Best Mart 360 Holdings Limited
優品360控股有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 2360)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

HIGHLIGHTS

- For the year ended 31 March 2020, the revenue recorded by the Group amounted to approximately HK$1,230,437,000, representing a decrease of approximately 4.5% as compared to approximately HK$1,288,479,000 for the year ended 31 March 2019.

- Profit attributable to owners of the Company for the year ended 31 March 2020 was approximately HK$12,100,000 (2019: approximately HK$59,728,000), representing a decrease of approximately 79.7%.

- Earnings per share attributable to owners of the Company for the year ended 31 March 2020 was approximately HK1.2 cents (2019: HK7.4 cents).

- The board of Directors does not recommend the payment of final dividend for the year ended 31 March 2020 (2019: HK6.0 cents per share).

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Best Mart 360 Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2020, together with the comparative figures for the year ended 31 March 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Revenue	*5*	**1,230,437**	1,288,479
Cost of sales		**(818,945)**	(854,039)
Gross profit		**411,492**	434,440
Other income and other gains/(losses), net	*6*	**5,301**	(104)
Selling and distribution expenses		**(347,906)**	(298,030)
Administrative and other expenses		**(43,513)**	(57,486)
Operating profit		**25,374**	78,820
Finance costs	*7*	**(11,061)**	(3,405)
Profit before income tax	*8*	**14,313**	75,415
Income tax expenses	*9*	**(2,213)**	(15,687)
Profit and total comprehensive income for the year		**12,100**	59,728
Profit and total comprehensive income attributable to owners of the Company		**12,100**	59,728
Earnings per share attributable to owners of the Company: – Basic and diluted (HK cents)	*11*	**1.2**	7.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**242,717**	22,992
Deposits		**39,683**	31,627
Deposits paid for purchase of property, plant and equipment		**800**	712
Deferred tax assets		**1,496**	1,312
		284,696	56,643
Current assets			
Inventories		**135,755**	132,839
Trade receivables	*12*	**2,488**	5,419
Deposits, prepayments and other receivables		**41,450**	35,374
Income tax recoverable		**9,529**	–
Cash and bank balances		**215,911**	277,394
		405,133	451,026
Total assets		**689,829**	507,669
Current liabilities			
Trade payables	*13*	**31,031**	26,955
Accruals and other payables	*13*	**23,563**	26,391
Bank borrowings		**79,242**	35,859
Lease liabilities		**119,026**	–
Income tax payable		**–**	7,361
		252,862	96,566
Net current assets		**152,271**	354,460
Total assets less current liabilities		**436,967**	411,103

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Accruals and other payables	*13*	**2,229**	3,605
Bank borrowings		**20,300**	37,916
Lease liabilities		**107,756**	–
		130,285	41,521
Net assets		**306,682**	369,582
EQUITY			
Equity attributable to owners of the Company			
Share capital		**10,000**	10,000
Reserves		**296,682**	359,582
Total equity		**306,682**	369,582

NOTES

For the year ended 31 March 2020

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 and The Macau Special Administrative Region ("Macau").

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 April 2019

The Hong Kong Institute of Certified Public Accountants ("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 ("HKFRS 16") have been summarised 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 2019 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 consolidated statement of financial position as of 31 March 2019 to that of 1 April 2019 as follows:

	HK$'000
Consolidated statement of financial position as at 1 April 2019	
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 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 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 April 2019:

	HK$'000
Reconciliation of operating lease commitments to lease liabilities	
Operating lease commitments as of 31 March 2019	182,742
Less: short term leases for which lease terms end before 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 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.

The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment loss, and adjusted for any remeasurement of lease liability.

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 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)-Int4.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 17	Insurance Contract[3]
Amendments to HKFRS 10 and HKAS 28	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 16	COVID-19 Related Rent Concessions[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[4]

[1] Effective for annual periods beginning on or after 1 January 2020
[2] Effective for annual periods beginning on or after 1 June 2020
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for annual periods beginning on or after 1 January 2022
[5] No mandatory effective date yet determined but is available for early adoption

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

There are no standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

4. SEGMENT INFORMATION

During the years ended 31 March 2020 and 2019, the Group operates one reportable and operating segment which is the retailing sales of food and beverage, household and personal care products under the "Best Mart 360° (優品360°)" brand stores in Hong Kong and Macau. The Group determines its operating segment based on information reported to executive directors of the Company who are also the chief operating decision-maker that are used to make strategic decisions. Accordingly, the Group does not present separately segment information.

Geographical segment

The Group's geographical segments are based on the location of the Group's assets. Revenue to external customers disclosed in geographical segments are based on the geographical location of its customers.

The following table presents revenue and certain non-current assets information regarding the Group's geographical segments as at and for the years ended 31 March 2020 and 31 March 2019.

