



**B & S International Holdings Ltd.**  
**賓仕國際控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

**STOCK CODE : 1705**



**2019/20**  
**INTERIM REPORT**



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# CORPORATE INFORMATION

## PLACE OF INCORPORATION

Cayman Islands

## BOARD OF DIRECTORS

### Executive Directors:

Mr. Chan Kam Chuen Andrew  
*(Chief Executive Officer & Chairman)*  
Mr. Chan Siu Cheung Stephen  
Mr. Chau Wing Kong William  
Ms. Tin Hau Ling Janny

### Independent Non-executive Directors:

Mr. Pang Koon Kwai  
Mr. See Hung Yan Peter  
Mr. Chung Kwok Mo John

## COMPANY SECRETARY

Mr. Tang Kwok Hay *(FCPA, FRM)*

## AUTHORISED REPRESENTATIVES

Mr. Chan Kam Chuen Andrew  
Mr. Tang Kwok Hay *(FCPA, FRM)*

## AUDIT COMMITTEE

Mr. Chung Kwok Mo John *(Chairman)*  
Mr. Pang Koon Kwai  
Mr. See Hung Yan Peter

## REMUNERATION COMMITTEE

Mr. Pang Koon Kwai *(Chairman)*  
Mr. See Hung Yan Peter  
Mr. Chung Kwok Mo John

## NOMINATION COMMITTEE

Mr. See Hung Yan Peter *(Chairman)*  
Mr. Pang Koon Kwai  
Mr. Chung Kwok Mo John

## REGISTERED OFFICE

Cricket Square, Hutchins Drive P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 01, 11/F  
Block A, Ko Fai Industrial Building  
7 Ko Fai Road, Yau Tong  
Kowloon, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited  
Suites 3301-04, 33/F.  
Two Chinachem Exchange Square  
338 King's Road, North Point, Hong Kong

# CORPORATE INFORMATION

## INDEPENDENT AUDITOR

PricewaterhouseCoopers  
22/F, Prince's Building, Central, Hong Kong

## LEGAL ADVISER

Holman Fenwick Willan  
15/F, Tower One, Lippo Centre  
89 Queensway  
Admiralty, Hong Kong

## COMPLIANCE ADVISER

Lego Corporate Finance Limited  
Room 1601, 16/F, China Building  
29 Queen's Road Central, Hong Kong

## PRINCIPAL BANKERS

### The Hongkong and Shanghai Banking Corporation Limited

Level 9, HSBC Main Building  
1 Queen's Road Central  
Hong Kong

### Hang Seng Bank Limited

83 Des Voeux Road, Central, Hong Kong

## STOCK CODE

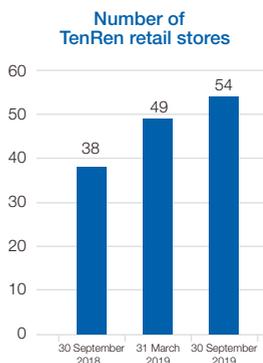
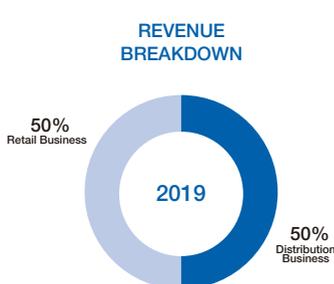
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## COMPANY'S WEBSITE

[www.bandshk.com](http://www.bandshk.com)

# FINANCIAL HIGHLIGHTS

The board (the “Board”) of directors (the “Directors”) of B & S International Holdings Ltd. (the “Company”, together with its subsidiaries, the “Group”), is pleased to announce the unaudited condensed consolidated results of the Company for the six months ended 30 September 2019, together with the comparative figures for the six months ended 30 September 2018, as follows:



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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

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

The number of TenRen (天仁茗茶) retail outlets has increased by 16, from 38 stores as at 30 September 2018 to 54 stores as at 30 September 2019. Our "TenRen (天仁茗茶)" retail network spans across Hong Kong Island, Kowloon and the New Territories in Hong Kong. The revenue derived from the retail business increased to approximately HK\$131.3 million for the six months ended 30 September 2019 (six months ended 30 September 2018: approximately HK\$129.2 million), representing an increase of approximately HK\$2.1 million, which contributed approximately 50.4% of our total revenue.

