) | <u>(5,529)</u> |
| Profit and total comprehensive income for the year | | 15,163 | <u>28,260</u> |
| Profit and total comprehensive income attributable to: | | | |
| Owners of the Company | | 14,085 | 27,356 |
| Non-controlling interest | | 1,078 | <u>904</u> |
| | | 15,163 | <u>28,260</u> |
| Earnings per share for profit attributable to owners of the Company during the year (expressed in HK cents per share) | | | |
| — basic and diluted | 10 | 4.62 | <u>9.12</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

| | Note | 2018 HK\$'000 | 2017 HK\$'000 |
|---|------|------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 20,611 | 12,486 |
| Deferred income tax assets | | 1,017 | 1,073 |
| Deposits and other assets | | 9,767 | 15,631 |
| Financial assets at fair value through profit or loss | | — | 5,522 |
| | | 31,395 | 34,712 |
| Current assets | | | |
| Inventories | | 24,456 | 18,733 |
| Trade receivables | 12 | 73,385 | 62,973 |
| Deposits, prepayments and other receivables | | 8,385 | 6,724 |
| Restricted cash | | 22,500 | — |
| Cash and cash equivalents | | 118,402 | 37,477 |
| | | 247,128 | 125,907 |
| Total assets | | 278,523 | 160,619 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 13 | 4,000 | — |
| Reserves | | 79,794 | 5 |
| Retained earnings | | 57,632 | 58,547 |
| | | 141,426 | 58,552 |
| Non-controlling interest | | 5,853 | 4,775 |
| Total equity | | 147,279 | 63,327 |

| | <i>Note</i> | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| LIABILITIES | | | |
| Non-current liability | | | |
| Obligation under hire purchase contracts | | - | 67 |
| Current liabilities | | | |
| Trade and other payables | <i>14</i> | 31,618 | 18,197 |
| Income tax payables | | 2,272 | 3,740 |
| Amounts due to related parties | | 8,209 | 42,791 |
| Obligation under hire purchase contracts | | - | 98 |
| Bank borrowings | | 89,145 | 32,399 |
| | | 131,244 | 97,225 |
| Total liabilities | | 131,244 | 97,292 |
| Total equity and liabilities | | 278,523 | 160,619 |

NOTES

1 GENERAL INFORMATION AND REORGANISATION

1.1 General information

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

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

Prior to the incorporation of the Company and the completion of a reorganisation (the "Reorganisation") in preparation for the listing of the Company's share on the Main Board of The Stock Exchange of Hong Kong Limited ("the Main Board"), the Group's business was operated by Wise Fine Enterprise Limited, Saw Corporation Limited and National Jade Limited (the "Operating Subsidiaries"), and the distribution business segment (the "Included Business") of Best Source Enterprise Limited ("Best Source"), which are all companies incorporated in Hong Kong and controlled by Mr. Chan Kam Chuen, Andrew, Mr. Chan Siu Cheung, Stephen and Mr. Chau Wing Kong, William ("the Controlling Shareholders"). The Reorganisation was completed on 31 January 2018 and since then, the Company became the holding company of the Operating Subsidiaries and all other companies now comprising the Group.

The Company's shares were listed on the Main Board on 14 March 2018.

These consolidated financial statements are presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the financial assets at fair value through profit or loss, which are carried at fair value.

Immediately prior to the Reorganisation, the Group's business was primarily conducted through the Operating Subsidiaries and the Included Business of Best Source. Pursuant to the Reorganisation, the Group's business were transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Group's business with no change in management and the ultimate owners of the Group's business remain substantially the same.

The Group resulting from the Reorganisation is regarded as a continuation of the Group's business under the Operating Subsidiaries. Accordingly, this consolidated financial statements has been prepared and presented as a continuation of the Group's business as if the Group structure has existed as at 1 April 2016.

The consolidated financial statements also included financial information of the Included Business of Best Source up to 31 January 2018 (date of transfer of the Included Business from Best Source to the Group) in the following manner:

- Transactions of Best Source specifically identified as relating to the Included Business were consolidated in the consolidated financial statements, while those specifically identified as relating to the other business of Best Source (the "Excluded Business") were not consolidated in the consolidated financial statements;
- Expenses incurred by Best Source which were not specifically identified as relating to the Included Business were allocated as appropriate and the portion of expenses relating to the Included Business is consolidated into the consolidated financial statements, as if such expenses were paid by Best Source on behalf of the Group;
- Current and deferred income taxes on profits attributable to the Included Business calculated on the above basis are provided for using the Hong Kong profits tax rate of 16.5% during the relevant periods in accordance with the Group's accounting policies; and
- Inter-company transactions and balances between group companies including the Included Business were eliminated on consolidation.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Amendments to existing standards adopted by the Group

The following amendments to existing standards are mandatory for the Group's financial year beginning on or after 1 April 2017 and have been adopted in the preparation of the consolidated financial statements.

| | |
|------------------------|--|
| Amendments to HKAS 7 | Statement of cash flows |
| Amendments to HKAS 12 | Income taxes |
| Amendments to HKFRS 12 | Disclosure of interest in other entities |

The adoption of these amendments to existing standards has no material effect on the preparation of the Group's consolidated financial statements.

