Best Mart 360 Holdings Limited
優 品 3 6 0 控 股 有 限 公 司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 2360)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

HIGHLIGHTS

- For the six months ended 30 September 2019, the revenue recorded by the Group amounted to approximately HK$609,857,000, representing an increase of approximately 14.7% as compared to approximately HK$531,492,000 for the six months ended 30 September 2018.

- Profit attributable to owners of the Company for the six months ended 30 September 2019 was approximately HK$13,457,000 (six months ended 30 September 2018: approximately HK$14,317,000), representing a slight decrease of approximately 6.0%.

- Earnings per share attributable to owners of the Company for the six months ended 30 September 2019 was approximately HK1.3 cents.

- The board of Directors recommend the payment of an interim dividend of HK1.5 cents per share for the six months ended 30 September 2019.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Best Mart 360 Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 September 2019, together with the comparative figures for the six months ended 30 September 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

		Six months ended 30 September	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**609,857**	531,492
Cost of sales		**(400,575)**	(352,241)
Gross profit		**209,282**	179,251
Other income and other gains/(losses), net	*6*	**2,161**	(324)
Selling and distribution expenses		**(168,050)**	(134,329)
Administrative and other expenses		**(19,809)**	(24,531)
Operating profit		**23,584**	20,067
Finance costs	*7*	**(7,064)**	(1,358)
Profit before income tax	*8*	**16,520**	18,709
Income tax expenses	*9*	**(3,063)**	(4,392)
Profit and total comprehensive income for the period		**13,457**	14,317
Profit and total comprehensive income attributable to owners of the Company		**13,457**	14,317
Earnings per share attributable to owners of the Company during the period: – Basic and diluted (HK cents)	*11*	**1.3**	1.9

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**249,631**	22,992
Deposits		**41,252**	31,627
Deposits paid for purchase of property, plant and equipment		**1,607**	712
Deferred tax assets		**2,531**	1,312
		295,021	56,643
Current assets			
Inventories		**155,497**	132,839
Trade receivables	*12*	**4,157**	5,419
Deposits, prepayments and other receivables		**37,105**	35,374
Cash and bank balances		**203,968**	277,394
		400,727	451,026
Total assets		**695,748**	507,669
Current liabilities			
Trade payables	*13*	**26,992**	26,955
Accruals, receipts in advance and other payables	*13*	**26,582**	26,391
Bank borrowings		**45,374**	35,859
Lease liabilities		**129,297**	–
Income tax payable		**8,604**	7,361
		236,849	96,566
Net current assets		**163,878**	354,460
Total assets less current liabilities		**458,899**	411,103

	Notes	**30 September 2019** *HK$'000* **(Unaudited)**	31 March 2019 *HK$'000* (Audited)
Non-current liabilities			
Accruals and other payables	*13*	**2,184**	3,605
Bank borrowings		**32,116**	37,916
Lease liabilities		**101,560**	–
		135,860	41,521
Net assets		**323,039**	369,582
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**10,000**	10,000
Reserves		**313,039**	359,582
Total equity		**323,039**	369,582

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. GENERAL

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

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

In the opinion of the directors, the immediate and ultimate holding company is Long Ease Holdings Limited, a company incorporated in the British Virgin Islands.

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 January 2019.

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). These unaudited interim condensed consolidated financial statements were authorised for issue on 27 November 2019.

These unaudited interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2018/2019 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2019. This is the first set of the Group's financial statements in which Hong Kong Financial Reporting Standard 16 Leases ("HKFRS 16") has been adopted. Details of any changes in accounting policies are set out in note 3. Except for the adoption of HKFRS 16, the adoption of the new and revised HKFRSs have no material effect on these unaudited interim condensed consolidated financial statements. The Group has not early adopted any new and revised HKFRSs that has been issued but not yet effective in the current accounting period.

The preparation of these unaudited interim condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements were largely the same as those applied to 2018/2019 annual financial statements.

These unaudited interim condensed consolidated financial statements are presented in Hong Kong Dollars ("HK$"), unless otherwise stated. These interim condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018/2019 annual financial statements. These unaudited interim condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") and should be read in conjunction with the 2018/2019 consolidated financial statements.

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

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9, Prepayment Features and Negative Compensation
- Amendments to HKAS 19, Plan Amendment, Curtailment or Settlement
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to HKFRS 3, HKFRS 16, HKAS 12 and HKAS 23 included in Annual Improvements to HKFRSs 2015-2017 Cycle

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 April 2019 did not have any significant impact on the Group's accounting policies.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on condensed consolidated statement of financial position as of 31 March 2019 to that of 1 April 2019 as follows:

Condensed consolidated statement of financial position as at 1 April 2019

	HK$'000
Right-of-use assets presented in property, plant and equipment	156,474
Leasehold improvements presented in property, plant and equipment	(1,089)
Accruals and other payables (non-current)	(1,463)
Accruals, receipts in advance and other payables (current)	(1,241)
Lease liabilities (non-current)	83,046
Lease liabilities (current)	75,043

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the condensed consolidated statement of financial position as at 1 April 2019:

Reconciliation of operating lease commitments to lease liabilities

	HK$'000
Operating lease commitments as of 31 March 2019	**182,742**
Less: short term leases for which lease terms end within 31 March 2020	**(19,020)**
Less: future interest expenses	**(5,633)**
Total lease liabilities as of 1 April 2019	**158,089**

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the condensed consolidated statement of financial position as at 1 April 2019 is 3.44%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Transition

The Group has recognised the lease liabilities at the date of 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019.