### Same store sales performance

We evaluate the sales performance of our "TenRen (天仁茗茶)" retail network within the existing outlets by calculating the average same store sales growth ("SSSG"), which compares the average revenue derived from outlets that were in operation throughout the financial periods compared. The soft economic performance and other market conditions have seriously affected the customer sentiment in Hong Kong. As a result, our "TenRen (天仁茗茶)" has recorded an approximately 24.2% drop in SSSG for the six months ended 30 September 2019. The following table sets forth the average same-store sales performance of our "TenRen (天仁茗茶)" retail outlets:

	Six months ended 30 September			
	2017	2018	2018	2019
Number of same-store		29		37
Average same-store sales	HK\$3.0 million	HK\$3.3 million	HK\$3.3 million	HK\$2.5 million
Average SSSG rate		10.0%		(24.2%)

# MANAGEMENT DISCUSSION AND ANALYSIS

## Average selling prices and volume

The average selling price of our “TenRen (天仁茗茶)” beverage products increased slightly during the six months ended 30 September 2019 primarily because we raised our prices in light of the inflation and rising raw material costs and rental expenses. The average daily sales volume of our “TenRen (天仁茗茶)” beverage products decreased throughout the six months ended 30 September 2019. Such decrease was generally in line with the drop in SSSG, which was offsetted by the increase in the number of our “TenRen (天仁茗茶)” retail outlets. The following table sets forth the average selling price and average daily sales volume of our “TenRen (天仁茗茶)” beverage products for the periods indicated:

	Six months ended	
	30 September	
	2018	2019
Average selling price (HK\$)		
Beverage products (per cup)	22.1	<b>23.0</b>
Side products (per unit) <sup>(Note)</sup>	24.4	<b>16.3</b>
Average daily sales volume		
Beverage products (per cup)	27,500	<b>25,800</b>
Side products (per unit) <sup>(Note)</sup>	1,600	<b>2,300</b>

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

Gross profit for the six months ended 30 September 2019 amounted to approximately HK\$54.2 million, representing a decrease of approximately 11.9% from approximately HK\$61.5 million for the same period in 2018.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Outlook

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

## FINANCIAL OVERVIEW

### Revenue

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

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

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

### Cost of sales

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Gross profit and gross profit margin

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

## Selling and distribution expenses

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

## Administrative expenses

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

## Finance costs, net

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

## Income tax expenses

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Net profit

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

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

## Capital expenditure

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

## Liquidity and financial resources review

Our Group is financially sound with cash and cash equivalents amounted to approximately HK\$36.4 million as at 30 September 2019 (31 March 2019: approximately HK\$51.3 million). As at 30 September 2019, the gearing ratio of the Group was approximately 43.5% (31 March 2019: approximately 44.1%), which was calculated based on the total debt divided by the total equity at the end of the financial period/year and multiplied by 100%. Debt of our Group refers to bank borrowings. As at 30 September 2019, the Group has total bank facilities of approximately HK\$128.4 million (31 March 2019: approximately HK\$146.8 million) of which approximately HK\$83.5 million (31 March 2019: approximately HK\$109.4 million) has been utilised. We aim to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable us to continue our business in a manner which is consistent with our short-term and long-term financial strategies of the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Foreign currency risk

The Group operates in Hong Kong and is exposed to foreign exchange risk from the purchase of goods from overseas suppliers and cash and bank borrowings denominated in foreign currencies, primarily with respect to Japanese Yen, Taiwan New dollar and United States dollar. The Group will continue to take proactive measures and monitor closely of its exposure to such currency movement.

## Treasury policies

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

## Operating lease commitments

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

## Capital structure

The shares of the Company (the "Shares") were successfully listed on the Main Board of the Stock Exchange on 14 March 2018 (the "Listing Date"). There has been no change in the capital structure of the Group since then. The share capital of the Company only comprises ordinary Shares. As at 30 September 2019, the Company had 400,000,000 Shares in issue.