	Hong Kong *HK$'000*	**Macau** *HK$'000*	**Total** *HK$'000*
31 March 2020			
Revenue	**1,223,778**	**6,659**	**1,230,437**
Non-current assets*	**228,674**	**14,043**	**242,717**
31 March 2019			
Revenue	1,288,479	–	1,288,479
Non-current assets*	22,992	–	22,992

* Excludes deposits and deferred tax assets.

Information about major customers

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's total revenue for the year ended 31 March 2020 (2019: Nil), no information about major customers in accordance with HKFRS 8 Operating Segments is presented.

5. REVENUE

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

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

	2020	2019
	HK$'000	*HK$'000*
Revenue from		
Retailing sales	**1,235,175**	1,292,552
Less: Sales discounts	**(4,738)**	(4,073)
	1,230,437	1,288,479

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

	2020	2019
	HK$'000	*HK$'000*
Interest income from bank deposits	**3,938**	325
Losses on written-off/disposal of property, plant and equipment, net	**(2,122)**	(776)
Compensation from termination of a lease agreement	**–**	316
Promotion income	**195**	–
Government grant	**3,000**	–
Others	**290**	31
	5,301	(104)

7. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest expenses on bank overdrafts and borrowings	**2,711**	3,405
Interest expenses on lease liabilities	**8,350**	–
	11,061	3,405

8. PROFIT BEFORE INCOME TAX

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

	2020	2019
	HK$'000	*HK$'000*
Directors' emoluments	**1,476**	641
Staff costs:		
– Wages, salaries and other benefits	**129,118**	114,311
– Contributions to defined contribution pension plans	**5,855**	5,062
Depreciation of property, plant and equipment	**123,151**	11,360
Auditor's remuneration	**780**	780
Exchange differences, net	**(68)**	1,490
Listing expenses	**–**	18,285
Cost of inventories recognised as expenses	**818,945**	854,039
Written-off of inventories	**9,825**	5,524
Service expenses for using the operating facilities of warehouse	**13,980**	12,555
Operating lease payments in respect of retail stores and office		
– Short-term lease expenses	**30,080**	–
– Minimum lease payments	**–**	110,517
– Contingent rents	**7,328**	11,508
	37,408	122,025

9. INCOME TAX EXPENSES

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

	2020	2019
	HK$'000	*HK$'000*
Current income tax		
– Tax for the year	**2,484**	16,307
– Over-provision in respect of prior year	**(87)**	(56)
	2,397	16,251
Deferred income tax	**(184)**	(564)
Income tax expenses	**2,213**	15,687

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 years ended 31 March 2020 and 2019.

Macau Complementary Income Tax ("MCIT") has been provided at the progressive rate on the estimated assessable profits. No provision of MCIT has been made as the Group has no assessable profits for MCIT for the year ended 31 March 2020.

10. DIVIDENDS

	2020	2019
	HK$'000	*HK$'000*
Proposed final dividend	**–**	60,000
Final dividend in respect of previous financial year, approved and paid during the year	**60,000**	–
Interim dividend declared and paid	**15,000**	–
	75,000	–

On 14 December 2018, Quality Food 360° (Holdings) Limited ("Quality Food 360°") declared interim dividends of HK$20,000,000. Such dividend was paid to the then shareholders of Quality Food 360° during the year ended 31 March 2019.

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 ("2019 Final Dividend"). The 2019 Final Dividend of HK$60,000,000 was paid during the year ended 31 March 2020.

On 27 November 2019, the Board has resolved to pay an interim dividend of HK1.5 cents per share. The interim dividend of HK$15,000,000 in total was paid during the year ended 31 March 2020 (2019: Nil).

The Board of Directors does not recommend the payment of final dividend for the year ended 31 March 2020.

11. EARNINGS PER SHARE

The basic earnings per share attributable to owners of the Company for the year is calculated based on the profit attributable to owners of the Company of HK$12,100,000 (2019: HK$59,728,000) and the weighted average number of ordinary shares of 1,000,000,000 (2019: 804,794,521) in issue. The Company did not have any potential dilutive shares for the years ended 31 March 2020 and 2019. Accordingly, the diluted earnings per share are the same as the basic earnings per share.

12. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**2,488**	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:

	2020	2019
	HK$'000	*HK$'000*
0-30 days	**2,251**	5,414
31-60 days	**53**	2
61-90 days	**180**	1
Over 90 days	**4**	2
	2,488	5,419

13. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

(a) Trade payables

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

	2020	2019
	HK$'000	*HK$'000*
0-30 days	**19,727**	18,933
31-60 days	**10,343**	6,506
61-90 days	**355**	1,150
Over 90 days	**606**	366
	31,031	26,955