The Group has elected to recognise all the right-of-use assets at 1 April 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 April 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 April 2019) and accounted for those leases as short-term leases; and (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 April 2019.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

4. SEGMENT INFORMATION

During the period ended 30 September 2019, the Group operates one reportable and operating segment which is the retailing of food and beverage, household and personal care products under the "Best Mart 360° (優品360°)" brand stores in Hong Kong. The Group determines its operating segment based on information reported to executive directors of the Company who are also the chief operating decision-makers that are used to make strategic decisions. Accordingly, the Group does not present separately segment information. In addition, all of the Group's revenue is generated in Hong Kong and all of the non-current assets are located in Hong Kong.

Information about major customers

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's total revenue for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil), no information about major customers in accordance with HKFRS 8 Operating Segments is presented.

5. REVENUE

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

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

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from		
Retailing sales	**612,357**	533,054
Less: Sales discounts	**(2,500)**	(1,562)
	609,857	531,492

6. OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income from bank deposits	**2,230**	25
Losses on written-off/disposal of property, plant and equipment, net	**(419)**	(351)
Promotion income	**195**	–
Others	**155**	2
	2,161	(324)

7. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expenses on bank overdrafts and borrowings	**1,031**	1,358
Interest expenses on lease liabilities	**6,033**	–
	7,064	1,358

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Directors' emoluments	**738**	180
Staff costs:		
– Wages, salaries and other benefits	**62,778**	50,838
– Contributions to defined contribution pension plans	**2,758**	2,102
Depreciation of property, plant and equipment	**55,035**	5,319
Exchange differences, net	**271**	1,243
Listing expenses	**–**	7,391
Cost of inventories recognised as expenses	**400,575**	352,241
Written-off of inventories	**979**	1,655
Service expenses for using the operating facilities of warehouse	**6,990**	5,850
Operating lease payments in respect of retail stores and office		
– Short-term lease expenses	**17,510**	–
– Minimum lease payments	**–**	52,475
– Contingent rents	**2,657**	1,954
	20,167	54,429

9. INCOME TAX EXPENSES

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

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax		
Tax for the year	**4,282**	4,608
Over-provision in respect of prior year	**–**	(56)
	4,282	4,552
Deferred income tax	**(1,219)**	(160)
Income tax expenses	**3,063**	4,392

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is not subject to income tax in the Cayman Islands.

Hong Kong profits tax has been provided at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million for the six months ended 30 September 2019 and 2018.

10. DIVIDENDS

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

On 27 November 2019, the Board has resolved to pay an interim dividend of HK1.5 cents per share, amounting to a total dividend of HK$15,000,000, in respect of the six months ended 30 September 2019 (for the six months ended 30 September 2018: Nil). This interim dividend has not been recognised as a liability in this unaudited interim condensed consolidated financial statements.

11. EARNINGS PER SHARE

The basic earnings per share attributable to owners of the Company for the period is calculated based on the profit attributable to owners of the Company of HK$13,457,000 (six months ended 30 September 2018: HK$14,317,000), and the weighted average number of ordinary shares of 1,000,000,000 in issue (six months ended 30 September 2018: 750,000,000 shares of the Company in issue, which represents the number of shares of the Company immediately after the reorganisation and the capitalisation issue as if these shares issued under the reorganisation had been issued on 1 April 2018 but excluding any shares issued pursuant to the share offer). The Company did not have any potential dilutive shares for the six months ended 30 September 2019 and 2018. Accordingly, the diluted earnings per share are the same as the basic earnings per share.