## Material acquisitions and disposals of subsidiaries and affiliated companies

For the six months ended 30 September 2019, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

## Significant investments and acquisitions of capital assets

For the six months ended 30 September 2019, the Group did not hold any significant investments nor made any significant acquisitions of capital assets.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Capital commitments and contingent liabilities

Details of the capital commitments are set out in note 23 to the interim condensed consolidated financial information in this report. The Group has no material contingent liabilities as at 30 September 2019.

## Event after the reporting period

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

## Employees and remuneration policies and training schemes

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

## USE OF PROCEEDS

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

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

## PROSPECTS

Looking forward to opportunities and challenges, the Group will continue to increase its market share in Hong Kong and will maintain its expansion momentum with a prudent and yet optimistic approach. The Group will strive to introduce more brands and products of high quality from around the world to diversify its portfolio and expand its customer base, while maintaining and improving the quality of its existing brands and products.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

		Six months ended 30 September	
	Notes	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	7	260,764	263,725
Cost of sales	9	(206,611)	(202,234)
<b>Gross profit</b>		<b>54,153</b>	61,491
Other losses, net	8	(868)	(112)
Selling and distribution expenses	9	(24,887)	(25,572)
Administrative expenses	9	(21,337)	(20,795)
<b>Operating profit</b>		<b>7,061</b>	15,012
Finance income		337	541
Finance costs		(2,719)	(1,850)
Finance costs, net	10	(2,382)	(1,309)
<b>Profit before income tax</b>		<b>4,679</b>	13,703
Income tax expense	11	(758)	(2,107)
<b>Profit and total comprehensive income for the period</b>		<b>3,921</b>	11,596
<b>Profit and total comprehensive income attributable to:</b>			
Owners of the Company		3,531	11,121
Non-controlling interest		390	475
		<b>3,921</b>	11,596
<b>Earnings per share for profit attributable to owners of the Company during the period (expressed in HK cents per share)</b>			
– basic and diluted	12	0.9	2.8

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

		30 September 2019	31 March 2019
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	39,401	34,353
Right-of-use assets	21	88,303	–
Deferred income tax assets		2,580	1,810
Deposits and other assets	16	16,316	13,735
		<b>146,600</b>	49,898
<b>Current assets</b>			
Inventories	15	27,902	29,036
Trade receivables	17	69,149	66,493
Deposits, prepayments and other receivables	16	15,652	10,992
Restricted cash	18	30,000	42,000
Short-term bank deposits	18	–	2,647
Cash and cash equivalents	18	36,430	51,315
		<b>179,133</b>	202,483
<b>Total assets</b>		<b>325,733</b>	252,381
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	19	4,000	4,000
Reserves		79,794	79,794
Retained earnings		49,249	55,098
		<b>133,043</b>	138,892
Non-controlling interest		6,230	5,840
<b>Total equity</b>		<b>139,273</b>	144,732

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

		30 September 2019	31 March 2019
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liability</b>			
Lease liabilities	21	58,423	–
<b>Current liabilities</b>			
Trade and other payables	20	31,016	40,664
Income tax payables		4,220	3,088
Lease liabilities	21	32,283	–
Bank borrowings	22	60,518	63,897
		<b>128,037</b>	107,649
<b>Total liabilities</b>		<b>186,460</b>	107,649
<b>Total equity and liabilities</b>		<b>325,733</b>	252,381

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Note	Attributable to owners of the Company		Non- controlling interest HK\$'000	Total HK\$'000
		Share capital HK\$'000 (Note 20)	Reserves and retained earnings HK\$'000		
<b>Balance at 1 April 2018</b>		4,000	137,426	5,853	147,279
Profit and total comprehensive income for the period		–	11,121	475	11,596
<b>Transaction with owners in their capacity as owners:</b>					
Dividends	13	–	(12,000)	(490)	(12,490)
<b>Balance at 30 September 2018 (Unaudited)</b>		4,000	136,547	5,838	146,385
<b>Balance at 1 April 2019</b>		4,000	134,892	5,840	144,732
Effects of adoption of HKFRS 16		–	(1,380)	–	(1,380)
<b>Balance at 1 April 2019</b>		4,000	133,512	5,840	143,352
Profit and total comprehensive income for the period		–	3,531	390	3,921
<b>Transaction with owners in their capacity as owners:</b>					
Dividends	13	–	(8,000)	–	(8,000)
<b>Balance at 30 September 2019 (Unaudited)</b>		4,000	129,043	6,230	139,273