(b) *New and amended standards and interpretations not yet adopted*

The following new and amended standards and interpretations have been issued but are not effective for the financial year beginning on 1 April 2017 and have not been early adopted by the Group:

| | | Effective for annual periods beginning on or after |
|--|---|---|
| Amendments to Annual Improvements Projects HKFRS 1 and HKAS 28 | Annual improvements 2014–2016 cycle | 1 January 2018 |
| Amendments to HKFRS 2 | Classification and measurement of share-based payment transactions | 1 January 2018 |
| Amendments to HKFRS 4 | Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts | 1 January 2018 |
| HKFRS 9 | Financial instruments | 1 January 2018 |
| HKFRS 15 | Revenue from contracts with customers | 1 January 2018 |
| Amendment to HKFRS 15 | Clarification to HKFRS15 | 1 January 2018 |
| Amendments to HKAS 28 | Investments in associates and joint ventures | 1 January 2018 |
| Amendments to HKAS 40 | Transfers of investment property | 1 January 2018 |
| HK(IFRIC)-Int 22 | Foreign currency transactions and advance consideration | 1 January 2018 |
| Amendments to HKFRS 9 | Prepayment features with negative compensation | 1 January 2019 |
| HKFRS 16 | Leases | 1 January 2019 |
| HK(IFRIC)-Int 23 | Uncertainty over income tax treatments | 1 January 2019 |
| Amendments to HKAS 28 (2011) | Investments in associate and joint ventures | 1 January 2019 |
| HKFRS 17 | Insurance contracts | 1 January 2021 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | To be announced by HKICPA |

The Group's assessment of the impact of these new standards and interpretations is set out below:

HKFRS 9 “Financial instruments”

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reasons:

- debt instruments currently classified as loans and receivables would likely continue to be measured at amortised cost;
- equity investments currently measured at fair value through profit or loss would likely continue to be measured on the same basis under HKFRS 9.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules

have been transferred from HKAS 39 “Financial Instruments: Recognition and Measurement” and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (“ECL”) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at a fair value through other comprehensive income, contract assets under HKFRS 15 “Revenue from Contracts with Customers”, lease receivables, loan commitments and certain financial guarantee contracts. The Group assess that adopting HKFRS 9 will not have material impact to the Group’s results of operations and financial position.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group’s disclosures about its financial instruments particularly in the year of the adoption of the new standard. HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively for the financial year beginning on 1 April 2018.

HKFRS 15 “Revenue from contracts with customers”

The HKICPA has issued a new standard for recognition of revenue. HKFRS 15 will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The new standard permits either a full retrospective or a modified retrospective approach for the adoption.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

- (1) Identify the contract(s) with customer;
- (2) Identify separate performance obligations in a contract;
- (3) Determine the transaction price;
- (4) Allocate transaction price to performance obligations; and
- (5) Recognise revenue when performance obligation is satisfied.

The core principle is that the Group should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an “earnings process” to an “asset-liability” approach based on transfer of control.

The Group’s revenue recognition policies are disclosed in the consolidated financial statements. Currently, revenue from distribution of food and beverage products and from catering services are recognised in the consolidated statements of comprehensive income at the point of sale to customers or when a group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

The directors, based on the results of an initial assessment, consider that the new standard does not have a significant impact on the consolidated financial statements.

The new standard is mandatory for financial years commencing on or after 1 January 2018. The Group did not adopt the standard before its effective date.

HKFRS 16 “Leases”

Under HKFRS 16, lessees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the balance sheet. Lessees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the income statement. In comparison with operating lease under HKAS17, this will change not only the allocation of expenses but also the total amount of expenses recognised for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard has included an optional exemption for certain short-term leases and leases of low-values assets. This exemption can only be applied by lessees.

The Group is a lessee of certain retail shops which are currently classified as operating leases. The Group’s current accounting policy for such leases is to record the rental expenses in Group’s consolidated statement of comprehensive income for the current year with the disclosure of related future minimum lease payments as operating lease commitments. As at 31 March 2018, the Group’s total non-cancellable operating lease commitments amounted to HK\$93,609,000. The new standard will therefore result in a derecognition of prepaid operating leases, increase in right-of-use assets and increase in lease liabilities in the consolidated statement of financial position. In the consolidated statement of comprehensive income, as a result, the annual rental and amortisation expenses of prepaid operating lease under otherwise identical circumstances will decrease, while depreciation of right-of-use of assets and interest expense arising from the lease liabilities will increase. Given that the total non-cancellable operating lease commitments account for 71% of the total liabilities of the Group as at 31 March 2018, the Directors expect that the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group’s financial positions. The Group will apply this new standard for the financial year beginning on or after 1 April 2019.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group’s financial performance and position.

3 SEGMENT INFORMATION

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

The Group is principally engaged in Distribution Business and Retail Business in Hong Kong. The Executive Directors considers the business from a product perspective. They reviewed the qualitative factors such as business activities, economic and legal characteristics and quantitative factors such as the financial performance of the Distribution Business and Retail Business to assess the performance of the operating segments.

No geographical segment information is presented as all the sales and operating profits of the Group are derived in Hong Kong and all operating assets of the Group are located in Hong Kong.