12. TRADE RECEIVABLES

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**4,157**	5,419

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

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

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0-30 days	**4,145**	5,414
31-60 days	**10**	2
61-90 days	**2**	1
Over 90 days	**–**	2
	4,157	5,419

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

(a) Trade payables

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

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0-30 days	**26,105**	18,933
31-60 days	**608**	6,506
61-90 days	**–**	1,150
Over 90 days	**279**	366
	26,992	26,955

(b) Accruals, receipts in advance and other payables

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current:		
Accruals for employee benefit expenses	**16,383**	15,332
Accruals for rental expenses	**1,950**	5,880
Accruals for logistic expenses	**4,709**	2,412
Contract liabilities in relation to customer loyalty programme	**929**	433
Accruals for operating and other expenses	**1,888**	1,460
Accruals for property, plant and equipment	**68**	76
Contract liabilities in relation to cash coupon	**28**	33
Provision for reinstatement costs	**627**	765
	26,582	26,391
Non-current:		
Provision for reinstatement costs	**2,184**	1,865
Accruals for rental expenses	**–**	1,740
	2,184	3,605

14. SHARE CAPITAL

	Number	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 March 2019 and 30 September 2019	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 31 March 2019 and 30 September 2019	1,000,000,000	10,000

15. COMMITMENTS

(a) Capital commitments

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Commitments for acquisition of property, plant and equipment	**368**	412

(b) Other commitments

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Service expenses for using the operating facilities of warehouse:		
Not later than one year	**11,363**	11,363
Later than one year and not later than five years	**2,856**	8,537
	14,219	19,900

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

Sailing in the headwind, the Group recorded a growth of approximately 14.7% in revenue for the six months ended 30 September 2019 as compared to the corresponding period of last year despite an overall deterioration of the Hong Kong economy under the midst of global macroeconomic uncertainties triggered by US-China trade tensions and sharp decline of private consumption expenditure due to the outburst of domestic upheaval in Hong Kong in June 2019. During the period under review, profit attributable to owners of the Company recorded a slight decrease of approximately 6.0% as compared to the corresponding period of last year which was mainly attributable to certain adverse impact on the normal business operation of the retail stores of the Group caused by the recent social movement in Hong Kong commenced in June 2019, and the decrease in number of tourists visiting and shopping in Hong Kong since the outburst of the social movement.

According to the provisional statistics for the figures on retail sales released by The Census and Statistic Department of Hong Kong, the provisional estimated monthly value of total retail sales during the period between April 2019 and September 2019 consecutively recorded decreases as compared with the same months in 2018 and such decreases started to intensify with two digit monthly percentage decreases since July 2019 when the social movement in Hong Kong further dampened consumer sentiment and inbound tourists shopping activities in Hong Kong. The downtrend of value of total retail sales continued and the provisional estimated value of total retail sales reached a drawback of 20.4% in September 2019 as compared with the same month in 2018. Based on the monthly visitor arrival statistics released by The Hong Kong Tourist Board during the period between April 2019 and September 2019, the arrival visitors of Hong Kong recorded respective increase of 5.2%, 19.5% and 8.5% in April, May and June 2019 as compared with the same month in 2018 and such figures commenced to drop since July 2019 up to September 2019 by reporting continuous decreases of 4.8%, 39.1% and 34.2% as compared with the same month in 2018 respectively. Amongst which, the percentage decreases of the Mainland China visitors during the period between July 2019 and September 2019 exceeded the percentage decrease of total visitors in such period and recorded 5.5%, 42.3% and 35% as compared with those of the same months in 2018. Being directly influenced by the economic and social environment under the social upheaval, the rising momentum of the business and financial performance of the Group in the first three months of the period under review retreated during the last three months of the period under review.

The sluggish domestic demand, the notable drop of arrival tourists' consumption expenditure and the effects of the social movement on the normal operation of the Group (including the attacks on the Group's retail stores by the protesters) were the principal factors that heavily struck the expansion plan and business performance of the Group in Hong Kong during the period under review. Hence, the management is of the view that the business potential and gravity of the Group had not been fully and genuinely activated and released during the period under review.

For the six months ended 30 September 2019, the revenue recorded by the Group amounted to approximately HK$609,857,000, representing an increase of approximately 14.7% as compared to approximately HK$531,492,000 for the six months ended 30 September 2018. Sales to walk-in customers from the general public remained the major source of income of the Group which accounted to approximately 99.9% of the revenue of the Group for the period under review while bulk-sales to certain bulk-purchase customers, such as corporate customers and trading companies in the industry accounted to approximately 0.1% of the revenue of the Group for the period under review. The increase in revenue was mainly attributable to the increase in the number of retail stores from 77 as at 30 September 2018 to 98 as at 30 September 2019 based on the Group's expansion plan of retails stores in Hong Kong.

Gross profit of the Group for the six months ended 30 September 2019 was approximately HK$209,282,000, while gross profit of the Group for the six months ended 30 September 2018 was approximately HK$179,251,000. Profit attributable to owners of the Company for the six months ended 30 September 2019 was approximately HK$13,457,000 (six months ended 30 September 2018: approximately HK$14,317,000), representing a slight decrease of approximately 6.0%. The decrease in profit attributable to owners of the Company was mainly attributable to the outburst of social movement in Hong Kong. However, netting off the incurrence of the one-off non-recurring listing expenses of approximately HK$7,391,000 for the six months ended 30 September 2018 which did not occur for the six months ended 30 September 2019, the profit attributable to owners of the Company for the six months ended 30 September 2018 would be approximately HK$21,708,000 and netting off the interest expenses on lease liabilities of approximately HK$6,033,000 incurred pursuant to the adoption of new Hong Kong Financial Reporting Standard ("HKFRS") 16 "Leases" on 1 April 2019 by the Group and the professional fees incurred incidental to the maintenance of listed status of the Company of approximately HK$2,113,000, the profit attributable to owners of the Company for the six months ended 30 September 2019 would be approximately HK$21,603,000. By comparing such figures, the percentage drawback of profit attributable to owners of the Company for the six months ended 30 September 2019 would be approximately 0.5% as compared with that for the six months ended 30 September 2018.