The above interim condensed consolidated statement of change in equity should be read in conjunction with the accompanying notes.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

		Six months ended 30 September	
		2019	2018
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
<b>Cash flows from operating activities</b>			
Cash generated from operations		28,837	21,284
Income tax paid		(159)	(1,609)
Net cash generated from operating activities		28,678	19,675
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(15,465)	(15,843)
Purchase of key management life insurance contracts		(215)	(215)
Restricted cash		12,000	(22,500)
Short-term bank deposits		2,647	–
Interest received		337	541
Net cash used in investing activities		(696)	(38,017)
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings		89,120	72,460
Repayments of bank borrowings		(92,482)	(88,149)
Principal elements of lease payments		(28,786)	–
Dividend paid		(8,000)	(12,000)
Amounts due to related parties		–	(8,542)
Interest paid		(2,719)	(1,850)
Net cash used in financing activities		(42,867)	(38,081)
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the period		51,315	118,402
Cash and cash equivalents at end of the period	18	36,430	61,979

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

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

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

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

These interim condensed consolidated financial information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

## 2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 September 2019 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

## 3 ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

### 3.1 Accounting policies

The accounting policies applied to this interim condensed consolidated financial information are consistent with those of the annual financial statements for the year ended 31 March 2019 as described in those annual financial statements except that income tax is accrued using the tax rate that would be applicable to the expected total annual earnings and the adoption of new and amended standards as set out below.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 3 ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

### 3.1 Accounting policies *(Continued)*

#### (a) Amendments to existing standards adopted by the Group

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

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

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 3 ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

### 3.1 Accounting policies *(Continued)*

#### (b) New standards and amendment to existing standards not yet adopted

The following new standards and amendment to existing standards have been issued but are not effective for the financial year beginning on 1 April 2019 and have not been early adopted by the Group:

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

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

### 3.2 Change in accounting policies

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 3 ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

### 3.2 Change in accounting policies *(Continued)*

#### (a) Adjustments recognised on adoption of HKFRS 16

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

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 3 ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

### 3.2 Change in accounting policies *(Continued)*

#### (a) Adjustments recognised on adoption of HKFRS 16 *(Continued)*

	Total HK\$'000
<hr/>	
<b>Lease liabilities recognised as at 1 April 2019</b>	
Of which are:	
Current lease liabilities	50,745
Non-current lease liabilities	47,674
	<hr/>
	98,419
	<hr/>
	<b>Total HK\$'000</b>
<hr/>	
<b>Lease liabilities recognised as at 30 September 2019</b>	
Of which are:	
Current lease liabilities	<b>32,283</b>
Non-current lease liabilities	<b>58,423</b>
	<hr/>
	<b>90,706</b>
	<hr/>

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 3 ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

### 3.2 Change in accounting policies *(Continued)*

#### (a) Adjustments recognised on adoption of HKFRS 16 *(Continued)*

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

	30 September 2019 HK\$'000	1 April 2019 HK\$'000
Properties	<b>88,303</b>	96,768

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

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 3 ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

### 3.2 Change in accounting policies *(Continued)*

#### (b) Practical expedients applied

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

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- The accounting for operating leases with a remaining lease with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 3 ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

### 3.2 Change in accounting policies *(Continued)*

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

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

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 3 ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

### 3.2 Change in accounting policies *(Continued)*

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

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

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 3 ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

### 3.2 Change in accounting policies *(Continued)*

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

(i) Variable lease payments

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

(ii) Termination options

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2019.

## 5 FINANCIAL RISK MANAGEMENT

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2019.

