



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

2023/24 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
*Certified Public Accountants and
Registered PIE Auditor*
22/F, Prince's Building, Central, Hong Kong

LEGAL ADVISER

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

STOCK CODE

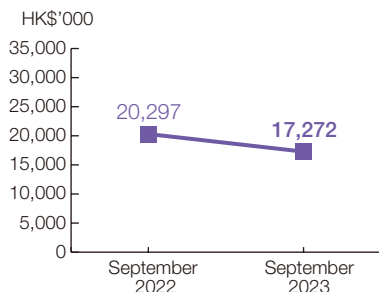
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COMPANY'S WEBSITE

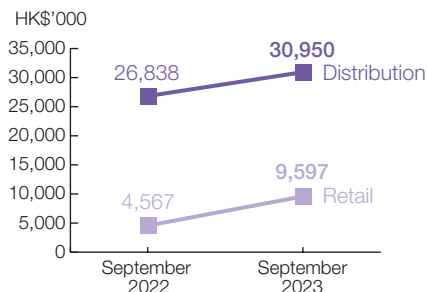
www.bandshk.com

FINANCIAL HIGHLIGHTS

Profit attributable to owners of the Company



Segment Results



- The net profit for the six months ended 30 September 2023 decreased by approximately 14.8% as compared with that of the same period in 2022.
- The Group has recorded a net profit of approximately HK\$17.8 million for the six months ended 30 September 2023. If the receipt of wage subsidy from the Hong Kong government for the six months ended 30 September 2022 is excluded, the Group actually recorded an increase in net profit by approximately HK\$6.6 million as compared to that of the same period in 2022.^(Note 1)
- The Board has resolved to declare an interim dividend of HK2.5 cents per Share, representing a dividend payout ratio of approximately 58.1% on the profit attributable to owners of the Company for the six months ended 30 September 2023 (for the six months ended 30 September 2022: 49.3%).

	Six months ended		Increase/ (Decrease)
	30 September 2023	2022	
	HK\$ million (Unaudited)	HK\$ million (Unaudited)	
Revenue	257.8	234.7	9.8%
Gross Profit	60.9	50.6	20.4%
Net profit	17.8	20.9	(14.8%)
Basic earnings per Share (HK cents)	4.3	5.1	(15.7%)

Note :

1. If the receipt of wage subsidy under the Employment Support Scheme launched by the Hong Kong government of approximately HK\$9.7 million is excluded, the net profit for the six months ended 30 September 2022 will be approximately HK\$11.2 million.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2023, the Group's revenue amounted to approximately HK\$257.8 million, representing an increase of approximately 9.8% from approximately HK\$234.7 million for the same period in 2022. Such increase was mainly attributable to the market conditions had begun to recover from the impact of the COVID-19 pandemic.

Retail Business

As at 30 September 2023, we had set up 63 self-operated retail outlets and details of which are set out below:

	As at 30 September	
	2023	2022
TenRen (天仁茗茶)	57	55
Chef Hung (洪師父)	2	4
Others	4	4
	63	63

The Group's Retail Business remained committed to enhancing margins through prudent cost control measures. Our successful branding and product marketing campaigns further contributed to an increase in sales, reflecting the effectiveness of our strategic initiatives.

The revenue generated from the Retail Business increased to approximately HK\$127.3 million for the six months ended 30 September 2023 (six months ended 30 September 2022: approximately HK\$118.1 million), representing an increase of approximately HK\$9.2 million. Revenue generated from the Retail Business contributed to approximately 49.4% of the Group's total revenue. Such increase in revenue generated from our Retail Business was mainly attributable to the post-pandemic recovery of the Hong Kong economy during the six months ended 30 September 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Same-store sales performance of our TenRen (天仁茗茶) retail outlets

The growth in our same-store sales performance derived from “TenRen (天仁茗茶)” retail outlets was mainly due to the ability to improve its sales within the existing retail outlets by the Group. We evaluate our growth 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 following table sets forth the average same-store sales performance of our “TenRen (天仁茗茶)” retail outlets:

	Six months ended 30 September			
	2022	2023	2021	2022
Number of same-store	53		53	
Average same-store sales	HK\$1.8 million	HK\$1.9 million	HK\$1.7 million	HK\$1.8 million
Average same-store sales growth rate	5.6%		5.9%	

Average selling price and volume

The average selling price of our “TenRen (天仁茗茶)” tea drink products increased slightly during the six months ended 30 September 2023, as we adjusted the selling price of our tea drink products due to inflation. The average daily sales volume of our “TenRen (天仁茗茶)” tea drink products increased during the six months ended 30 September 2023, which was mainly due to the increase in the same-store sales and the increase in the number of “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)” tea drink products for the periods indicated:

	Six months ended	
	30 September 2023	2022
Average selling price (HK\$)		
Tea drink products (per cup)	29.1	27.7
Packaged tea leaves products (per unit)	106.8	109.5
Average daily sales volume		
Tea drink products (cups)	19,000	18,000
Packaged tea leaves products (units)	100.0	86.7

MANAGEMENT DISCUSSION AND ANALYSIS

Distribution Business

The revenue generated from the Distribution Business for the six months ended 30 September 2023 amounted to approximately HK\$130.5 million (six months ended 30 September 2022: approximately HK\$116.6 million), which was an encouraging result, as our Distribution Business has picked up significantly after the COVID-19 pandemic.