Chain Retail Stores

As at 30 September 2019, the Group operated a total of 98 chain retail stores in Hong Kong (as at 30 September 2018: 77). During the six months ended 30 September 2019, the Group opened 14 new stores and closed 5 retail stores mainly due to consolidation of business of stores in proximity or upon expiration of lease term. As at 30 September 2019, the 98 retail stores of the Group consisting of 18 retail stores located in Hong Kong Island, 36 retail stores located in Kowloon and 44 retail stores located in New Territories. Amongst which 36 retail stores were situated at street-level, 55 retail stores were situated at shopping arcades of community or residential districts and seven retail stores were situated at various traffic hubs that are easily accessible by tourists, which spanned over all of the 18 districts in Hong Kong. Rental expenses (on cash basis) for retail stores was approximately HK$77,179,000 for the six months ended 30 September 2019, representing an increase of approximately 29.2% as compared with approximately HK$59,739,000 for the six months ended 30 September 2018 principally due to the increase in number of retail stores. The typical saleable area of the Group's retail stores is in the range of approximately 501 square feet to 3,070 square feet. The average monthly rental for the six months ended 30 September 2019 was approximately HK$126.8 per square feet, representing an increase of approximately 2.0% when compared with approximately HK$124.3 per square feet for the six months ended 30 September 2018. The percentage of rental expenses of retail stores to sales revenue for the six months ended 30 September 2019 was approximately 12.7%, which was slightly higher than that of approximately 11.2% for the six months ended 30 September 2018.

Following the recent outburst of social movement in Hong Kong, the Group received certain offer for short term rental reductions generally from approximately 3% to approximately 30% for periods ranging from one month to six months from certain landlords of retail stores in response to the deterioration in the overall business environment in Hong Kong.

Employees

The number of employees of the Group increased from totally 624 employees, which, excluding two Directors, comprised of 482 full-time employees and 140 part-time employees as at 30 September 2018 to totally 816 employees, which excluding five Directors, comprised of 587 full-time employees and 224 part-time employees as at 30 September 2019. The staff costs (excluding Directors' emoluments) for the six months ended 30 September 2019 was approximately HK$65,536,000 (for the six months ended 30 September 2018: approximately HK$52,940,000), representing an increase of approximately 23.8% from that of the six months ended 30 September 2018. The staff costs (excluding the Directors' emoluments) for the six months ended 30 September 2019 represented approximately 10.7% of the revenue of the Group in the period under review while the staff costs (excluding the Directors' emoluments) for the six months ended 30 September 2018 represented approximately 10.0% of the revenue of the Group in the corresponding period. The increase in number of employees and staff costs was in line with the expansion of the Group's retail network in Hong Kong.

The Products

For the six months ended 30 September 2019, the Group continued its global procurement policy and mission by sourcing broad spectrum of products worldwide that meet and satisfy the market trend and demand. To increase the product competitiveness and to better cater the daily necessities of the local community, the Group had slightly adjusted its product structure during the period under review that, on one hand, strengthened the focus on the supply of popular products and eliminated certain relatively underperforming products from shelves and on the other hand, introduced additional high quality staple food and convenience food, such as breakfast cereals and canned food that better suits the daily needs of consumers of local community.

As a result of the product optimization process, the number of SKUs of products offered by the Group was reduced to 2,837 SKUs as at 30 September 2019 (as at 31 March 2019: 3,261 SKUs). The management is of the view that the product optimization measure will effectively control the risk of piling up obsolete stock which will appropriately combat the rather negative retail sentiment in the social turmoil.

As at 30 September 2019, the total inventories of the Group amounted to approximately HK$155,497,000, representing an increase of approximately 17.1% from the total inventories of the Group of approximately HK$132,839,000 as at 31 March 2019. The increase in total inventories of the Group was mainly due to (i) the increase in the number of retail stores during the period under review resulting in the increases in both in-store inventories and inventories in warehouses; and (ii) the slight increase of overstock ordered and delivered before the outburst of social movement in Hong Kong that was unvendible as scheduled due to the social movement.