There have been no changes in the risk management policies since year end.

### 5.2 Liquidity risk

There was no material change in the contractual undiscounted cash flows for financial liabilities.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 5 FINANCIAL RISK MANAGEMENT *(Continued)*

### 5.3 Fair value estimation

The carrying values of the Group's current financial assets, including trade receivables, deposits, other receivables, other assets, short-term bank deposits and cash and cash equivalents, and the Group's current financial liabilities, including trade and other payables and bank borrowings approximate their fair values due to their short maturities.

At 30 September 2019 and 31 March 2019, the Group did not have any financial instruments carried at fair value.

The carrying values less impairment provision of trade and other receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

## 6 SEGMENT INFORMATION

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

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 6 SEGMENT INFORMATION *(Continued)*

The segment information provided to the CODM for the reportable segments for the six months ended 30 September 2019 and 2018 is as follows:

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 6 SEGMENT INFORMATION *(Continued)*

For the period ended 30 September 2018  
(Unaudited)

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 6 SEGMENT INFORMATION *(Continued)*

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

	As at 30 September 2019 (Unaudited)		
	Distribution	Retail	Total
	Business	Business	
	HK\$'000	HK\$'000	HK\$'000
Total segment assets	100,330	153,696	254,026

Total segment assets include:

Additions to non-current assets

(other than financial instruments  
and deferred income tax assets)

	1,475	34,921	36,396
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	As at 31 March 2019 (Audited)		
	Distribution	Retail	Total
	Business	Business	
	HK\$'000	HK\$'000	HK\$'000
Total segment assets	87,339	64,715	152,054

Total segment assets include:

Additions to non-current assets

(other than financial instruments  
and deferred income tax assets)

	5,868	25,317	31,185
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# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 6 SEGMENT INFORMATION *(Continued)*

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

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

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

	<b>As at 30 September 2019 (Unaudited)</b>		
	<b>Distribution Business HK\$'000</b>	<b>Retail Business HK\$'000</b>	<b>Total HK\$'000</b>
	Total segment liabilities	<b>74,029</b>	<b>96,500</b>

	<b>As at 31 March 2019 (Audited)</b>		
	<b>Distribution Business HK\$'000</b>	<b>Retail Business HK\$'000</b>	<b>Total HK\$'000</b>
	Total segment liabilities	55,602	20,834

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 6 SEGMENT INFORMATION *(Continued)*

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

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

## 7 REVENUE

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

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

	<b>Six months ended 30 September 2019 HK\$'000 (Unaudited)</b>	2018 HK\$'000 (Unaudited)
Sales of goods	<b>129,441</b>	134,512
Catering services	<b>131,323</b>	129,213
	<b>260,764</b>	263,725

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 8 OTHER LOSSES, NET

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 9 EXPENSES BY NATURE

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 10 FINANCE COSTS, NET

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

## 11 INCOME TAX EXPENSE

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

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 12 EARNINGS PER SHARE

### (a) Basic

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

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (HK\$'000)	3,531	11,121
Weighted average number of ordinary shares in issue (thousands)	400,000	400,000
Basic earnings per share (HK cents)	0.9	2.8

### (b) Diluted

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

## 13 DIVIDENDS

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 14 PROPERTY, PLANT AND EQUIPMENT

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Net book value as at 1 April	34,353	20,611
Additions	15,323	11,687
Disposals	–	(1,041)
Depreciation	(10,275)	(6,762)
Net book value as at 30 September	39,401	24,495

## 15 INVENTORIES

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Raw materials	8,247	8,011
Finished goods	19,655	21,025
	27,902	29,036

Inventories mainly comprise food and beverage products which are stated at lower of cost and net realisable value.