(b) Accruals and other payables

	2020	2019
	HK$'000	*HK$'000*
Current:		
Accruals for employee benefit expenses	**12,309**	15,332
Accruals for rental expenses	**3,043**	5,880
Accruals for logistic expenses	**4,582**	2,412
Contract liabilities in relation to customer loyalty programme	**238**	433
Accruals for operating and other expenses	**1,901**	1,460
Accruals for property, plant and equipment	**638**	76
Contract liabilities in relation to cash coupon	**152**	33
Provision for reinstatement costs	**700**	765
	23,563	26,391
Non-current:		
Provision for reinstatement costs	**2,229**	1,865
Accruals for rental expenses	**–**	1,740
	2,229	3,605

14. COMMITMENTS

(a) Capital commitments

	2020	2019
	HK$'000	*HK$'000*
Commitments for acquisition of property, plant and equipment	**500**	412

(b) Other commitments

	2020	2019
	HK$'000	*HK$'000*
Service expenses for using the operating facilities of warehouse:		
Not later than one year	**8,537**	11,363
Later than one year and not later than five years	**–**	8,537
	8,537	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, table ware 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

During the financial year under review, the Group faced and tackled with extremely challenging business environment in Hong Kong. Clouded by the economic uncertainties casted by the elevated US-China trade tension in the first half of 2019, the overall Hong Kong economy entered into recession in the second half of 2019. The business environment was further dampened by the occurrence of social movement in Hong Kong since June 2019, which significantly eroded consumer sentiment, disrupted the safe environment needed for people contact and adversely affected sales generated from inbound tourism. Economic environment in Hong Kong was further underscored by the outbreak of the novel coronavirus in early 2020. The anti-epidemic measures and travel restrictions implemented for controlling the coronavirus infection had severely influenced consumption- related activities and further weakened private consumption expenditure. As reported by the Office of the Government Economist Financial Secretary's Office of the Hong Kong Government, retail sales volume declined by 3.1% in the first half of 2019, and the year-on-year fall in retail sales volume widened sharply to 19.5% in the third quarter of 2019 and further to 24.1% in the fourth quarter of 2019 which was the largest quarterly decline since data were available in 1981. For year 2019 as a whole, the retail sales volume fell by 12.3% which was the largest annual fall since 1998. According to the retail sales figures released by The Office of the Government Economist Financial Secretary's Office of Hong Kong, the value of total retail sales for the first three months of 2020 recorded consecutively decreases, and the value of total retail sales for the first quarter of 2020 decreased by 36.9% as compared with the same period in 2019. Based on the monthly visitor arrival statistics released by The Hong Kong Tourist Board, the arrival visitors of Hong Kong during the period between January 2019 to December 2019 recorded a drop of 14.2% as compared with the same period in 2018, and the number of total arrival visitors continuously recorded significant decreases of 52.7%, 72.5% and 80.9% in January, February and March 2020 as compared with the same months in 2019, mainly due to the implementation of various anti-epidemic measures, such as border closure and compulsory quarantine measure which brought inbound tourism to a standstill. The economic fallout therefore became even more severe. The weakened local economy and local retail market conditions, the occurrence of the social movement in Hong Kong, the outbreak of the novel coronavirus and the significant drop in inbound tourism had adversely affected the normal business operation and business development plan of the Group during the financial year under review.

For the year ended 31 March 2020, the revenue recorded by the Group amounted to approximately HK$1,230,437,000, representing a decrease of approximately 4.5% as compared to approximately HK$1,288,479,000 for the year ended 31 March 2019. Sales to walk-in customers from the general public through its retail stores in Hong Kong and in The Macau Special Administrative Region ("**Macau**") accounted for approximately 99.6% of the revenue of the Group for the financial year under review while bulk-sales to certain bulk-purchase customers, such as corporate customers and trading companies in the industry accounted for approximately 0.4% of the revenue of the Group for the financial year under review. Gross profit of the Group for the year ended 31 March 2020 was approximately HK$411,492,000, while gross profit of the Group for the year ended 31 March 2019 was approximately HK$434,440,000. The decrease in revenue was mainly attributed to (i) the significant drop of sales to tourists as a result of the drastic drop of inbound tourists due to the social movement and the outbreak of the novel coronavirus; and (ii) the overall drop of revenue in the chain retail stores of the Group in Hong Kong due to the weakened economy and retail market conditions.