Besides, the Group continued to actively pursue the development of private label products during the period under review that on one hand allows the Group to capture advantages of pricing and exercise higher level of quality control on its products and on the other hand further uplifts its brand awareness and customers' loyalty. For the six months ended 30 September 2019, sales derived from private label products was approximately HK$17,339,000 (for the six months ended 30 September 2018: approximately HK$1,517,000), representing approximately 2.8% of the revenue of the Group for the period under review (for the six months ended 30 September 2018: approximately 0.3%). During the period under review, the Group had launched 21 private label products. As at the date of this announcement, the Group has totally launched 29 private label products, including wet tissues, chestnuts, canned abalone, different kind of dried fruits, aloe gel, pork jerky and various kind of mixed nuts.

During the period under review, gross profit margin of the Group was approximately 34.3%, representing an increase of approximately 0.6 percentage points as compared with approximately 33.7% for the six months ended 30 September 2018. The Group's gross profit margin hovered at a level similar to that of the same period in 2018 which was an attainment of effective control on sourcing costs of the Group's products despite the overall economic environment deteriorated in the period under review.

OTHER BUSINESS PROGRESS

To pursue the Group's long-term development plan in "New Retail Era" which is characterized by the widespread use of technologies during the period under review, the Group opened its first WeChat Pay Smart Store at New Mandarin Plaza, Tsimshatsui East ("WeChat Pay Smart Store"), which was the first WeChat Pay Smart retail store for souvenir in Hong Kong authorized and recognized by Tenpay Payment Technology Co. Ltd. (財付通支付科技有限公司), an indirect wholly-owned subsidiary of Tencent Holdings Limited and launched two WeChat Mini Programs by the Group, i.e. "優品掃碼購" (Best Mart Scan & Go), which integrated WeChat Mini Program as payment mechanism and turn customers' mobile devices (such as smart phones and tablet computers) into virtual checkout counters, and "優品卡" (Best Mart Card), a Mini Program which provides e-gift cards services to WeChat customers. Further, CIAO International Limited ("CIAO"), a wholly-owned subsidiary of the Company, entered into the "WeChat Pay Partner Program Agreement" ("Partner Program Agreement") in July 2019 with Tenpay, pursuant to which CIAO will integrate WeChat Pay services in all of the Group's retail stores in Hong Kong and promote WeChat Pay to its customers, while Tenpay will provide integrated supports to CIAO in marketing activities, "Moments" advertisement, promotion in overseas mini programs (platform for traffic increase). Details for the opening of the WeChat Pay Smart Store and the launch of the WeChat Mini Programs had been disclosed in an announcement of the Company dated 11 June 2019, while details of the Partner Program Agreement had been disclosed in an announcement of the Company dated 16 July 2019. Pursuant to the Partner Program Agreement, promotional activities on coupon redemption sponsored by Tenpay had been extended to WeChat Pay users for the period between June and August 2019. Notwithstanding that the digitalization process of the Group's retail operation had not achieved remarkable accomplishment as expected during the period under review due to the volatile and unfavorable retail sentiment in social upheaval, the management believes that digitalization in retail business will be the general trend of the sector in the future and the continuous drive on digitalized business will diversify the customers' coverage of the Group and will uplift the Group's competitiveness in the retail sector in the long run.

To activate the Group's outbound expansion, the Group has established a wholly-owned subsidiary, namely, Best Mart 360 Macau Limited (優品360澳門有限公司) ("Best Mart Macau") in The Macau Special Administrative Region, the People's Republic of China ("Macau") in June 2019 and had actively commissioned the process of opening the Group's first retail store in Macau during the period under review. It is expected that the Group's first retail store in Macau will be opened in December 2019.

OUTLOOK

Given the Hong Kong's economic environment has become lacklustre due to both internal and external factors, the retail business environment in Hong Kong is expected to remain highly challenging and uncertain in the near future. Compounded by the ongoing and undermining social movement, the prospect of the retail sector in Hong Kong is unpredictable and, to a substantial extent, uncontrollable which the Group's business in Hong Kong is also passively and enormously affected. As reported by the Office of the Government Economist Financial Secretary's Office of the Hong Kong Government in the Third Quarter Economic Report 2019, the gross domestic product ("GDP") for the third quarter of 2019 decreased by 2.9% in real terms from a year earlier, compared with the increase of 0.4% in the second quarter of 2019. Private consumption expenditure in the third quarter of 2019 weakened sharply, falling by 3.4% in real terms after expanding modestly by 1.3% in the second quarter of 2019. Amongst which, consumer spending on food recorded a drop of 12.1% in the third quarter of 2019. According to the quarterly Hong Kong Macroeconomic Forecast released by the APEC Studies Programme of the Hong Kong Institute of Economics and Business Strategy at the University of Hong Kong in October 2019, real GDP of Hong Kong in the fourth quarter of 2019 is expected to fall by 0.9% when compared with the same period of last year, and it is forecasted that there will be a zero growth in GDP of Hong Kong in 2019 as a whole. The combined effects of weak global economy attributable by the prolonged US-China trade tension and the domestic political crisis in Hong Kong are the principal factors that plunged Hong Kong into technical economic recession.