The cost of inventories recognised as expense and included in cost of sales amounted to HK\$114,771,000 (30 September 2018: HK\$125,950,000).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 16 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
<b>Non-current</b>		
Rental deposits	<b>12,987</b>	10,796
Deposits for the purchase of property, plant and equipment	<b>632</b>	384
Key management life insurance contracts ( <i>Note</i> )	<b>2,697</b>	2,555
	<b>16,316</b>	13,735
<b>Current</b>		
Prepayments	<b>9,007</b>	4,793
Rental and other deposits	<b>5,485</b>	5,248
Other receivables	<b>313</b>	138
Income tax recoverable	<b>847</b>	813
	<b>15,652</b>	10,992
	<b>31,968</b>	24,727

*Note:* The carrying value of such insurance contracts represented the cash surrender value of the insurance contracts. These insurance contracts are denominated in USD and HK\$.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 17 TRADE RECEIVABLES

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

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

As at 30 September 2019 and 31 March 2019, the ageing analysis of the trade receivables based on invoice date was as follows:

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

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 18 CASH AND CASH EQUIVALENTS, SHORT-TERM BANK DEPOSITS AND RESTRICTED CASH

### (a) Cash and cash equivalents and short-term bank deposits

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Cash at banks	34,814	49,542
Cash on hand	1,616	1,773
	<b>36,430</b>	51,315
Short-term bank deposits	–	2,647
	<b>36,430</b>	53,962

### (b) Restricted cash

As at 30 September 2019, the Group had HK\$30,000,000 restricted deposits held at banks as securities for certain banking facilities (31 March 2019: HK\$42,000,000).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 19 SHARE CAPITAL

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

## 20 TRADE AND OTHER PAYABLES

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

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 21 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### (a) Amounts recognised in the interim condensed consolidated balance sheet

The interim condensed consolidated balance sheet shows the following amounts related to leases:

	30 September 2019 HK\$'000 (Unaudited)	1 April 2019 HK\$'000 (Unaudited)
<b>Right-of-use assets</b>		
Properties	88,303	96,768
<b>Lease liabilities</b>		
Current	32,283	50,745
Non-current	58,423	47,674
	<b>90,706</b>	<b>98,419</b>

During the six months ended 30 September 2019, additions to the right-of-use assets amounted to approximately HK\$15,862,000.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 21 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

### (b) Amounts recognised in the interim condensed consolidated statement of comprehensive income

The interim condensed consolidated statement of comprehensive income shows the following amounts relating to leases:

	30 September 2019 HK\$'000 (Unaudited)
<b>Depreciation of right-of-use assets</b>	
Properties	29,538
Interest expenses on lease liabilities <i>(Note 10)</i>	1,474
Other lease expenses <i>(Note 9)</i>	3,737

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 22 BANK BORROWINGS

Bank borrowings represent mainly the import loans and term loans drawn by the Group. The Group's borrowings, after taking into account of repayable on demand clause, are repayable as follows:

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
<b>Current</b>		
Within 1 year or on demand	<b>60,518</b>	63,897

As at 30 September 2019, the Group's banking facilities are secured by:

- (i) Cross guarantees by the Group's companies (31 March 2019: same);
- (ii) Restricted cash deposits of HK\$30,000,000 (Note 18(b)) (31 March 2019: HK\$42,000,000).

In addition to the above, the Group is required to comply with certain restrictive financial covenants imposed by the banks.

## 23 COMMITMENTS

### (a) Capital commitments

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 23 COMMITMENTS *(Continued)*

### (b) Operating lease commitments

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

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

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

## 24 RELATED PARTY TRANSACTIONS

As at 30 September 2019, the major shareholders of the Company are ACAC Investment, SCSC Investment and CCST investment, which owned 25%, 25% and 25% of the Company's issued shares respectively. The ultimate controlling parties of the Group are Mr. Chan Kam Chuen, Andrew, Mr. Chan Siu Cheung, Stephan and Mr. Chau Wing Kong, William, the directors of the Company, respectively.

### (a) Names and relationships with related parties

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 24 RELATED PARTY TRANSACTIONS *(Continued)*

### (a) Names and relationships with related parties *(Continued)*

The following individuals and companies are related parties of the Group that had balances and/or transactions with the Group during the periods ended 30 September 2019 and 2018.