Profit attributable to owners of the Company for the year ended 31 March 2020 was approximately HK$12,100,000 (2019: approximately HK$59,728,000), representing a decrease of approximately 79.7%. Such decrease in profit attributable to owners of the Company was mainly attributable to the occurrence of social movement in Hong Kong and the outbreak of the novel coronavirus during the year ended 31 March 2020, which had both adversely affected the normal business operation of the retail stores of the Group and leading to the substantial drop of profit attributable to owners of the Company. In particular, the sales performance of the retail stores targeted on inbound tourists recorded material drawback due to the drastic reduction of inbound tourists since the outbreak of social movement in Hong Kong in June 2019 which continued to deteriorate after the implementation of border lockdown and travel restrictions since the outbreak of novel coronavirus infection in January 2020. Further, the majority of new retail stores opened in the financial year under review required a comparatively longer period to getting on track or achieving breakeven and/or investment payback under the harsh retail environment. Netting off the interest expenses on lease liabilities of approximately HK$8,350,000 incurred pursuant to the adoption of new Hong Kong Financial Reporting Standard ("**HKFRS**") 16 "Leases" on 1 April 2019 by the Group which did not occur for the year ended 31 March 2019, the profit attributable to owners of the Company for the year ended 31 March 2020 would be approximately HK$20,450,000, representing a decrease of approximately 65.8% from that of approximately HK$59,728,000 for the year ended 31 March 2019. The new accounting treatment of the leases for retail stores and offices resulted in an additional charge before tax of approximately HK$8,401,000 for the financial year under review as compared with the rental expenses under the old standard HKAS 17.

During the financial year under review, the same store sales performance recorded a decrease of approximately 18.6% mainly attributable to (i) the adverse effects of the social movement and the outbreak of novel coronavirus on the normal operation of the retail stores, including the reduction of customer flow; and (ii) the weakened consumer sentiment which led to reduction in private consumption expenditure.

During the financial year under review, gross profit margin of the Group was approximately 33.4%, representing a slight decrease of approximately 0.3 percentage points as compared with approximately 33.7% for the year ended 31 March 2019. Despite the overall deteriorating economic environment, the Group's gross profit margin for the year ended 31 March 2020 hovered at a similar level to that of the gross profit margin for the year ended 31 March 2019 which was mainly attributed to (i) an attainment of effective control on sourcing cost of the Group's products; (ii) the ability to implement effective pricing policy by the Group in accordance with the market condition; and (iii) the effective product structure adjustment adopted by the Group in commensurate with the market demand.

Chain Retail Stores

As at 31 March 2020, the Group operated a total of 103 chain retail stores, including 102 chain retail stores in Hong Kong (as at 31 March 2019: 89) and one retail store in Macau (as at 31 March 2019: 0). During the financial year under review, the Group opened 22 new stores (including one new store in Macau) and closed eight retail stores in Hong Kong mainly due to consolidation of business of stores in proximity or upon expiration of the respective lease term. As at 31 March 2020, the 102 retail stores of the Group in Hong Kong consisting of 19 retail stores located in Hong Kong Island, 39 retail stores located in Kowloon and 44 retail stores located in New Territories and 41 retail stores situated at street-level, 54 retail stores situated at shopping arcades of community or residential districts and seven retail stores situated at various traffic hubs that are easily accessible by tourists, which spanned over all of the 18 districts in Hong Kong. Rental expense for retail stores was approximately HK$162,869,000 for the year ended 31 March 2020, representing an increase of approximately 22.5% as compared with approximately HK$132,919,000 for the year ended 31 March 2019. The typical saleable area of the Group's retail stores is in the range of approximately 402 square feet to 3,070 square feet. The average monthly rental for the year ended 31 March 2020 was approximately HK$141.0 per square feet, representing an increase of approximately 8.1% when compared with approximately HK$130.4 per square feet for the year ended 31 March 2019. The percentage of rental expense of retail stores to sales revenue for the year ended 31 March 2020 was approximately 13.2%, which was higher than that of approximately 10.3% for the year ended 31 March 2019. The major reason for the increase of the percentage of rental expense of retail stores to sales revenue was the overall drop of revenue in the chain retail stores of the Group in Hong Kong due to the occurrence of social movement and the outbreak of novel coronavirus and the weakened economy and retail market conditions.

In response to the deterioration in the overall business environment subsequent to the outbreak of social movement in Hong Kong and the outburst of novel coronavirus infection, the Group had applied for rate concession from its landlords and had received offers for short term rental reduction ranging from approximately 3.6% to 60.0% for the period ranging from one month to six months from most of the landlords of the Group which partly lower the rental burden of the Group in the social upheaval and the impact of the pandemic.