The segment information provided to the CODM for the reportable segments for the years ended 31 March 2018 and 2017 is as follows:

| | For the year ended 31 March 2018 | | |
|--------------------------|---|---|---------------------------|
| | Distribution Business HK\$'000 | Retail Business HK\$'000 | Total HK\$'000 |
| Segment revenue | <u>255,432</u> | <u>196,693</u> | <u>452,125</u> |
| Segment results | <u>45,854</u> | <u>29,785</u> | <u>75,639</u> |
| Unallocated expenses | | | (49,637) |
| Other losses, net | | | (1,466) |
| Other income | | | 315 |
| Finance costs, net | | | <u>(2,359)</u> |
| Profit before income tax | | | <u>22,492</u> |
| Income tax expense | | | <u>(7,329)</u> |
| Profit for the year | | | <u>15,163</u> |
| Segment items included: | | | |
| Depreciation | <u>1,390</u> | <u>8,175</u> | <u>9,565</u> |
| | For the year ended 31 March 2017 | | |
| | Distribution Business HK\$'000 | Retail Business HK\$'000 | Total HK\$'000 |
| Segment revenue | <u>243,075</u> | <u>124,903</u> | <u>367,978</u> |
| Segment results | <u>41,124</u> | <u>16,863</u> | <u>57,987</u> |
| Unallocated expenses | | | (21,994) |
| Other losses, net | | | (1,117) |
| Other income | | | 301 |
| Finance costs | | | <u>(1,388)</u> |
| Profit before income tax | | | <u>33,789</u> |
| Income tax expense | | | <u>(5,529)</u> |
| Profit for the year | | | <u>28,260</u> |
| Segment items included: | | | |
| Depreciation | <u>958</u> | <u>6,077</u> | <u>7,035</u> |

The segment assets as at 31 March 2018 and 2017 and the reconciliation to the total assets are as follows:

| | As at 31 March 2018 | | |
|---|--------------------------------------|--------------------------------|-------------------|
| | Distribution Business HK\$'000 | Retail Business HK\$'000 | Total HK\$'000 |
| Total segment assets | <u>89,062</u> | <u>45,019</u> | <u>134,081</u> |
| Total segment assets include: | | | |
| Additions to non-current assets (other than financial instruments and deferred income tax assets) | <u>2,103</u> | <u>15,587</u> | <u>17,690</u> |
| | | | |
| | As at 31 March 2017 | | |
| | Distribution Business HK\$'000 | Retail Business HK\$'000 | Total HK\$'000 |
| Total segment assets | <u>78,527</u> | <u>28,048</u> | <u>106,575</u> |
| Total segment assets include: | | | |
| Additions to non-current assets (other than financial instruments and deferred income tax assets) | <u>3,126</u> | <u>7,740</u> | <u>10,866</u> |

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

| | 2018 HK\$'000 | 2017 HK\$'000 |
|---|------------------|------------------|
| Total segment assets | 134,081 | 106,575 |
| Unallocated: | | |
| Deferred income tax assets | 1,017 | 1,073 |
| Key management life insurance contracts | 2,273 | 9,972 |
| Financial assets at fair value through profit or loss | – | 5,522 |
| Amount due from a related party | 250 | – |
| Restricted cash | 22,500 | – |
| Cash and cash equivalents | <u>118,402</u> | <u>37,477</u> |
| Total assets | <u>278,523</u> | <u>160,619</u> |

The segment liabilities as at 31 March 2018 and 2017 and the reconciliation to the total liabilities are as follows:

| | As at 31 March 2018 | | |
|---------------------------|--------------------------------------|--------------------------------|-------------------|
| | Distribution Business HK\$'000 | Retail Business HK\$'000 | Total HK\$'000 |
| Total segment liabilities | <u>49,674</u> | <u>15,833</u> | <u>65,507</u> |
| | | | |
| | As at 31 March 2017 | | |
| | Distribution Business HK\$'000 | Retail Business HK\$'000 | Total HK\$'000 |
| Total segment liabilities | <u>41,373</u> | <u>7,789</u> | <u>49,162</u> |

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

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|--------------------------------|--------------------------------|-------------------------|
| Total segment liabilities | 65,507 | 49,162 |
| Unallocated: | | |
| Other payables | 3,504 | – |
| Income tax payables | 2,272 | 3,740 |
| Amounts due to related parties | 8,209 | 42,791 |
| Bank borrowings | 51,752 | 1,599 |
| | <u>131,244</u> | <u>97,292</u> |

4 REVENUE

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

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

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|-------------------|--------------------------------|-------------------------|
| Sales of goods | 255,432 | 243,075 |
| Catering services | 196,693 | 124,903 |
| | <u>452,125</u> | <u>367,978</u> |

For the year ended 31 March 2018, customer A from Distribution Business accounted for approximately 23% (2017: approximately 26%) of the Group's revenue.

All other customers individually accounted for less than 10% of the Group's revenue for the years ended 31 March 2018 and 2017.

5 OTHER LOSSES, NET

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Fair value gain on financial assets at fair value through profit or loss | 688 | 398 |
| Change in cash surrender value of key management life insurance contracts | (478) | (413) |
| Exchange loss | (1,676) | (1,102) |
| | <u>(1,466)</u> | <u>(1,117)</u> |

6 OTHER INCOME

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|---------------|--------------------------------|-------------------------|
| Rental income | 85 | 120 |
| Sundry income | 230 | 181 |
| | <u>315</u> | <u>301</u> |

Sundry income mainly included dividend income from investment funds.