Name of related parties	Relationship with the Group
Mr. Chan Kam Chuen, Andrew	Controlling Shareholder
Mr. Chan Siu Cheung, Stephen	Controlling Shareholder
Mr. Chau Wing Kong, William	Controlling Shareholder
Ms. Tin Hau Ling, Janny	Spouse of a Controlling Shareholder
New Odaiba ("New Odaiba")	Controlled by spouse of Mr. Chau Wing Kong, William
Best Source Enterprises Limited ("Best Source")	Controlled by Mr. Chan Kam Chuen, Andrew, Mr. Chau Wing Kong, William and Mr. Chan Siu Cheung, Stephen

Save as disclosed elsewhere in the interim condensed consolidated financial statements, the Group had the following related transactions during the periods ended 30 September 2019 and 2018.

### (b) Balance with related party:

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
<b>Trade related receivable</b>		
– New Odaiba	1,206	782

As at 30 September 2019 and 31 March 2019, balance with related party was unsecured, interest-free, denominated in HK\$, and expected to repay within one year.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 24 RELATED PARTY TRANSACTIONS *(Continued)*

- (c) In addition to those disclosed elsewhere in the interim condensed consolidated financial statements, the Group had the following transactions with related parties:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<i>Continued transactions</i>		
Sale of goods to a related party		
– New Odaiba	<b>424</b>	1,097
Rental expense charged by a related party		
– Best Source	<b>3,504</b>	3,884

Sales of goods and rental expenses and income were based on terms mutually agreed with related parties and in the ordinary course of business.

### (d) Key management compensation

Key management includes Executive Directors and the senior management of the Group.

Compensation of the key management personnel of the Group, including director's remunerations, was as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Wages, salaries, bonuses and allowances	<b>1,518</b>	1,314
Pension costs – defined contribution plans	<b>36</b>	36
Medical, staff welfare and benefits	<b>63</b>	65
	<b>1,617</b>	1,415

## OTHER INFORMATION

### INTERIM DIVIDEND

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

### SHARE OPTION SCHEME

As at 30 September 2019, no option had been granted, exercised, cancelled or lapsed under the Share Option Scheme and there was no outstanding share option as at the date of this report.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2019, the interests and short positions of the Directors and the chief executive of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required to be disclosed, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

Name of Director	Nature of Interest	Number of shares	Percentage of total issued Shares (%)
Mr. Chan Kam Chuen Andrew ("Mr. Andrew Chan")	Interest in a controlled corporation <sup>(note 1)</sup>	100,000,000 (long position)	25.0
Mr. Chan Siu Cheung Stephen ("Mr. Stephen Chan")	Interest in a controlled corporation <sup>(note 2)</sup>	100,000,000 (long position)	25.0
Mr. Chau Wing Kong William ("Mr. William Chau")	Interest in a controlled corporation <sup>(note 3)</sup>	100,000,000 (long position)	25.0
Ms. Tin Hau Ling Janny ("Ms. Janny Tin")	Interest of spouse <sup>(note 4)</sup>	100,000,000 (long position)	25.0

## OTHER INFORMATION

*Notes:*

1. The Company was directly owned as to 25.0% (being 100,000,000 Shares) by ACAC Investment Limited, which in turn was owned as to 100% by Mr. Andrew Chan. By virtue of the SFO, Mr. Andrew Chan is deemed to be interested in the same number of Shares held by ACAC Investment Limited.
2. The Company was directly owned as to 25.0% (being 100,000,000 Shares) by SCSC Holdings Limited, which in turn was owned as to 100% by Mr. Stephen Chan. By virtue of the SFO, Mr. Stephen Chan is deemed to be interested in the same number of Shares held by SCSC Holdings Limited.
3. The Company was directly owned as to 25.0% (being 100,000,000 Shares) by CCST Investment Limited, which in turn was owned as to 100% by Mr. William Chau. By virtue of the SFO, Mr. William Chau is deemed to be interested in the same number of Shares held by CCST Investment Limited.
4. Ms. Janny Tin is the spouse of Mr. Andrew Chan. By virtue of the SFO, Ms. Janny Tin is deemed to be interested in the same number of Shares in which Mr. Andrew Chan is deemed to be interested under the SFO.