Employees

Employees are crucial to the sustainable development of the Group's business, in particular, front-line staffs constituted material labour force to the Group's retail business. The Group managed to maintain full-time employees at a similar level to that of the year ended 31 March 2019 amidst the challenging business environment. As at 31 March 2020, the total number of employees of the Group was 694 employees, which, excluding five Directors, comprised of 548 full-time employees and 141 part-time employees, while the total number of employees of the Group as at 31 March 2019 was 728 employees, which, excluding five Directors, comprised of 538 full-time employees and 185 part-time employees. In order to retain talented and skilled labour force and suitably incentivized our employees so as to increase cohesion and loyalty amongst the Group's employees, the Group regularly reviewed and refreshed employee benefit scheme and remuneration packages with reference to labour market supply and the trend of labour costs and based on the individual performance of the employees. The staff costs (excluding the Directors' emoluments) for the year ended 31 March 2020 amounted to approximately HK$134,973,000 (2019: approximately HK$119,373,000), representing an increase of approximately 13.1% from that of the year ended 31 March 2019. The staff costs (excluding the Directors' emoluments) for the year ended 31 March 2020 represented approximately 11.0% of the revenue of the Group in the financial year under review while the staff costs (excluding the Directors' emoluments) for the year ended 31 March 2019 represented approximately 9.3% of the revenue of the Group in the corresponding year, amongst which the staff cost of frontline and warehouse staff (including basic salary, commission and other benefits) took around 7.0% and 8.9% of the revenue for each of the year ended 31 March 2019 and 31 March 2020 respectively. The increase of ratio in the staff cost to the Group's revenue was principally due to (i) yearly upward adjustment of salary to employees by the Group in accordance with labour market condition in the first quarter of the financial year under review; (ii) the payment of discretionary year-end bonus by the Group to employees during the financial year under review; (iii) the payment of one-off bonus by the Group to certain senior management and employees participating in the listing of the Company's shares ("**Shares**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"); (iv) the expansion of marketing team of the Group; and (v) the underperforming revenue of the retail stores.

The Products

During the financial year under review, 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 better cater the daily necessities of the local community in the social upheaval and anti-epidemic period, the Group had suitably adjusted its product structure by introducing additional basic food and essentials, such as high quality staple food and convenience food, including rice and pasta, breakfast cereals, canned food, sauces and condiments and toilet rolls etc. that better suits the daily needs of consumers in the local community and other epidemic prevention supplies, such as face masks and hand sanitizer. Further, during the financial year under review the Group also strengthened the focus on the supply of popular products and eliminated certain relatively underperforming products from shelves.

For the year ended 31 March 2020, the Group offers a total of 3,341 SKUs of products (for the year ended 31 March 2019: 3,261 SKUs) from suppliers principally from overseas markets, such as Japan, Europe, the United States, Korea and countries in the South East Asia, and brand owners or importers in Hong Kong. For the year ended 31 March 2020, approximately 43.8% of the products were procured from suppliers and brand owners or importers in Hong Kong (for the year ended 31 March 2019: approximately 41.5%), while the share of import products from Japan, Europe and the United States amounted to approximately 14.5%, 13.8% and 9.0% respectively of the whole procurement (for the year ended 31 March 2019: approximately 16.4%, 13.9% and 10.7% respectively).

As at 31 March 2020, the total inventories of the Group amounted to approximately HK$135,755,000 (2019: approximately HK$132,839,000), representing only a slight increase of approximately 2.2% under the volatile market condition which was the result of effective and stringent control of stocking during the financial year under review.

During the financial year under review, the Group continued to actively develop private label products that on one hand allow the Group to capture advantages of pricing and exercise higher level of quality control on its products and on the other hand further uplift its brand awareness and strengthen customers' loyalty. For the year ended 31 March 2020, sales derived from private label products was approximately HK$47,658,000 (for the year ended 31 March 2019: approximately HK$6,762,000), representing a significant increase of approximately 604.8% from that of last financial year and representing approximately 3.9% of the revenue of the Group for the year ended 31 March 2020 (for the year ended 31 March 2019: approximately 0.5%). During the financial year under review, the Group had launched an aggregate of 31 new private label products. As at the date of this announcement, the Group has launched various kind of private label products, including wet tissues, chestnuts, canned abalone, organic grains, miscellaneous dried fruits, aloe gel, beef jerky, pork jerky and various kinds of mixed nuts.

Membership Scheme

Given that the retail business of the Group is a consumer driven business, the Group placed substantial efforts in developing and reinforcing its customer base. To this end, the Group established and maintained a membership scheme since April 2015 in order to promote consumer loyalty, stimulate sales and further expand customer base. Through the membership scheme that serves as an effective communication channel that disseminate the Group's marketing and promoting activities from time to time promptly and swiftly to the members and provides incentives and special promotional offers on designated products exclusively to members, the Group is, on one hand, able to foster the ties and collaborations between members and the Group and on the other hand, to procure more recurring business and thereby maintain sustainable growth of the Group's business. To further popularise and elevate the Group's brand positioning and brand recognition in the market and further expand members' coverage of the Group, the Group launched its mobile app in March 2019 to strengthen its capability in instant messaging as communication channel with the public and its members.

During the financial year under review, the number of the Group's members increased from approximately 1,268,000 as at 31 March 2019 to approximately 1,379,000 as at 31 March 2020, representing an increase of approximately 8.8%. Since the launch of the mobile app in March 2019, approximately 198,000 members had been registered through the Group's mobile app up to 31 March 2020.

Other Business Development

To pursue the Group's long-term development plan in "New Retail Era" which is characterized by the widespread use of technologies during the financial year 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). Notwithstanding that the digitalization process of the Group's retail operation had not achieved remarkable accomplishment as expected during the financial year under review due to the volatile and unfavorable retail sentiment in social upheaval and the impact on consumption sentiment under the novel coronavirus situation, 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.