7 EXPENSES BY NATURE

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

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Cost of inventories sold | 221,813 | 200,355 |
| Depreciation of property, plant and equipment | 9,565 | 7,035 |
| Employee benefit expenses | 70,110 | 46,773 |
| Operating lease rentals in respect of rented premises | 46,173 | 31,650 |
| Utilities expenses | 10,046 | 7,532 |
| Transportation and logistic service expenses | 14,341 | 12,546 |
| Freight charges | 5,315 | 5,076 |
| Advertising and promotion expenses | 15,938 | 12,644 |
| Auditor's remuneration | | |
| — Audit services | 1,912 | 110 |
| — Non-audit services | 200 | — |
| Franchise fee | 3,065 | 1,589 |
| Travelling expenses | 1,379 | 1,167 |
| Write off of slow-moving and obsolete inventories | — | 106 |
| Write off of impaired trade receivables | 86 | 276 |
| Listing expenses | 19,655 | — |
| Others | 6,525 | 5,126 |
| | <u>426,123</u> | <u>331,985</u> |
| Representing: | | |
| Cost of sales | 336,300 | 276,800 |
| Selling and distribution expenses | 38,224 | 31,799 |
| Administrative expenses | 51,599 | 23,386 |
| | <u>426,123</u> | <u>331,985</u> |

8 FINANCE COSTS, NET

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Finance income | | |
| — Bank interest income | 108 | — |
| | ----- | ----- |
| Finance costs | | |
| — Interest expense on bank borrowings | (2,464) | (1,379) |
| — Interest expense on hire purchase contracts | (3) | (9) |
| | ----- | ----- |
| | (2,467) | (1,388) |
| | ----- | ----- |
| Finance costs, net | <u>(2,359)</u> | <u>(1,388)</u> |

9 INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the year ended 31 March 2018 (2017: 16.5%).

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

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|---------------------|-------------------------|-------------------------|
| Current income tax | 7,273 | 6,103 |
| Deferred income tax | 56 | (574) |
| | ----- | ----- |
| | 7,329 | 5,529 |
| | ----- | ----- |

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Profit before income tax | 22,492 | 33,789 |
| | ----- | ----- |
| Calculated at a taxation rate of 16.5% (2017: 16.5%) | 3,711 | 5,575 |
| Income not subject to tax | (162) | (95) |
| Expenses not deductible for taxation purposes | 3,900 | 126 |
| Tax credits | (120) | (60) |
| Others | — | (17) |
| | ----- | ----- |
| | 7,329 | 5,529 |
| | ----- | ----- |

10 EARNINGS PER SHARE

(a) Basic

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

| | 2018 | 2017 |
|--|----------------|---------|
| Profit attributable to owners of the Company (<i>HK\$'000</i>) | 14,085 | 27,356 |
| Weighted average number of ordinary shares in issue (<i>thousands</i>) | 304,932 | 300,000 |
| Basic earnings per share (<i>HK cents</i>) | 4.62 | 9.12 |

The weighted average number of ordinary shares for the purpose of calculating basic earnings per shares has been determined on the assumption that the Reorganisation and Capitalisation Issue had been effective from 1 April 2016.

(b) Diluted

For the years ended 2018 and 2017, diluted earnings per share equals basic earnings per share as there was no dilutive potential shares.

11 DIVIDENDS

| | 2018 | 2017 |
|---|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 2017 interim dividend paid to the then owners | – | 17,010 |
| 2018 special dividend paid | 15,000 | – |

Dividends during the year ended 31 March 2017 represented dividends declared by the companies now comprising the Group to the then owners of the companies for the year ended 31 March 2017, after eliminating intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this announcement.

On 14 February 2018, the Company declared a special dividend, totalling HK\$15 million, to the Controlling Shareholders. HK\$10,814,000 of the special dividend was settled by way of distribution in specie through novation of benefits under the key management life insurance contracts owned by the Group, while the remaining HK\$4,186,000 was settled by cash.

A final dividend in respect of the year ended 31 March 2018 of HK3 cents per ordinary share, totalling HK\$12,000,000, was proposed by the Board on 26 June 2018 which is subject to the approval of shareholders at the forthcoming annual general meeting. These proposed dividends are not reflected as dividend payable in the consolidated statement of financial position.

12 TRADE RECEIVABLES

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|-------------------|--------------------------------|-------------------------|
| Trade receivables | | |
| — third parties | 72,923 | 56,586 |
| — related parties | 462 | 6,387 |
| | <u>73,385</u> | <u>62,973</u> |

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

As at 31 March 2018 and 2017, the ageing analysis of the trade receivables based on invoice date was as follows:

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|---------------|--------------------------------|-------------------------|
| 0–30 days | 27,931 | 22,889 |
| 31–60 days | 18,321 | 15,154 |
| 61–90 days | 16,220 | 12,780 |
| 91–180 days | 10,438 | 11,301 |
| Over 180 days | 475 | 849 |
| | <u>73,385</u> | <u>62,973</u> |

As at 31 March 2018, trade receivables of HK\$21,472,000 (2017: HK\$11,184,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered.

As at 31 March 2018 and 2017, the ageing analysis of these trade receivables based on due date was as follows:

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|------------------|--------------------------------|-------------------------|
| Not yet past due | 51,913 | 51,789 |
| Past due by: | | |
| 1–30 days | 11,164 | 8,715 |
| 31–60 days | 7,093 | 1,093 |
| 61–90 days | 2,098 | 463 |
| Over 90 days | 1,117 | 913 |
| | <u>73,385</u> | <u>62,973</u> |

During the year ended 31 March 2018, trade receivables of HK\$86,000 (2017: HK\$276,000) were written off.

The trade receivables from the five major customers accounted for approximately 69% of the total trade receivables as at 31 March 2018 (2017: 68%).