Save as disclosed above, as at 30 September 2019, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2019, so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company), either directly or indirectly, had interests or short positions in the shares or underlying shares of the Company, which are required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be required to be recorded in the register to be kept pursuant to section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares	Percentage of total issued Shares (%)
ACAC Investment Limited	Beneficial interest <sup>(note 1)</sup>	100,000,000 (long position)	25.0
SCSC Holdings Limited	Beneficial interest <sup>(note 2)</sup>	100,000,000 (long position)	25.0
Ms. Cheung Choi Ngo	Interest of spouse <sup>(note 3)</sup>	100,000,000 (long position)	25.0
CCST Investment Limited	Beneficial interest <sup>(note 4)</sup>	100,000,000 (long position)	25.0
Ms. Tan Ching Bee	Interest of spouse <sup>(note 5)</sup>	100,000,000 (long position)	25.0

*Notes:*

1. The entire issued share capital of ACAC Investment Limited is wholly-owned by Mr. Andrew Chan.
2. The entire issued share capital of SCSC Holdings Limited is wholly-owned by Mr. Stephen Chan.
3. Ms. Cheung Choi Ngo is the spouse of Mr. Stephen Chan. By virtue of the SFO, Ms. Cheung Choi Ngo is deemed to be interested in the same number of Shares in which Mr. Stephen Chan is deemed to be interested under the SFO.
4. The entire issued share capital of CCST Investment Limited is wholly-owned by Mr. William Chau.
5. Ms. Tan Ching Bee is the spouse of Mr. William Chau. By virtue of the SFO, Ms. Tan Ching Bee is deemed to be interested in the same number of Shares in which Mr. William Chau is deemed to be interested under the SFO.

## OTHER INFORMATION

Save as disclosed above, as at 30 September 2019, the Directors had not been notified of any other corporation or individual (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company, which are required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

## CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining the highest standard of corporate governance to safeguard the Shareholder's interests. The Company has been listed on the Stock Exchange since the Listing Date. During the period from Listing Date up to the date of this report, the Company has applied the principles in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. The corporate governance principles of the Company emphasises an effective board with a high level of integrity, sound internal controls, as well as ensuring a high degree of transparency and accountability, which does not only enhance corporate value for the Shareholders but also protect the long-term sustainability of the Group. In the opinion of the Board, during the period from the Listing Date up to the date of this report, the Company has complied with all the code provisions in the CG Code, save and except for code provision A.2.1 which states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Andrew Chan 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. Andrew Chan) 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. Andrew Chan) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. The Board will nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, in order to maintain a high standard of corporate governance practices of the Company and ensure compliance with the code provisions in the CG code.

## OTHER INFORMATION

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct governing the Directors' transactions in the listed securities of the Company. Employees of the Group (the "Relevant Employees") who, because of their office or employment, are likely to possess inside information in relation to the Company or its securities are also subject to compliance with the Model Code. The Company has made specific enquiry of all Directors, and each Director has confirmed that he or she has complied with the standards as set out in the Model Code during the period from the Listing Date to the date of this report. 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 report.

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

During the six months ended 30 September 2019 and up to the date of this report, there has been no purchase, sale or redemption of any Company's listed securities by the Company or any of its subsidiaries.

### AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The primary duties of the audit committee of the Company (the "Audit Committee") are to (a) make recommendations to the Board on the appointment and removal of external auditor; (b) review the financial statements and material advice in respect of financial reporting and (c) oversee the internal control procedures of the Company. The current members of the Audit Committee are Mr. Chung Kwok Mo John, Mr. Pang Koon Kwai and Mr. See Hung Yan Peter, all being independent non-executive Directors.

The Audit Committee held a meeting on 25 November 2019 and has considered and reviewed the unaudited interim condensed consolidated results and interim condensed consolidated financial statements of the Group and given their opinion and recommendation to the Board. The Audit Committee considers that the unaudited interim condensed consolidated results and interim condensed consolidated financial statements of the Company have complied with the applicable accounting standards and the Company has made appropriate disclosure thereof.