As disclosed in the announcement of the Company dated 12 June 2019, the Company has established a wholly-owned subsidiary, namely, Best Mart 360 Macau Limited (優品360澳門有限公司) in Macau in June 2019. The first retail store of the Group in Macau was opened on 17 December 2019. Further, as disclosed in the announcement of the Company dated 27 December 2019, the Company has established a wholly foreign-owned enterprise, namely, 深圳優品叁陸零商業有限公司 (Shenzhen Best Mart 360 Commerce Limited) in Shenzhen, the People's Republic of China ("**PRC**") in December 2019. However, the outbound development and expansion plan of the Group had been temporarily slowed down due to the social distancing measure and lockdown of borders and travel restrictions since the outburst of coronavirus pandemic in January 2020.

OUTLOOK

Looking forward, the Hong Kong economic environment and retail business environment is expected to remain highly challenging and uncertain due to both internal and external factors. On the one hand, the outbreak of the novel coronavirus in Hong Kong and around the world and the anti-epidemic and restrictions implemented by the Hong Kong government and foreign governments including border shutdowns and travel restrictions, have materially halted social and commercial activities for a prolonged period which is expected to span until the novel coronavirus is well-contained, and have posed an unprecedented adverse impact on the domestic and global economy. On the other hand, the concern that the social movement and unrest in Hong Kong may resume or intensify posed further uncertainties to the domestic business environment. Further, although the United States-China Phase I trade deal was signed in January 2020, the tension and conflict between United States and China remained intense and unresolved. As announced by the Financial Secretary on 29 April 2020, in view of the severe global economic impact of the novel coronavirus pandemic, the real GDP growth forecast for 2020 was revised to between -4% to -7%. 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 April 2020, GDP of Hong Kong is forecasted to shrink by 3% for the year 2020 as a whole.

Facing such challenging economic environment and operating uncertainties ahead, the Group will approach the financial year ending 31 March 2021 with utmost caution and will closely monitor the development of unfavorable factors affecting operation of the Group so as to promptly implement necessary and appropriate business measures to mitigate their adverse impacts on the Group's business operation. To cope with the difficult time, the Group will continuously strive to reinforce its core competitiveness in Hong Kong market by optimizing its product structure to suit the market needs and demand in the unstable economic and retail environment, including to further explore the possibilities to expand the Group's product range to cover additional basic food and essentials and to further develop the Group's private label products that enrich the choices of the Group's customers. In combating the economic recession threatening the retail environment, the Group will adhere to its business mission in offering "Best prices" and "Best quality" to its customers. To further promote and strengthen consumer loyalty and stimulate sales, the Group has launched a new membership mobile app in June 2020 with new membership tier and new function that is expected to further uplift the shopping pleasure to the Group's customers. Further, the second Macau retail store of the Group was opened on 15 June 2020. It is expected that the Group's third retail store in Macau will be opened in July 2020. The Group's outbound investment will be actualized in full gear once the pandemic is well-contained and while the border lockdown and travel restrictions are gradually eased. The management of the Group is confident to work closely with its employees, customers and other stakeholders to overcome the threatening operation environment so as to create satisfactory return to the Group's shareholders and to give back to the supports of the Group's employees, customers and other stakeholders.

FINANCIAL REVIEW

Revenue

During the financial year under review, the revenue of the Group mainly represented the retail sales to walk-in customers from the general public through its retail stores in Hong Kong and Macau which accounted for approximately 99.6% of the revenue of the Group while the bulk-sales to certain bulk-purchase customers accounted for approximately 0.4% of the revenue of the Group. For the year ended 31 March 2020, the revenue of the Group was approximately HK$1,230,437,000, representing a decrease of approximately 4.5% as compared to approximately HK$1,288,479,000 for the year ended 31 March 2019. The decrease in revenue was mainly attributed to (i) the significant drop of sales to tourists as a result of the drastic drop of inbound tourists due to the social movement and the outbreak of the novel coronavirus; and (ii) the overall drop of revenue in the chain retail stores of the Group in Hong Kong due to the weakened economy and retail market conditions.