Facing such challenging economic environment ahead, the Group will approach the second half of the financial year ending 31 March 2020 with caution and closely monitor the latest developments in the economic environment and the business environment in order to be able to respond quickly and minimise any unfavourable impacts on the Group's business. To cope with the difficult time, the Group will strive to reinforce its core competitiveness in Hong Kong market by optimizing its product structure to suit the market needs and demand in unstable economic environment. Further, the Group is prepared to escalate the pace of outbound investment that the management believes could batter the precarious business condition in Hong Kong if social tension in Hong Kong continues and could be a catalyst for the Group's new growth momentum as the outbound investment will expand the Group's market coverage and customers' network that will be constructive and supportive to the revenue growth of the Group in long term. To this end, the Group had commenced the feasibility study on opening retail business in the Mainland China and is in the process of establishing business entity to actualize the development plan in the Mainland China. Barring unforeseen circumstances, it is expected that the Group's first retail store in the Mainland China will be opened in the forthcoming financial year. Furthermore, the Group will actively extend its retail network in Macau.

Lastly, the management wishes to express sincere appreciation to all staffs of the Group that stand fast at their posts in the crucial and challenging moment. The management is committed to overcome any impending difficulties and to proactively seek suitable business opportunities with perseverance and courage under the supports of staffs so as to maintain sustainable growth of the Group and to present satisfactory results and bring favourable returns to its shareholders.

FINANCIAL REVIEW

Revenue

For the six months ended 30 September 2019, the revenue recorded by the Group amounted to approximately HK$609,857,000, representing an increase of approximately 14.7% as compared to approximately HK$531,492,000 for the six months ended 30 September 2018. The increase in revenue was mainly attributable to the increase in the number of retail stores from 77 as at 30 September 2018 to 98 as at 30 September 2019 based on the Group's expansion plan of retail stores in Hong Kong.

Profit attributable to Owners of the Company

Gross profit of the Group for the six months ended 30 September 2019 was approximately HK$209,282,000, while gross profit of the Group for the six months ended 30 September 2018 was approximately HK$179,251,000. Profit attributable to owners of the Company for the six months ended 30 September 2019 amounted to approximately HK$13,457,000, representing a slight decrease of approximately 6.0% from approximately HK$14,317,000 for the six months ended 30 September 2018. The decrease in profit attributable to owners of the Company was mainly attributable to the outburst of social movement in Hong Kong. However, netting off the incurrence of the one-off non-recurring listing expenses of approximately HK$7,391,000 in the six months ended 30 September 2018 which did not occur for the six months ended 30 September 2019, the profit attributable to owners of the Company for the six months ended 30 September 2018 would be approximately HK$21,708,000 and netting off the interest expenses on lease liabilities of approximately HK$6,033,000 incurred pursuant to the adoption of new Hong Kong Financial Reporting Standard ("HKFRS") 16 "Leases" on 1 April 2019 by the Group and the professional fees incurred incidental to the maintenance of listed status of the Company of approximately HK$2,113,000, the profit attributable to owners of the Company for the six months ended 30 September 2019 would be approximately HK$21,603,000. By comparing such figures, the percentage drawback of profit attributable to owners of the Company for the six months ended 30 September 2019 would be approximately 0.5% as compared with that for the six months ended 30 September 2018.

Cost of Sales

For the six months ended 30 September 2019, the cost of sales of the Group was approximately HK$400,575,000 representing an increase of approximately 13.7% as compared to approximately HK$352,241,000 for the six months ended 30 September 2018. The increase in cost of sales of the Group was generally in line with the increase in revenue for the six months ended 30 September 2019 and the opening of additional new retail stores in Hong Kong.

Gross Profit and Gross Profit Margin

For the six months ended 30 September 2019, the gross profit of the Group was approximately HK$209,282,000, representing an increase of approximately 16.8% from approximately HK$179,251,000 for the six months ended 30 September 2018, while the gross profit margin for the six months ended 30 September 2019 was approximately 34.3%, representing an increase of approximately 0.6 percentage points from approximately 33.7% for the six months ended 30 September 2018. The Group's gross profit margin hovered at a level similar to that of the same period in 2018 which was an attainment of effective control on sourcing costs of the Group's products despite the overall economic environment deteriorated in the period under review.

Other Income and other gains/losses, net

For the six months ended 30 September 2019, other income and other gains/losses, net of the Group recorded an income of approximately HK$2,161,000, while the other income and other gains/losses, net of the Group for the six months ended 30 September 2018 recorded a loss of approximately HK$324,000. The increase in other income was mainly attributable to (i) increase in interest income from bank deposits and (ii) increase in promotion income paid by the Group's suppliers to promote their products in the Group's retail stores.