Followed by our efforts on sourcing high-quality products around the world to ensure a wider selection for our customers, and the benefits from the depreciation of foreign currencies, especially the Japanese Yen, the segment profit generated from the Distribution Business during the six months ended 30 September 2023 has increased by approximately 15.7% to approximately HK\$31.0 million (six months ended 30 September 2022: approximately HK\$26.8 million).

OUTLOOK

Looking ahead to the opportunities and challenges the Group may encounter in the second half of the financial year, the Group will continue to adhere to the sourcing of high quality products and the multi-brand development strategies.

For the Retail Business, a number of sales and marketing initiatives have been prepared to capture consumer spending fuelled by the economic recovery in Hong Kong. The Group plans to strengthen the leading market position of our TenRen business and expand our casual dining business through brand building, improving customer experience, product innovations, digitalisation and automation.

On the other hand, the Group is proactively reviewing its lease agreements with landlords to optimise our cost structure and business model in the future. At the same time, we will take proactive actions to control operating costs including manpower, rental expenses and other operating expenses in order to further drive efficiency.

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



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue

For the six months ended 30 September 2023, the Group's revenue amounted to approximately HK\$257.8 million, representing an increase of approximately 9.8% from approximately HK\$234.7 million for the same period in 2022.

The revenue derived from the Retail Business increased to approximately HK\$127.3 million for the six months ended 30 September 2023, representing an increase of approximately HK\$9.2 million (six months ended 30 September 2022: approximately HK\$118.1 million), which contributed to approximately 49.4% of the Group's total revenue. Such increase was mainly attributable to the post-pandemic recovery of the Hong Kong economy during the six months ended 30 September 2023.

As our Distribution Business picked up significantly after the COVID-19 pandemic, the revenue derived from the Distribution Business increased to approximately HK\$130.5 million for the six months ended 30 September 2023 (six months ended 30 September 2022: approximately HK\$116.6 million), representing an increase of approximately HK\$13.9 million, which contributed to approximately 50.6% of the Group's total revenue.

Cost of sales

For the six months ended 30 September 2023, the Group's cost of sales amounted to approximately HK\$196.9 million, representing an increase of approximately 7.0% from approximately HK\$184.0 million for the same period in 2022. Such increase was mainly due to the increase in our sales volume during the six months ended 30 September 2023.

Gross profit and gross profit margin

For the six months ended 30 September 2023, the Group's gross profit amounted to approximately HK\$60.9 million, representing an increase of approximately 20.4% from approximately HK\$50.6 million for the same period in 2022. The Group's gross profit margin for the six months ended 30 September 2023 increased by approximately 2.0% to approximately 23.6% as compared to that of approximately 21.6% for the same period in 2022. Such increase in gross profit margin was mainly due to the prudent cost control measures implemented by our Group and the depreciation of the Japanese Yen against Hong Kong Dollars as stated above.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution expenses

For the six months ended 30 September 2023, the selling and distribution expenses of the Group amounted to approximately HK\$19.0 million (six months ended 30 September 2022: approximately HK\$17.5 million), representing an increase of approximately 8.6% or HK\$1.5 million. Such increase was mainly due to the increase in marketing expenses followed by the increase in revenue.

Administrative expenses

For the six months ended 30 September 2023, the administrative expenses of the Group amounted to approximately HK\$20.1 million (six months ended 30 September 2022: approximately HK\$19.2 million), representing an increase of approximately 4.7% or HK\$0.9 million. Such increase was mainly due to the inflation of various expenses.

Finance costs, net

For the six months ended 30 September 2023, the net finance costs of the Group amounted to approximately HK\$0.4 million, representing a decrease of approximately 73.3% or HK\$1.1 million from approximately HK\$1.5 million for the same period in 2022. Such decrease was mainly attributable to the decrease in bank borrowings during the six months ended 30 September 2023.

Income tax expense

For each of the six months ended 30 September 2023 and 30 September 2022, the Group recorded income tax expense of approximately HK\$2.9 million and HK\$2.0 million, respectively, representing an effective tax rate of approximately 13.9% and 8.7%, respectively, for the corresponding periods. The higher effective tax rate for the six months ended 30 September 2023 was due to the recognition of the government subsidy granted by the Hong Kong government under the Anti-Epidemic Fund for the six months ended 30 September 2022, which was a non-taxable income.