The carrying amounts of trade receivables are denominated in Hong Kong dollars.

The carrying amounts of trade receivables approximate their fair values due to their short maturities. The maximum exposure to credit risk at the reporting date is the fair value mentioned above. The Group does not hold any collateral as security.

13 SHARE CAPITAL

| | Number of Shares | Share capital HK\$'000 |
|---|-----------------------|---------------------------|
| Authorised: | | |
| Ordinary Shares of HK\$0.01 each | | |
| At 21 August 2017 (date of incorporation) (<i>Note (i)</i>) | 39,000,000 | 390 |
| Increase in authorised share capital (<i>Note (iii)</i>) | 9,961,000,000 | 99,610 |
| | <u>10,000,000,000</u> | <u>100,000</u> |
| At 31 March 2018 | <u>10,000,000,000</u> | <u>100,000</u> |
| Issued and fully paid: | | |
| Ordinary Shares of HK\$0.01 each | | |
| At 21 August 2017 (date of incorporation) (<i>Note (i)</i>) | 300 | – |
| Shares issued pursuant to the Reorganisation (<i>Note (ii)</i>) | 1,200 | – |
| Shares issued pursuant to the Capitalisation (<i>Note (iv)</i>) | 299,998,500 | 3,000 |
| Shares issued pursuant to the Listing (<i>Note (v)</i>) | 100,000,000 | 1,000 |
| | <u>400,000,000</u> | <u>4,000</u> |
| At 31 March 2018 | <u>400,000,000</u> | <u>4,000</u> |

Notes:

- (i) On 21 August 2018, the Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability, with an authorised share capital of HK\$390,000 divided into 39,000,000 shares of HK\$0.01 each. On the date of incorporation, one share was allotted and issued as fully paid to an initial nominee subscriber and was subsequently transferred to Mr. Andrew Chan, the Controlling Shareholder.
- (ii) Pursuant to the Reorganisation, the Company issued 1,200 new ordinary shares as consideration for acquisition of the subsidiaries now comprising the Group from the Controlling Shareholders.
- (iii) On 12 February 2018, the authorised share capital of the Company was increased from 39,000,000 shares of HK\$0.01 each to 10,000,000,000 shares of HK\$0.01 each, by the creation of an additional 9,961,000,000 shares, ranking pari passu in all respects with the then existing shares.
- (iv) Pursuant to the written resolutions passed by the shareholders on 12 February 2018 and conditional upon the share premium account of the Company being credited as a result of the share offer, the directors of the Company are authorised to capitalise an amount of HK\$2,999,985 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par of 299,998,500 shares for allotment and issue to the then shareholders (the “Capitalisation”).
- (v) On 14 March 2018, the Company issued 100,000,000 ordinary shares of HK\$0.01 each at a price of HK\$1 per share pursuant to the initial public offering and listing of the Company’s shares in the Main Board. Net proceeds from such offering are to be used as working capital for the Group.

14 TRADE AND OTHER PAYABLES

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Trade payables | 8,935 | 5,473 |
| Accruals for employee benefits | 10,040 | 6,645 |
| Provision for unused annual leave | 732 | 487 |
| Provision for long service payment | 728 | 728 |
| Provision for reinstatement costs | 2,113 | 1,424 |
| Accruals for operating expenses | 8,170 | 1,700 |
| Accruals for property, plants and equipment | 166 | 935 |
| Other payables | 734 | 805 |
| | 31,618 | 18,197 |

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

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|--------------|--------------------------------|-------------------------|
| 0–30 days | 7,615 | 5,321 |
| 31–60 days | 141 | 62 |
| 61–90 days | 800 | – |
| Over 90 days | 379 | 90 |
| | 8,935 | 5,473 |

The carrying amounts of the Group's trade and other payables approximate their fair values due to their short maturities.

The carrying amounts of trade and other payables were denominated in the following currencies:

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|----------------------|--------------------------------|-------------------------|
| Hong Kong dollar | 24,972 | 13,854 |
| United States dollar | 1,272 | 1,533 |
| Taiwan New dollar | 3,204 | 1,641 |
| Renminbi | 191 | 95 |
| Japanese Yen | 1,227 | 1,074 |
| Pound sterling | 752 | – |
| | 31,618 | 18,197 |

15 COMMITMENTS

(a) Capital commitments

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Contracted but not provided for — Property, plant and equipment | <u>1,428</u> | <u>100</u> |

(b) Operating lease commitments

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

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Not later than one year | 45,521 | 23,967 |
| Later than one year and not later than five years | <u>48,088</u> | <u>20,066</u> |
| | <u>93,609</u> | <u>44,033</u> |

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

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 March 2018, turnover of the Group's business totalled approximately HK\$452.1 million (2017: approximately HK\$368.0 million), representing an increase of approximately 22.9%, which was mainly attributable to additional sales brought by the retail business. Gross profit increased from approximately HK\$91.2 million in the previous year to approximately HK\$115.8 million in FY2018, representing an increase of approximately HK\$24.6 million which is equivalent to an increase of approximately 27.0%. Profit attributable to owners of the Company for FY2018 was approximately HK\$14.1 million (2017: approximately HK\$27.4 million), representing a decrease of approximately 48.5% which was mainly attributable to the non-recurring listing expenses incurred during FY2018.

The Group is a well-established food and beverage company with over 28 years of operating history in Hong Kong. It has two business segments, namely (i) the distribution business and, (ii) the retail business.