Selling and Distribution Expenses

For the six months ended 30 September 2019, selling and distribution expenses of the Group amounted to approximately HK$168,050,000, representing an increase of approximately 25.1% from approximately HK$134,329,000 for the six months ended 30 September 2018. The increase in selling and distribution expenses during the period under review was mainly due to (i) the increase in salaries and wages for front-line staff of the retail stores as a result of hiring more staff for retail stores due to the increase in the number of retail stores; (ii) the increase in logistic fees due to the increase in number of retail stores; and (iii) the increase of rental expenses due to the increase in the number of retail stores.

The new HKFRS 16 "Leases" was adopted by the Group with effect from 1 April 2019. HKFRS 16 "Leases" changes the accounting method for the Group's operating leases including all leased retail stores and offices with lease period of over one year. Before the adoption of this new accounting standard, all lease-related costs were charged to selling and distribution expenses. With the adoption of HKFRS 16 "Leases", leases with lease period of over one year are recognized as right-of-use assets which amounted to approximately HK$223.6 million and lease liabilities amounted to approximately HK$230.9 million in the consolidated balance sheet as at 30 September 2019. Depreciation of right-of-use assets and interest expenses on lease liabilities are being charged to selling and distribution expenses and finance costs respectively. The new accounting treatment of the leases resulted in an additional charge before tax of approximately HK$6,484,000 for the period under review as compared with the rental expenses under the old standard. The Group has applied HKFRS 16 using the cumulative effect approach and does not restate the comparative figures presented in 2018 which were continued to be reported under HKAS 17.

Administrative and Other Expenses

For the six months ended 30 September 2019, administrative and other expenses of the Group amounted to approximately HK$19,809,000, representing a decrease of approximately 19.2% from approximately HK$24,531,000 for the six months ended 30 September 2018. The decrease in administrative and other expenses of approximately HK$4,722,000 was mainly a shortfall of the balance between the one-off non-recurring listing expenses of approximately HK$7,391,000 for the six months ended 30 September 2018 which did not occur for the six months ended 30 September 2019 and the professional fees of approximately HK$2,113,000 incurred incidental to the listed status of the Company for the six months ended 30 September 2019.

Finance Costs

Finance costs of the Group for the six months ended 30 September 2019 amounted to approximately HK$7,064,000, representing an increase of approximately 420.2% from approximately HK$1,358,000 for the six months ended 30 September 2018. The increase in finance costs was mainly attributable to the interest expenses on lease liabilities amounting approximately HK$6,033,000 resulted from the adoption of the HKFRS 16 "Leases".

Income Tax Expenses

The income tax expenses of the Group decreased from approximately HK$4,392,000 for the six months ended 30 September 2018 to approximately HK$3,063,000 for the six months ended 30 September 2019, representing a decrease of approximately 30.3% mainly due to the recognition of deferred tax credit for the temporary difference due to the adoption of HKFRS 16 "Leases".

Financial Position, Liquidity and Financial Resources

As at 30 September 2019, the Group's total cash and bank balances (including cash and cash equivalents and restricted bank deposits) were approximately HK$203,968,000 (as at 31 March 2019: HK$277,394,000), representing a decrease of approximately HK$73,426,000 which was mainly due to the payment of final dividend totally amounting to HK$60,000,000 for the year ended 31 March 2019 ("Final Dividend") in August 2019. The current ratio (calculated by current assets divided by current liabilities) of the Group decreased from approximately 4.7 times as at 31 March 2019 to approximately 1.7 times as at 30 September 2019 mainly due to the inclusion of lease liabilities of approximately HK$129,297,000 in current liabilities as at 30 September 2019 (as at 31 March 2019: nil) pursuant to the adoption of HKFRS 16 on 1 April 2019.

The gearing ratio of the Group as at 30 September 2019 was approximately 24.0% as compared to that of approximately 20.0% as at 31 March 2019, which was calculated by the total debts divided by the total equity at the end of the respective financial period and multiplied by 100%. The total debts of the Group refer to bank borrowings. The increase in gearing ratio was mainly due to the increase of bank borrowings of approximately HK$3,715,000 during the period under review and the decrease of total equity after the payment of the Final Dividend.

As at 30 September 2019, the Group has total bank borrowings of approximately HK$77,490,000, representing an increase of approximately 5.0% as compared with approximately HK$73,775,000 as at 31 March 2019. The total unutilised banking facility extended by commercial banks as at 30 September 2019 amounted to approximately HK$179,750,000. The carrying amounts of the Group's borrowings are denominated in Hong Kong dollars, secured and approximate to their fair value.

The overview of the Group's cash flow for the six months ended 30 September 2019 and 30 September 2018 respectively are set out as follows:

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Net cash generated from/(used in) operating activities	**42,730**	(5,801)
Net cash used in investing activities	**(19,251)**	(9,108)
Net cash (used in)/generated from financing activities	**(106,952)**	9,972
Net decrease in cash and cash equivalents	**(83,473)**	(4,937)

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

Capital Structure

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

Capital Commitments

Details of the capital commitments are set out in note 15 to the unaudited interim condensed consolidated financial statements for the six months ended 30 September 2019 of the Group.