MANAGEMENT DISCUSSION AND ANALYSIS

Net profit

Profit attributable to owners of the Company for the six months ended 30 September 2023 was approximately HK\$17.3 million, representing a decrease of approximately 14.8% from approximately HK\$20.3 million for the same period in 2022. The net profit for the six months ended 30 September 2023 was approximately HK\$17.8 million (six months ended 30 September 2022: approximately HK\$20.9 million). If the receipt of wage subsidy under the Employment Support Scheme launched by the Hong Kong government of approximately HK\$9.7 million for the six months ended 30 September 2022 is excluded, the Group actually recorded an increase in net profit by approximately HK\$6.6 million as compared to that of the same period in 2022. Such increase was mainly attributable to the increase in revenue followed by the economic recovery from the COVID-19 pandemic during the six months ended 30 September 2023.

The net profit margin (calculated as a ratio of net profit for the period to revenue) for the six months ended 30 September 2023 was approximately 6.9%, as compared to that of approximately 8.9% for the same period in 2022. Basic earnings per Share for the six months ended 30 September 2023 amounted to approximately HK4.3 cents, as compared to that of approximately HK5.1 cents for the same period in 2022.

Capital expenditure

During the six months ended 30 September 2023, capital expenditure amounted to approximately HK\$18.8 million (six months ended 30 September 2022: approximately HK\$16.9 million). Such amount was mainly used for the opening of new retail outlets and renovation of existing retail outlets.

LIQUIDITY AND FINANCIAL RESOURCES REVIEW

Our Group is financially sound with cash and cash equivalents and short-term bank deposits amounted to approximately HK\$89.4 million as at 30 September 2023 (31 March 2023: approximately HK\$106.4 million). As at 30 September 2023, the gearing ratio of the Group was approximately 24.9% (31 March 2023: approximately 32.5%), which was calculated based on the total debt divided by the total capital at the end of the financial period/year and multiplied by 100%. Debt of the Group refers to bank borrowings and lease liabilities. As at 30 September 2023, the Group has total bank facilities of approximately HK\$113.4 million (31 March 2023: approximately HK\$113.4 million) of which approximately HK\$16.9 million (31 March 2023: approximately HK\$31.6 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 the 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 currency risk from the purchase of goods from overseas suppliers and cash and bank borrowings denominated in foreign currencies, primarily with respect to Japanese Yen, New Taiwan dollar, Renminbi and United States dollar. The Group will continue to take proactive measures and monitor closely of its exposure to such currencies movement.

TREASURY POLICIES

The Group adopts prudent treasury policies. The Group's management has monitored 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.

CAPITAL STRUCTURE

The shares of the Company (the "Shares") were successfully listed on the Main Board of the Stock Exchange on 14 March 2018. 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 2023, 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 2023, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS OF CAPITAL ASSETS

For the six months ended 30 September 2023, the Group did not hold any significant investments nor made any significant acquisitions of capital assets.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Details of the capital commitments and contingent liabilities of the Group are set out in Note 24 and Note 26 to the interim condensed consolidated financial statements in this report.



MANAGEMENT DISCUSSION AND ANALYSIS

EVENT AFTER THE REPORTING PERIOD

No significant event has taken place after 30 September 2023 and up to the date of this report.

EMPLOYEES AND REMUNERATION POLICIES AND TRAINING SCHEMES

As at 30 September 2023, the Group employed a total of 667 employees (as at 31 March 2023: 692) and the employee benefit expenses including directors' emoluments were approximately HK\$55.8 million (for the year ended 31 March 2023: approximately HK\$106.9 million). The Group offers a comprehensive remuneration package to its employees, which is reviewed by the management on a regular basis. The Group has also provided training programmes to its management and employees regularly to ensure that they are properly trained.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2023

	Notes	Six months ended	
		30 September 2023	2022
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	7	257,846	234,671
Cost of sales	10	(196,940)	(184,044)
Gross profit		60,906	50,627
Other (losses)/gains, net	8	(572)	773
Other (expenses)/income, net	9	(31)	9,696
Selling and distribution expenses	10	(19,046)	(17,473)
Administrative expenses	10	(20,100)	(19,175)
Operating profit		21,157	24,448
Finance income		1,283	34
Finance costs		(1,642)	(1,573)
Finance costs, net	11	(359)	(1,539)
Profit before income tax		20,798	22,909
Income tax expense	12	(2,949)	(2,026)
Profit and total comprehensive income for the period		17,849	20,883
Profit and total comprehensive income attributable to:			
Owners of the Company		17,272	20,297
Non-controlling interest		577	586
		17,849	20,883
Earnings per share for profit attributable to owners of the Company during the period (expressed in HK cents per share)			
– basic and diluted	13	4.3	5.1