Profit for the Year

Profit of the Group for the year ended 31 March 2020 amounted to approximately HK$12,100,000, representing a decrease of approximately 79.7% from approximately HK$59,728,000 for the year ended 31 March 2019. Net profit margin before interest and tax for the year ended 31 March 2020 was approximately 2.1%, while the net profit margin before interest and tax for the year ended 31 March 2019 was approximately 6.1%. The decrease in profit attributable to owners of the Company for the year ended 31 March 2020 as compared to that of the year ended 31 March 2019 and the decrease of the net profit margin before interest and tax for the year ended 31 March 2020 were mainly attributable to the occurrence of social movement in Hong Kong and the outbreak of the novel coronavirus during the year ended 31 March 2020, which had both adversely affected the normal business operation of the retail stores of the Group and leading to the substantial drop of revenue and profit attributable to owners of the Company. In particular, the sales performance of the retail stores targeted on inbound tourists recorded material drawback due to the drastic reduction of inbound tourists since the outbreak of social movement in Hong Kong in June 2019 which continued to deteriorate after the implementation of border lockdown and travel restrictions since the outbreak of novel coronavirus infection in January 2020. Further, the majority of new retail stores opened in the financial year under review required a comparatively longer period to getting on track or achieving breakeven and/or investment payback under the harsh retail environment. Netting off the interest expenses on lease liabilities of approximately HK$8,350,000 incurred pursuant to the adoption of new HKFRS 16 "Leases" on 1 April 2019 by the Group which did not occur for the year ended 31 March 2019, the profit attributable to owners of the Company for the year ended 31 March 2020 would be HK$20,450,000, representing a decrease of approximately 65.8% from that of approximately HK$59,728,000 for the year ended 31 March 2019. The new accounting treatment of the leases for retail stores and offices resulted in an additional charge before tax of approximately HK$8,401,000 for the financial year under review as compared with the rental expenses under the old standard HKAS 17.

Cost of Sales

During the financial year under review, the cost of sales represented the cost of inventories sold which was affected by a number of factors, such as the prevailing market conditions, the volume of orders and the type of products. For the year ended 31 March 2020, the cost of sales of the Group was approximately HK$818,945,000, representing a decrease of approximately 4.1% as compared to approximately HK$854,039,000 for the year ended 31 March 2019. The decrease in cost of sales was generally in line with the decrease in revenue for the year ended 31 March 2020.

Gross Profit and Gross Profit Margin

For the year ended 31 March 2020, the gross profit of the Group was approximately HK$411,492,000 (2019: approximately HK$434,440,000), representing a decrease of approximately 5.3%, while the gross profit margin was approximately 33.4% (2019: approximately 33.7%). The Group's gross profit margin for the year ended 31 March 2020 hovered at a similar level to that of the gross profit margin for the year ended 31 March 2019 which was mainly attributed to (i) an attainment of effective control on sourcing cost of the Group's products; (ii) the ability to implement effective pricing by the Group in accordance with the market conditions; and (iii) the effective product structure adjustment adopted by the Group in commensurate with the market demand.

Other Income and Other Gains/Losses, Net

For the year ended 31 March 2020, other income and other gains, net of the Group recorded a gain of approximately HK$5,301,000, while the other income and other losses, net of the Group for the year ended 31 March 2019 recorded a loss of approximately HK$104,000. During the year ended 31 March 2020, the other income and other net gains was mainly the combined results of: (i) interest income from bank deposits; (ii) net loss on written-off/disposals of property, plant and equipment; and (iii) the grant of HK$3,000,000 under the Retail Sector Subsidy Scheme of the Anti-Epidemic Fund launched by the Hong Kong Government in February 2020.

Selling and Distribution Expenses

For the year ended 31 March 2020, selling and distribution expenses of the Group amounted to approximately HK$347,906,000, representing an increase of approximately 16.7% from approximately HK$298,030,000 for the year ended 31 March 2019. The increase in selling and distribution expenses was mainly due to (i) the increase of rental expenses for opening additional or new retail stores in Hong Kong and Macau; (ii) the increase of other expenses associated with opening additional or new retail stores, such as payment of management fees and government rent and rates, purchase of equipments for shop operations, real estate agency fees for shop location identification; (iii) the increase of logistic fees due to the increase of the number of retail stores in Hong Kong and the upward adjustment of logistic fees; and (iv) the increase in salaries and wages for front-line staff due to the increase of number of retail stores.

Further, 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 for the retail stores were charged to selling and distribution expenses. With the adoption of HKFRS 16 "Leases", leases for retail stores with lease period of over one year are recognized as right-of-use assets which amounted to approximately HK$210,622,000 and lease liabilities amounted to approximately HK$220,571,000 in the consolidated balance sheet as at 31 March 2020. Depreciation of right-of-use assets and interest expenses on lease liabilities for the retail stores are being charged to selling and distribution expenses and finance costs respectively. The new accounting treatment of the leases for retail stores resulted in an additional charge before tax of approximately HK$8,327,000 for the financial year under review as compared with the rental expenses under the old standard HKAS 17.

Administrative and Other Expenses

For the year ended 31 March 2020, administrative and other expenses of the Group amounted to approximately HK$43,513,000, representing a decrease of approximately 24.3% from approximately HK$57,486,000 for the year ended 31 March 2019. The decrease in administrative and other expenses was mainly a shortfall of the balance between the one-off non-recurring listing expenses of approximately HK$18,285,000 incurred for the year ended 31 March 2019 which did not occur for the year ended 31 March 2020 and the professional fees of approximately HK$3,468,500 incurred incidental to the listed status of the Company for the year ended 31 March 2020.