DISTRIBUTION BUSINESS

For distribution business, we distribute and market a diversified portfolio of overseas branded food and beverage products to mainly retailers, such as supermarket, pharmacy, convenience store and department store chains in Hong Kong. We provide supply chain solutions from importing the products from the overseas brand owners to marketing the products to retailers in Hong Kong. Our service include (i) arranging inbound logistics; (ii) relabeling the products to comply with the relevant Hong Kong food safety and labelling laws; (iii) repackaging the products to suit the needs of the retailers or consumers; and (iv) formulating marketing and sales strategies, including advising on retail prices, organizing promotion campaigns as well as designing and producing customized display racks or stands to be placed at the customers' points of sales.

The Group was able to offer a total of approximately 7,000 SKUs of food and beverage products from over 100 brands, including "UHA" (味覺糖) and "Hsin Tung Yang" (新東陽) which are regarded as popular items by the market.

In FY2018, the revenue from the distribution business increased to approximately HK\$255.4 million (2017: HK\$243.1 million), representing an increase of approximately HK\$12.3 million, which contributed approximately 56.5% of the total revenue.

RETAIL BUSINESS

We principally prepare and/or sell overseas branded food and beverage products licensed to us at our self-operated retail outlets in Hong Kong. As at 31 March 2018, we had set up 43 self-operated retail outlets and the details of the outlets are set out below:

| | Total Number of Stores As at 31 March | | |
|--------------------|--|-----------|-----------|
| | 2018 | 2017 | 2016 |
| TenRen (天仁茗茶) | 33 | 24 | 17 |
| Jiu Tang Wu (九湯屋) | 2 | – | – |
| Uncle Tetsu (徹思叔叔) | 3 | 2 | 2 |
| Hotel Chocolat | 3 | – | – |
| Others | 2 | 2 | 1 |
| | <hr/> | <hr/> | <hr/> |
| Total | 43 | 28 | 20 |

During FY2018, the strengthening of consumer's spending power drove the expanding momentum of the Group's retail network. The number of Ten Ren retail outlets has increased by 9 stores, from 24 stores as at 31 March 2017 to 33 stores as at 31 March 2018. Our "TenRen (天仁茗茶)" retail network spans across Hong Kong Island, Kowloon and the New Territories in Hong Kong.

In FY2018, the Group had also opened one outlet for Uncle Tetsu and introduced two new retail brands to Hong Kong, one is a British chocolate brand, "Hotel Chocolat", and the other is a Japanese ramen brand originated in Taiwan, "Jiu Tang Wu (九湯屋)". As at 31 March 2018, there were 3 retail outlets for the British chocolate brand and 2 outlets for the ramen brand. The revenue from the retail business increased to approximately HK\$196.7 million in FY2018 (2017: approximately HK\$124.9 million), representing an increase of approximately HK\$71.8 million which contributed approximately 43.5% of the total revenue.

Same store sales performance

The growth in revenue from “TenRen (天仁茗茶)” retail outlets was not only driven by the expansion of its retail network in terms of number of retail outlets, but also by the Group’s ability to grow its sales within the existing outlets. We evaluate our growth within the existing outlets by calculating the average same-store sales growth, which compares average revenue derived from outlets that were in operation throughout the financial periods compared. The following table sets forth the average same-store sales performance of our “TenRen (天仁茗茶)” retail outlets:

| | Year ended 31 March | | | |
|--------------------------------------|---------------------|-----------------|------------------------|------------------------|
| | 2016 | 2017 | 2017 | 2018 |
| Number of same-store | | 17 | | 24 |
| Average same-store sales | HK\$4.2 million | HK\$4.6 million | HK\$4.6 million | HK\$5.3 million |
| Average same-store sales growth rate | | 8.9% | | 13.7% |

Average selling prices and volume

The average selling price of our “TenRen (天仁茗茶)” beverage products increased slightly during FY2018 primarily because we raised our prices in light of inflation and rising raw material costs and rental expenses. The average daily sales volume of the beverage products increased throughout FY2018 mainly due to the increase in the number of our retail outlets. The following table sets forth the average selling price and average daily sales volume of our “TenRen (天仁茗茶)” products for the years indicated:

| | Year ended 31 March | |
|---|---------------------|---------------------|
| | 2017 | 2018 |
| Average selling price (HK\$) | | |
| Beverage products (<i>per cup</i>) | 20.3 | 20.8 |
| Side products (<i>per unit</i>) ^(Note) | 25.4 | 27.1 |
| Average daily sales volume | | |
| Beverage products (<i>per cup</i>) | 13,200 | 21,400 |
| Side products (<i>per unit</i>) ^(Note) | <u>1,400</u> | <u>1,400</u> |

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

INDUSTRY REVIEW

The Hong Kong economy expanded at a faster pace in 2017 amid a stronger global economy. According to the statistics published by the Hong Kong Census and Statistics Department, the nominal gross domestic product grew by 6.9% in 2017, faster than the growths in 2012–2016 ranging from 3.9% to 6.1%.

In the distribution sector, distribution business operators in Hong Kong continue to face the challenges including:

Increasing operating costs

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

The ease of online retailing

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

In the retail sector, retail business operators in Hong Kong continue to face a number of challenges, which include the following:

Pressure from rental and labour costs

The cost of operating a drink serving establishment in Hong Kong is continuously increasing due to the significant increase in market wages followed by the further increase of statutory minimum wage in 2017 and the year-on-year increase in average rental price of private retail premises. The rising operating cost translates into intensifying financial burden to the operators.