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 2023

		30 September 2023	31 March 2023
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	15	6,427	7,390
Right-of-use assets	22	43,727	43,984
Deferred income tax assets		7,848	8,854
Deposits and other assets	17	13,027	10,935
		71,029	71,163
Current assets			
Inventories	16	23,929	21,767
Trade receivables	18	65,860	54,434
Deposits, prepayments and other receivables	17	19,267	13,952
Restricted cash	19	30,000	30,000
Short-term bank deposits	19	727	727
Cash and cash equivalents	19	58,717	75,630
		198,500	196,510
Total assets		269,529	267,673
EQUITY			
Equity attributable to owners of the Company			
Share capital	20	4,000	4,000
Reserves		79,794	79,794
Retained earnings		78,220	60,948
		162,014	144,742
Non-controlling interest		4,032	3,945
Total equity		166,046	148,687

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

		30 September 2023	31 March 2023
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
LIABILITIES			
Non-current liability			
Lease liabilities	22	17,605	15,875
Current liabilities			
Trade and other payables	21	45,531	46,697
Income tax payable		2,878	935
Lease liabilities	22	28,119	31,372
Bank borrowings	23	9,350	24,107
		85,878	103,111
Total liabilities		103,483	118,986
Total equity and liabilities		269,529	267,673

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 2023

	Attributable to owners of the Company			Total HK\$'000
	Share capital HK\$'000 (Note 20)	Reserves and retained earnings HK\$'000	Non- controlling interest HK\$'000	
Balance at 1 April 2022	4,000	122,989	3,950	130,939
Profit and total comprehensive income for the period	–	20,297	586	20,883
Transaction with owners in their capacity as owners:				
Dividends paid to a non-controlling shareholder	–	–	(800)	(800)
Balance at 30 September 2022 (Unaudited)	4,000	143,286	3,736	151,022
Balance at 1 April 2023	4,000	140,742	3,945	148,687
Profit and total comprehensive income for the period	–	17,272	577	17,849
Transaction with owners in their capacity as owners:				
Dividends paid to a non-controlling shareholder	–	–	(490)	(490)
Balance at 30 September 2023 (Unaudited)	4,000	158,014	4,032	166,046

The above interim condensed consolidated statement of changes 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 2023

	Note	Six months ended	
		30 September 2023	2022
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		20,275	42,355
Income tax paid		–	(108)
Net cash generated from operating activities		20,275	42,247
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,477)	(3,941)
Purchase of key management life insurance contracts		(287)	(250)
Interest received		1,283	34
Change in short-term bank deposits		–	410
Net cash used in investing activities		(1,481)	(3,747)
Cash flows from financing activities			
Proceeds from bank borrowings		4,553	22,958
Repayments of bank borrowings		(19,310)	(31,213)
Payment of dividend to non-controlling interest		(490)	(800)
Principal element of lease payments		(19,919)	(21,564)
Interest paid		(541)	(451)
Net cash used in financing activities		(35,707)	(31,070)
Net (decrease)/increase in cash and cash equivalents			
		(16,913)	7,430
Cash and cash equivalents at beginning of the period		75,630	54,809
Cash and cash equivalents at end of the period	19	58,717	62,239

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

B & S International Holdings Ltd. (the “Company”) was incorporated in the Cayman Islands on 21 August 2017 as an exempted company with limited liability under the Companies Act (Cap. 22, Act 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 (the “Distribution Business”) and (ii) provision of catering services (the “Retail Business”) in Hong Kong (collectively, the “Business”).

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited 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 statements for the six months ended 30 September 2023 has 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”). This interim condensed consolidated financial statements does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

3.1 Accounting policies

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 March 2023 as described in those annual financial statements except for the estimation of income tax is accrued using the tax rate that would be applicable to the expected total annual earnings and the adoption of new and amended standards as set out below.

(a) New or amendments standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group assessed the adoption of these new and amended standards and concluded that they did not have a significant impact on the Group's interim results and financial position.

HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction and International Tax Reform – Pillar Two Model Rules
HKAS 1 (Amendments) and HKFRS Practice Statement 2	Disclosure of Accounting Policies
HKFRS 17	Insurance Contracts and the related Amendments

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

3.1 Accounting policies *(Continued)*

(b) New or amended standards not adopted by the Group

The followings are new or amended standards that have been issued but are not effective for the financial year beginning on 1 April 2023 and have not been early adopted by the Group. The Group plans to adopt these new or amended standards when they become effective:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Classification of liabilities as current or non-current	1 April 2024
HKAS 1 (Amendment)	Non-current liabilities with covenants	1 April 2024
HKAS 16 (Amendment)	Lease liability in a sale and leaseback	1 April 2024
Hong Kong Interpretation 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the borrower of a term loan that contains a repayment on demand clause	1 April 2024
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 or amendments to existing standards is expected to have a significant effect on the condensed consolidated financial statements of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4 ESTIMATES

The preparation of interim financial statements 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 statements, 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 2023.