Pledge of Assets

As at 30 September 2019, the Group's banking facilities were granted to the operating subsidiary of the Group and were secured by (i) bank deposits of approximately HK$5,162,000 (as at 31 March 2019: approximately HK$5,115,000); and (ii) unlimited guarantees from the Company and the operating subsidiary of the Group.

Foreign Currency Risk

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

Treasury Policies

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

USE OF PROCEEDS FROM THE SHARE OFFER

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

As at 30 September 2019, approximately HK$56.0 million (representing approximately 26.2% of the net proceeds from the Share Offer) had been utilised for the intended purposes as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus of the Company dated 28 December 2018 (the "Prospectus"). Set out below is the breakdown of the use of the net proceeds from the Share Offer up to 30 September 2019:

	Amount of proceeds allocated approximately *HK$'million* *(Note)*	Amount of proceeds used up to 30 September 2019 approximately *HK$'million*	Unutilised amount of proceeds up to 30 September 2019 approximately *HK$'million*
Specific use of net proceeds from the Share Offer			
(A) Opening of new retail stores	142.1	39.1	103.0
(B) Intensifying and broadening marketing efforts	28.9	3.5	25.4
(C) Upgrading information technology systems	21.6	2.9	18.7
(D) General working capital	21.1	10.5	10.6

Note: The net proceeds allocated for each specific use have been adjusted proportionally in the manner as stated in the Prospectus due to the difference between the estimated net proceeds and the actual net proceeds received.

As at 30 September 2019, approximately HK$157.7 million (representing approximately 73.8% of the net proceeds from the Share Offer) had not yet been utilized. To facilitate and expedite the Group's new business development, including the outbound investment in the Mainland China and Macau, the Directors are evaluating and formulating plan on financial resources of the Group for actualizing the new business development. In the event that the Directors consider it necessary to change the use of net proceeds from the Share Offer to support and realize any new business development, the Company will make an announcement in accordance with the relevant requirements of the Listing Rules as and when appropriate.

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

EMPLOYEES AND REMUNERATION POLICIES

Following the increase of number of retail stores in Hong Kong, the number of employees of the Group increased from totally 624 employees, which, excluding two Directors, comprised of 482 full-time employees and 140 part-time employees as at 30 September 2018 to totally 816 employees, which, excluding five Directors, comprised of 587 full-time employees and 224 part-time employees as at 30 September 2019. The staff costs, excluding Directors' emoluments, of the Group for the six months ended 30 September 2019 was approximately HK$65,536,000 (six months ended 30 September 2018: approximately HK$52,940,000).

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

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

MATERIAL INVESTMENTS

For the six months ended 30 September 2019, the Group did not have any material investments.

MATERIAL ACQUISITIONS AND DISPOSALS

For the six months ended 30 September 2019, the Group did not have any material acquisitions or disposals.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have other plans for material investments and capital assets as at 30 September 2019.

CONTINGENT LIABILITIES

Save as disclosed in this announcement, the Group did not have any significant contingent liabilities as at 30 September 2019.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK1.5 cents per share for the six months ended 30 September 2019. The interim dividend is expected to be paid on or around Monday, 30 December 2019 to the Shareholders whose names appear on the register of members of the Company on Monday, 16 December 2019.

To ascertain shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from Thursday, 12 December 2019 to Monday, 16 December 2019 (both days inclusive) during which no transfer of shares will be effected. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 11 December 2019.

EVENT AFTER THE END OF THE REPORTING PERIOD

Due to the aggravated social tension and protestors' attacks since October 2019, the normal business operation was materially hindered and frustrated which will inevitably affect the financial performance of the Group.

As at the date of this announcement, a total of 75 retail stores of the Group suffered from attacks and damages of different degree in the recent social movement in Hong Kong. The Group is discussing and handling with its insurance company the relevant compensation packages. In the event that its insurance company refuses to compensate or inadequately compensates its claims, the Group may be required to bear the corresponding economic losses.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 September 2019 and up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct governing the securities transactions by the Directors. Following a specific enquiry made by the Company on the Directors, all Directors have confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 September 2019 and up to the date of this announcement.

CORPORATE GOVERNANCE

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

During the six months ended 30 September 2019 and up to the date of this announcement, the Company has adopted and complied with all applicable code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules.

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

REVIEW OF UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Group's unaudited interim condensed consolidated financial statements for the six months ended 30 September 2019 had been reviewed by the audit committee, which was of the opinion that the preparation of such unaudited interim condensed consolidated financial statements complied with the applicable accounting standards and requirements and that adequate disclosures were made. In addition, the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 September 2019 had been reviewed by BDO Limited, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement of the Company is published on the respective websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.bestmart360.com). The interim report for the six months ended 30 September 2019 will be available on the above websites and despatched to Shareholders in due course.

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

Hong Kong, 27 November 2019

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