New Market Entrants in the tea drinks serving industry

The competition within the tea drinks serving industry is increasingly fierce because of the relatively lower entry barrier comparing to other industries. During FY2018, there has been a growing amount of new tea brands' presence in Hong Kong with limited product differentiation. Tea drinks operators will therefore need to spend more effort on product offering and marketing to attract consumers.

PROSPECTS

Looking forward to opportunities and challenges in 2018, the Group will continue to adhere of products of high quality and the multi-brand development strategy.

For the retail business, the Group plans to open new outlets and introduce new retails brands.

The major expansion plan of the Group's existing retail brands are set out as follows:

| | Total Number of Stores For the year ended 31 March | | |
|-------------------|---|------|------|
| | 2018 | 2019 | 2020 |
| TenRen (天仁茗茶) | 33 | 41 | 49 |
| Jiu Tang Wu (九湯屋) | 2 | 7 | 12 |

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

FINANCIAL OVERVIEW

Revenue

For the year ended 31 March 2018, the Group's revenue amounted to approximately HK\$452.1 million, representing an increase of approximately 22.9% from approximately HK\$368.0 million for the same period in 2017. The strengthening of consumer's spending power in Hong Kong has driven the expanding momentum of the Group's retail network. The number of Ten Ren retail outlets has increased by 9 stores during FY2018, from 24 stores as at 31 March 2017 to 33 stores as at 31 March 2018. The revenue from the retail business increased to approximately HK\$196.7 million in FY2018, representing an increase of approximately HK\$71.8 million (2017: approximately HK\$124.9 million) which contributed approximately 43.5% of the total revenue as the result of opening of new retail outlets during FY2018.

The revenue from the distribution business increased to approximately HK\$255.4 million in FY2018, representing an increase of approximately HK\$12.3 million (2017: approximately HK\$243.1 million) which contributed approximately 56.5% of the total revenue mainly due to the increase of sales volume to local retailers in Hong Kong.

Cost of Sales

For the year ended 31 March 2018, the Group's cost of sales amounted to approximately HK\$336.3 million, representing an increase of approximately 21.5% from approximately HK\$276.8 million for the same period in 2017. The increase was generally in line with the increase in revenue. As a percentage of revenue, cost of sales was accounted for approximately 74.4% in FY2018 (2017: approximately 75.2%).

Gross Profit and Gross Profit Margin

For the year ended 31 March 2018, the Group's gross profit amounted to approximately HK\$115.8 million, representing an increase of approximately 27.0% from approximately HK\$91.2 million for the same period in 2017. The Group's gross profit margin for FY2018 increased by approximately 0.8% to approximately 25.6% as compared to 24.8% in 2017. The Group's gross profit margin hovered at a level similar to last year.

Selling and distribution expenses

For the year ended 31 March 2018, selling and distribution expenses of the Group amounted to HK\$38.2 million, representing an increase of approximately 20.1% from HK\$31.8 million for the same period in 2017. Such increase was mainly due to the increase in advertising and promotion expenses mainly due to the increase in number of promotion activities and marketing events held during FY2018 and the increase in transportation expenses as a result of the increase in sales volume when compared to last year.

Administrative expenses

For the year ended 31 March 2018, administrative expenses of the Group amounted to HK\$51.6 million, representing an increase of approximately 120.5% from HK\$23.4 million for the same period in 2017. Such increase was mainly attributable to the recognition of listing expenses amounting to approximately HK\$19.6 million during FY2018 as well as the increase in the headcount and salaries of our administrative staff and management staff as a result of the expansion of our business, which was in line with the increase of our revenue during FY2018.

Finance costs, net

For the year ended 31 March 2018, net finance costs of the Group amounted to HK\$2.4 million, representing an increase of approximately 71.4% from HK\$1.4 million for the same period in 2017. The increase was primarily due to the increase in finance costs as a result of the drawdown of term loans of approximately HK\$45.0 million and revolving loans of approximately HK\$8.0 million during FY2018.

Income tax expenses

For the years ended 31 March 2017 and 2018, the Group recorded income tax expenses of HK\$5.5 million and HK\$7.3 million, respectively, representing an effective tax rate of approximately 16.4% and 32.6%, respectively, for the corresponding years. The relatively higher effective tax rate for the year ended 31 March 2018 was due to the recognition of listing expenses, which was not tax deductible.

Net Profit

Profit attributable to owners of the Company for the year ended 31 March 2018 was approximately HK\$14.1 million, representing a decrease of approximately 48.5% from approximately HK\$27.4 million for the same period in 2017. The non-recurrence of the one-off listing expenses of approximately HK\$19.6 million recognised in FY2018 caused the decrease of net profit. The net profit margin (calculated as profit for the year as a ratio of revenue) for the year ended 31 March 2018 was approximately 3.4%, as compared to approximately 7.7% for the same period in 2017. Basic earnings per share for the year ended 31 March 2018 amounted to approximately HK4.62 cents, as compared to approximately HK9.12 cents for the same period in 2017.

Capital Expenditure

During the year ended 31 March 2018, capital expenditure amounted to HK\$17.7 million. This amount was used mainly for the opening of new retail outlets.