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 does 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 2023.

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, lease liabilities and bank borrowings approximate their fair values due to their short maturities.

At 30 September 2023 and 31 March 2023, 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 Company (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 the Distribution Business and the Retail Business in Hong Kong. The CODM considers the business from a product perspective. They review the qualitative factors such as business activities, economic and legal characteristics and quantitative factors such as the financial performance of the Distribution Business and the 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 2023 and 2022 is as follows:

	For the period ended 30 September 2023 (Unaudited)		
	Distribution Business HK\$'000	Retail Business HK\$'000	Total HK\$'000
	Segment revenue – recognised at a point in time	130,503	127,343
Segment results	30,950	9,597	40,547
Unallocated expenses			(18,787)
Other losses, net			(572)
Other expenses, net			(31)
Finance costs, net			(359)
Profit before income tax			20,798
Income tax expense			(2,949)
Profit for the period			17,849
Segment items included:			
Depreciation of property, plant and equipment	304	2,138	2,442
Depreciation of right-of-use assets	–	17,552	17,552

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 SEGMENT INFORMATION *(Continued)*

	For the period ended 30 September 2022 (Unaudited)		
	Distribution	Retail	Total
	Business HK\$'000	Business HK\$'000	HK\$'000
Segment revenue – recognised at a point in time	116,561	118,110	234,671
Segment results	26,838	4,567	31,405
Unallocated expenses			(17,426)
Other gains, net			773
Other income, net			9,696
Finance costs, net			(1,539)
Profit before income tax			22,909
Income tax expense			(2,026)
Profit for the period			20,883
Segment items included:			
Depreciation of property, plant and equipment	745	4,109	4,854
Depreciation of right-of-use assets	–	19,679	19,679

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 SEGMENT INFORMATION *(Continued)*

The segment assets as at 30 September 2023 and 31 March 2023 and the reconciliation to the total assets are as follows:

	As at 30 September 2023 (Unaudited)		
	Distribution Business HK\$'000	Retail Business HK\$'000	Total HK\$'000
	Total segment assets	83,522	84,493
Total segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	84	18,712	18,796
	As at 31 March 2023 (Audited)		
	Distribution Business HK\$'000	Retail Business HK\$'000	Total HK\$'000
Total segment assets	71,190	77,078	148,268
Total segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	205	42,390	42,595

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 SEGMENT INFORMATION *(Continued)*

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

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Total segment assets	168,015	148,268
Unallocated:		
Deferred income tax assets	7,848	8,854
Deposits and other assets	4,222	4,194
Restricted cash	30,000	30,000
Short-term bank deposits	727	727
Cash and cash equivalents	58,717	75,630
Total assets	269,529	267,673

The segment liabilities as at 30 September 2023 and 31 March 2023 and the reconciliation to the total liabilities are as follows:

	As at 30 September 2023 (Unaudited)		
	Distribution Business HK\$'000	Retail Business HK\$'000	Total HK\$'000
Total segment liabilities	20,616	70,720	91,336

	As at 31 March 2023 (Audited)		
	Distribution Business HK\$'000	Retail Business HK\$'000	Total HK\$'000
Total segment liabilities	35,530	72,998	108,528

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 SEGMENT INFORMATION *(Continued)*

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

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Total segment liabilities	91,336	108,528
Unallocated:		
Other payables	1,269	1,523
Income tax payable	2,878	935
Bank borrowings	8,000	8,000
Total liabilities	103,483	118,986

7 REVENUE

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

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

	Six months ended 30 September 2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Sales of goods	130,503	116,561
Catering services	127,343	118,110
	257,846	234,671

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

8 OTHER (LOSSES)/GAINS, NET

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Change in cash surrender value of key management life insurance contracts	(117)	(64)
Loss on disposal of property, plant and equipment	(22)	(13)
Exchange (loss)/gain, net	(433)	850
	(572)	773

9 OTHER (EXPENSES)/INCOME, NET

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Government subsidy (<i>Note</i>)	–	9,740
Sundry expenses	(31)	(44)
	(31)	9,696

Note: There was no (for the six months ended 30 September 2022: HK\$9,740,000) government subsidy granted by the Hong Kong government under the Anti-Epidemic fund for the six months ended 30 September 2023. There were no unfulfilled conditions or other contingencies attached in the subsidy.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

10 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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	116,917	104,867
Depreciation of property, plant and equipment	2,442	4,854
Depreciation of right-of-use assets	17,552	19,679
Employee benefit expenses	55,766	50,313
Short-term and variable lease payments	8,549	8,358
Utilities expenses	9,124	8,117
Transportation and logistic service expenses	6,070	6,099
Freight charges	2,724	3,401
Auditor's remuneration		
– Audit services	750	750
– Non-audit services	–	–
Franchise fee	2,321	1,974
Travelling expenses	402	271
Insurance expenses	600	590
Legal and professional fees	1,372	927
Others	11,497	10,492
	236,086	220,692
Representing:		
Cost of sales	196,940	184,044
Selling and distribution expenses	19,046	17,473
Administrative expenses	20,100	19,175
	236,086	220,692

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

11 FINANCE COSTS, NET

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance income		
– Bank interest income	1,283	34
Finance costs		
– Interest expense on bank borrowings	(541)	(451)
– Lease liabilities	(1,101)	(1,122)
	(1,642)	(1,573)
Finance costs, net	(359)	(1,539)

12 INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the two-tiered rate of 8.25% for the first HK\$2 million of the estimated assessable profits for one of the Group's subsidiaries in Hong Kong and 16.5% on the remaining estimated assessable profits for the six months ended 30 September 2023 (six months ended 30 September 2022: same).

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

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax	1,769	527
Over provision in prior year	(202)	–
Deferred income tax	1,382	1,499
	2,949	2,026

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 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	
	2023 (Unaudited)	2022 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	17,272	20,297
Weighted average number of ordinary shares in issue (thousands)	400,000	400,000
Basic earnings per share (HK cents)	4.3	5.1

(b) Diluted

For the periods ended 30 September 2023 and 2022, diluted earnings per share equals basic earnings per share as there was no dilutive potential shares.

14 DIVIDENDS

On 27 November 2023, the Board has resolved to pay an interim dividend of HK2.5 cents per share, amounting to a total dividend of HK\$10,000,000, in respect of the six months ended 30 September 2023 (for the six months ended 30 September 2022: HK2.5 cents per share). The interim dividend has not been recognised as a liability in this interim financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

15 PROPERTY, PLANT AND EQUIPMENT

	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Net book value as at 1 April	7,390	9,702
Additions	1,501	3,079
Depreciation	(2,442)	(4,854)
Disposal	(22)	(13)
Net book value as at 30 September	6,427	7,914

16 INVENTORIES

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Raw materials	5,256	4,781
Finished goods	18,673	16,986
	23,929	21,767

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\$116,917,000 (30 September 2022: HK\$104,867,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

17 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Non-current		
Rental deposits	7,913	6,967
Deposits for the purchase of property, plant and equipment	1,205	229
Key management life insurance contracts (<i>Note</i>)	3,909	3,739
	13,027	10,935
Current		
Prepayments	7,893	3,253
Rental and other deposits	11,138	10,387
Other receivables	236	312
	19,267	13,952
	32,294	24,887

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

18 TRADE RECEIVABLES

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Trade receivables		
– third parties	65,860	54,434

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 2023 and 31 March 2023, the ageing analysis of the trade receivables based on invoice date was as follows:

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
0–30 days	26,963	20,795
31–60 days	15,841	11,902
61–90 days	13,060	12,660
91–180 days	9,075	8,108
Over 180 days	921	969
	65,860	54,434

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. There is no significant impact of loss allowance for trade receivables as at 30 September 2023 (31 March 2023: same).

The Group does not hold any collateral as security.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

19 CASH AND CASH EQUIVALENTS, SHORT-TERM BANK DEPOSITS AND RESTRICTED CASH

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

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Cash at banks	57,595	74,725
Cash on hand	1,122	905
	58,717	75,630
Short-term bank deposits	727	727
	59,444	76,357

(b) Restricted cash

As at 30 September 2023, the Group had HK\$30,000,000 restricted deposits held at banks as securities for certain banking facilities (31 March 2023: HK\$30,000,000).

20 SHARE CAPITAL

	Number of Shares	Share capital HK\$'000
Authorised:		
Ordinary Shares of HK\$0.01 each		
At 1 April 2022, 30 September 2022, 1 April 2023 and 30 September 2023	10,000,000,000	100,000
Issued and fully paid:		
Ordinary Shares of HK\$0.01 each		
At 1 April 2022, 30 September 2022, 1 April 2023 and 30 September 2023	400,000,000	4,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

21 TRADE AND OTHER PAYABLES

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Trade payables (<i>Note</i>)	16,550	19,541
Other payables	28,981	27,156
	45,531	46,697

Note: During the year ended 31 March 2021, the Group entered into an agreement with a supplier in relation to the supply of masks with a total contract value of HK\$31,000,000. As at 30 September 2023, masks with invoiced value of HK\$9,250,000, after deducting the sales rebates of HK\$500,000, under the agreement were delivered to the Group and the Group recorded it as trade payables in accordance with its accounting policy (31 March 2023: same). The Company is now in litigation procedure with the supplier for breach of the agreement (see Note 26). Pending outcome of such litigation, should the Company be able to win the case, the respective trade payables will be derecognised.