Corporate Governance Practices

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

The Company has been listed on the Stock Exchange since 14 March 2018 (the "Listing Date"). During the period from Listing Date up to the date of this result announcement, the Company has applied the principles in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The corporate governance principles of the Company to emphasis an effective board with a high level of integrity, sound internal controls, as well as ensuring a high degree of transparency and accountability, which does not only enhances corporate value for Shareholders but also protects the long-term sustainability of the Group.

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

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

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

Liquidity and Financial Resources Review

Our Group is financially sound with bank deposits and cash amounting to approximately HK\$118.4 million as at 31 March 2018 (2017: approximately HK\$37.5 million). As at 31 March 2018, the gearing ratio of the Group was 66.1% (2017: 119.0%), which was calculated based on total debt divided by total equity at the end of the financial year and multiplied by 100%. Debt of our Group refers to bank borrowings, obligation under hire purchase contracts and amounts due to related parties. As at 31 March 2018, the Group has total banking facilities of approximately HK\$146.8 million (2017: approximately HK\$95.8 million) of which HK\$109.4 million (2017: approximately HK\$47.5 million) has been utilised. We aim to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable us to continue our business in a manner consistent with the short-term and long-term financial strategies of the Group.

Foreign Currency Risk

The Group operates in Hong Kong and is exposed to foreign exchange risk from the purchase of goods from overseas suppliers and cash and bank borrowings denominated in foreign currencies, primarily with respect to Japanese Yen, Taiwan New dollar and United States dollar.

The Group will continue to take proactive measures and monitor closely of its exposure to such currency movement.

Treasury Policies

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

Operating lease Commitments

The Group's operating lease commitments are related to the leased properties for the Group's retail outlet and warehouses. The Group's operating lease commitments amounted to approximately approximately HK\$44.0 million and HK\$93.6 million as at 31 March 2017 and 2018 respectively.

Capital Structure

The Shares were successfully listed on the Main Board of the Stock Exchange on the Listing Date. There has been no change in the capital structure of the Group since then. The share capital of the Company only comprises ordinary shares. As at 31 March 2018, the Company had 400,000,000 Shares in issue.

Capital commitments and contingent liabilities

Details of the capital commitments are set out in note 15 to the consolidated financial statements of the Group. The Group has no material contingent liabilities as at 31 March 2018.

Employees and remuneration policies

As at 31 March 2018, the Group employed a total of 494 employees (2017: 379) and the employee benefit expenses including directors' emoluments were approximately HK\$70.1 million. The Group offers a comprehensive remuneration package which is reviewed by management on a regular basis. The increase in the number of employees was mainly due to the increase in the scale of the Group's business.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

For the year ended 31 March 2018, the Group did not have any significant investments, acquisitions or disposals, except for the reorganisation of the Group with details set forth in the prospectus of the Company dated 26 February 2018 (the "Prospectus").

Use of Proceeds

The Shares have been successfully listed on the Main Board of the Stock Exchange on the Listing Date. The net proceeds from the listing, after deducting commission and expenses in connection with the listing, were approximately HK\$87.5 million. As at 31 March 2018, the net proceeds from the share offer have not been used. The Directors will review the business opportunities available to the Group from time to time for applying the net proceeds according to the purposes stated in the Prospectus. The Directors do not anticipate that there will be any material change to the proposed use of the net proceeds from the share offer.

EVENTS AFTER THE REPORTING DATE

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Board comprises three independent non-executive Directors, namely, Mr. Chung Kwok Mo John, Mr. Yu Ka Ho Bernard and Mr. See Hung Yan Peter. The audit committee of the Board has reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters with management including a review of the audited consolidated financial statements for the year ended 31 March 2018.

REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2018 as set forth in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set forth in the Group’s audited consolidated financial statements for the year.

The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on 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 Directors’ transactions in the listed securities of the Company. Employees of the Group (the “Relevant Employees”) who, because of their office or employment, are likely to possess inside information in relation to the Company or its securities are also subject to compliance with the Model Code.

The Company has made specific enquiry of all Directors, and each Directors has confirmed that he or she has complied with the standards as set out in the Model Code during the period from the Listing Date to the date of this announcement. No incident of non-compliance of the Model Code by the Relevant Employees was noted by the Company during the period from the Listing Date to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities since the Listing Date and up to the date of this announcement.

FINAL DIVIDEND

Our Board recommends the payment of a final dividend of HK3 cents per share for the year ended 31 March 2018 subject to the approval of shareholders at the annual general meeting (the “AGM”).

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the register of members of our Company on 27 August 2018 are entitled to attend and vote at the AGM. The register of members of our Company will be closed from Wednesday, 22 August 2018 to Monday, 27 August 2018, both days inclusive. In order to qualify for attending and voting at the AGM, shareholders should ensure that all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road North Point, Hong Kong no later than 4:00 p.m. on Tuesday, 21 August 2018.

ANNUAL GENERAL MEETING

The AGM will be held on 27 August 2018. Notice of the AGM will be sent to the shareholders of the Company in due course.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company's website at www.bandshk.com. The annual report of the Company for the year ended 31 March 2018 and the notice of the AGM will be despatched to the shareholders of the Company and made available on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 26 June 2018

As at the date of this announcement, the executive Directors are Mr. Chan Kam Chuen Andrew (Chairman), Mr. Chan Siu Cheung Stephen, Mr. Chau Wing Kong William and Ms. Tin Hau Ling Janny; and the independent non-executive Directors are Mr. Chung Kwok Mo John, Mr. See Hung Yan Peter and Mr. Yu Ka Ho Bernard.