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

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
0–30 days	2,209	6,910
31–60 days	4,726	3,376
61–90 days	365	–
Over 90 days	9,250	9,255
	16,550	19,541

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

22 LEASES

(a) Amounts recognised in the interim condensed consolidated statement of financial position

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

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Right-of-use assets		
Retail shops and warehouse	43,727	43,984
Lease liabilities		
Current	28,119	31,372
Non-current	17,605	15,875
	45,724	47,247

During the six months ended 30 September 2023, additions to the right-of-use assets amounted to approximately HK\$17,295,000 (31 March 2023: HK\$36,498,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

22 LEASES *(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 2023 HK\$'000 (Unaudited)	30 September 2022 HK\$'000 (Unaudited)
Depreciation of right-of-use assets	17,552	19,679
Interest expenses on lease liabilities <i>(Note 11)</i>	1,101	1,122
Expenses relating to short-term leases (included in cost of sales and administrative expenses) <i>(Note 10)</i>	8,549	8,358

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

23 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:

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Current		
Within 1 year or on demand	9,350	24,107

As at 30 September 2023, the Group's banking facilities are secured by:

- (i) Cross guarantees by the Group's companies (31 March 2023: same);
- (ii) Restricted cash deposits of HK\$30,000,000 (Note 19(b)) (31 March 2023: HK\$30,000,000).

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

24 COMMITMENTS

The Group did not have any material capital commitment as at 30 September 2023 and 31 March 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

25 RELATED PARTY TRANSACTIONS

As at 30 September 2023, 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, Stephen 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.

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 2023 and 2022.

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 2023 and 2022.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

25 RELATED PARTY TRANSACTIONS *(Continued)*

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

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continued transactions		
Operating lease rental paid to a related party		
– Best Source	3,636	3,504

Rental expenses were based on terms mutually agreed with related parties and in the ordinary course of business.

(c) 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:

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Wages, salaries, bonuses and allowances	1,852	1,812
Pension costs – defined contribution plans	40	40
Staff welfare and benefits	–	–
	1,892	1,852



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

26 CONTINGENT LIABILITIES

On 13 August 2020, Wise Fine Enterprises Limited (“Wise Fine”), an indirect wholly-owned subsidiary of the Company entered into an agreement (the “Agreement”) with a supplier (the “Supplier”) for purchasing a quantity of no less than 21,000,000 pieces of masks with a total contract sum of HK\$31,500,000. The Group placed order to the Supplier for delivery of masks and around 6,500,000 pieces of masks with total transaction price of HK\$9,250,000, after deducting sales rebates of HK\$500,000, were delivered to the Group during December 2020 to January 2021 (the “Delivered Masks”) (see Note 21).

Upon receipt of the Delivered Masks, the Group carried out quality check on the masks through certain Hong Kong accredited laboratories and noted consistent failure in meeting the quality standard as stipulated in the Agreement. The Group has been actively negotiating with the Supplier in relation to the quality problem but the Supplier was unable to deliver masks up to the quality standard as stated in the Agreement.

On 29 January 2021, Wise Fine issued a writ of summons through its solicitors against the Supplier in the Court of First Instance of the High Court of Hong Kong (the “Court”). Wise Fine as plaintiff stated that the goods delivered by the Supplier under the Agreement failed to meet the agreed quality and/or standards under the Agreement, and claimed against the Supplier of, inter alia, (i) a declaration that the Agreement was lawfully terminated upon the Supplier’s repudiatory breach; (ii) a declaration that the Agreement was lawfully rescinded on the ground of misrepresentation; and (iii) damages, interests and costs of HK\$9,083,000.

On 2 February 2021, Wise Fine received a writ of summons issued in the Court by the solicitors acting for the Supplier as plaintiff against Wise Fine as defendant. As stated in the claim filed against Wise Fine, the Supplier alleged that Wise Fine has breached the Agreement, and claimed against Wise Fine, inter alia, the sum of HK\$9,750,000 plus damages, interests and costs. This allegation was mainly related to Wise Fine not settling a payable balance of the same amount relating to purchase of the Delivered Masks from the Supplier.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

26 CONTINGENT LIABILITIES *(Continued)*

On 18 March 2021, Wise Fine and the Supplier filed a consent summons to the Court for an order that the actions filed by Wise Fine and the Supplier mentioned above to be consolidated and thereafter be carried on as one action. On 19 March 2021, an order was granted for, inter alia, the consolidation of the actions. On 23 March 2021, the consolidated statement of claim was issued in the Court by Wise Fine, demanding, inter alia for lawful termination of the Agreement, damages for breach of contract or misrepresentation and an order that the Supplier indemnify Wise Fine from any and all loss and damage sustained by Wise Fine as a result of the defects in the goods supplied by the Supplier under the Agreement and further interest, costs and other reliefs, amounting to approximately HK\$9,083,000.

On 11 May 2021, Wise Fine received a consolidated defence and counterclaim from the Supplier in response to the consolidated statement of claim made by Wise Fine with claim amounts amounting to approximately HK\$27,186,000, including, among others, the claim on Delivered Masks of HK\$9,750,000 plus further damages, interests, costs and any other further reliefs.

Management believes that the allegations and claims from the Supplier are without merit and not substantiated. Management considers that the quality problems of the masks, as evidenced by certain testing reports prepared by several Hong Kong accredited laboratories, provided strong evidence that Wise Fine will win the court case eventually. Management considers that the Supplier has not fulfilled its obligations in the Agreement which constituted a repudiatory breach of contract. Accordingly, the management is of the view that no additional provision shall necessarily be made for the remaining claim amounts. Should Wise Fine win the case in the end, the trade payables in relation to the Delivered Masks will be derecognised.

The final outcome of the litigation and the actual financial impacts to the consolidated financial statements cannot be estimated with certainty. Nonetheless, should Wise Fine lose the legal case in full, Wise Fine would have to record additional loss from litigation of approximately HK\$17,936,000, being the claim sum submitted by the Supplier for the undelivered committed masks plus legal costs.



OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK\$2.5 cents per Share for the six months ended 30 September 2023 payable on or about Wednesday, 20 December 2023 to the shareholders of the Company (the “Shareholders”) whose names appeared on the Company’s register of members at the close of business on Thursday, 14 December 2023.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appeared on the register of members of our Company on Thursday, 14 December 2023 will be eligible for the interim dividend. The register of members of our Company will be closed from Tuesday, 12 December 2023 to Thursday, 14 December 2023, both days inclusive. In order to qualify for the interim dividend, Shareholders should ensure that all properly completed transfer documents 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 Monday, 11 December 2023.

SHARE OPTION SCHEME

As at 30 September 2023, 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.

OTHER INFORMATION

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

As at 30 September 2023, 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 ^(Note 1)	100,000,000 (long position)	25.0
Mr. Chan Siu Cheung Stephen ("Mr. Stephen Chan")	Interest in a controlled corporation ^(Note 2)	100,000,000 (long position)	25.0
Mr. Chau Wing Kong William ("Mr. William Chau")	Interest in a controlled corporation ^(Note 3)	100,000,000 (long position)	25.0
Ms. Tin Hau Ling Janny ("Ms. Janny Tin")	Interest of spouse ^(Note 4)	100,000,000 (long position)	25.0

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.



OTHER INFORMATION

- Ms. Janny Tin is the spouse of Mr. Andrew Chan. By virtue of the SFO, Ms. Janny Tin was deemed to be interested in the same number of Shares in which Mr. Andrew Chan was deemed to be interested under the SFO.

Save as disclosed above, as at 30 September 2023, 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2023, 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 <i>(Note 1)</i>	100,000,000 (long position)	25.0
SCSC Holdings Limited	Beneficial interest <i>(Note 2)</i>	100,000,000 (long position)	25.0
Ms. Cheung Choi Ngo	Interest of spouse <i>(Note 3)</i>	100,000,000 (long position)	25.0
CCST Investment Limited	Beneficial interest <i>(Note 4)</i>	100,000,000 (long position)	25.0
Ms. Tan Ching Bee	Interest of spouse <i>(Note 5)</i>	100,000,000 (long position)	25.0

OTHER INFORMATION

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 was deemed to be interested in the same number of Shares in which Mr. Stephen Chan was 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 was deemed to be interested in the same number of Shares in which Mr. William Chau was deemed to be interested under the SFO.

Save as disclosed above, as at 30 September 2023, 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 provision 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. During the six months ended 30 September 2023 and 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 six months ended 30 September 2023 and up to the date of this report, the Company has complied with all the code provisions as set out in part 2 of the CG Code, save and except for code provision C.2.1 which states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Chan Kam Chuen Andrew is both our chairman and chief executive officer and is responsible for the overall management of the Group and directing the strategic development and business plans of the Group. The Board believes that vesting the roles of the chairman and chief executive officer in the same individual (that is, Mr. Chan Kam Chuen Andrew) would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans.



OTHER INFORMATION

The Board believes that the balance of power and authority is sufficiently maintained by the operation of the senior management and the Board, which comprises experienced and high calibre individuals. The Board currently comprises four executive Directors (including Mr. Chan Kam Chuen Andrew) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. The Board will nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, in order to maintain a high standard of corporate governance practices of the Company and ensure compliance with the code provisions in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 Director has confirmed that he or she has complied with the standards as set out in the Model Code during the six months ended 30 September 2023 and up 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 six months ended 30 September 2023 and up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2023 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 27 November 2023 and has considered and reviewed the unaudited interim condensed consolidated results and interim condensed consolidated financial statements of the Group and had 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.