Further, before the adoption of this new accounting standard, all lease-related costs for the offices were charged to administrative and other expenses. With the adoption of HKFRS 16 "Leases", leases for offices with lease period of over one year are recognized as right-of-use assets which amounted to approximately HK$6,041,000 and lease liabilities amounted to approximately HK$6,211,000 in the consolidated balance sheet as at 31 March 2020. Depreciation of right-of-use assets and interest expenses on lease liabilities for the offices are being charged to administrative and other expenses and finance costs respectively. The new accounting treatment of the leases for offices resulted in an additional charge before tax of approximately HK$74,000 for the financial year under review as compared with the rental expenses under the old standard HKAS 17.

Finance Costs

Finance costs of the Group for the year ended 31 March 2020 amounted to approximately HK$11,061,000, representing an increase of approximately 224.8% from approximately HK$3,405,000 for the year ended 31 March 2019. The increase in finance costs was mainly attributed to the charge of interest expenses on lease liabilities of approximately HK$8,350,000 to finance costs pursuant to the adoption of HKFRS 16 "Leases" for the financial year under review.

Income Tax Expenses

The income tax expenses of Group decreased from approximately HK$15,687,000 for the year ended 31 March 2019 to approximately HK$2,213,000 for the year ended 31 March 2020, representing a decrease of approximately 85.9% which was in line with the decrease of assessable profit of an operating subsidiary of the Group.

Financial Position, Liquidity and Financial Resources

As at 31 March 2020, the Group's total cash and bank balances (including cash and cash equivalents and restricted bank deposits) were approximately HK$215,911,000 (2019: HK$277,394,000), representing a decrease of approximately HK$61,483,000 which was mainly due to (i) the payment of final dividend totally amounting to HK$60,000,000 for the year ended 31 March 2019 ("**Final Dividend**") in August 2019; and (ii) the payment of interim dividend totally amounting to HK$15,000,000 for the six months ended 30 September 2019 ("**Interim Dividend**") in December 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 1.6 times as at 31 March 2020.

The gearing ratio of the Group as at 31 March 2020 was approximately 32.5% 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 year 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 in bank borrowings for general working capital and the decrease in total equity after the payment of the Final Dividend and the Interim Dividend.

As at 31 March 2020, the Group has total bank borrowings of approximately HK$99,542,000, representing an increase of approximately 34.9% as compared with approximately HK$73,775,000 as at 31 March 2019. The total unutilised banking facility extended by commercial banks as at 31 March 2020 amounted to approximately HK$152,080,000. 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 year ended 31 March 2020 and 31 March 2019 respectively are set out as follows:

	For the year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Net cash generated from operating activities	**115,087**	37,081
Net cash used in investing activities	**(9,315)**	(12,154)
Net cash (used in)/generated from financing activities	**(162,140)**	219,584
Net (decrease)/increase in cash and cash equivalents	**(56,368)**	244,511

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 (as defined below), and other external equity and debt financings as and when appropriate.

Operating Lease Commitments and Other Commitments

The Group's operating lease commitments and other commitments represent minimum lease payments due from the Group as lessee of rental premises under non-cancellable operating leases in respect of the offices, retail stores and service fees payable for the warehouses. The Group's other commitments amounted to approximately HK$8,537,000 (2019: operating lease commitments and other commitments amount to approximately HK$202,642,000) as at 31 March 2020.

Capital Structure

The Shares were successfully listed on the main board of the Stock Exchange on 11 January 2019 by way of share offer ("**Share Offer**"). Since then, there has been no change in the capital structure of the Company. The capital structure of the Company comprises of issued share capital and reserves. As at 31 March 2020, the Company had 1,000,000,000 Shares in issue.

Capital Commitments

Details of the capital commitments are set out in note 14.

Pledge of Assets

As at 31 March 2020, the Group's banking facilities were granted to an operating subsidiary of the Group and were secured by corporate guarantees provided by the Company and an operating subsidiary of the Group ("**Corporate Guarantee**") (2019: approximately HK$5,115,000 of bank deposits and Corporate Guarantee).

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 Stock Exchange on 11 January 2019. The net proceeds from the Share Offer ("**Net Proceeds**") amounted to approximately HK$213.7 million (after deducting the underwriting fees and related expenses).

As disclosed in the announcement of the Company dated 15 January 2020 ("**Proceeds Use Announcement**"), the Board resolved to change the use of part of the unutilised Net Proceeds in the amount of HK$30.0 million allocated for opening of new retail stores in Hong Kong to outbound investment (including but not limited to the expansion of the retail business of the Group in Macau and in the PRC Mainland).

As at 31 March 2020, approximately HK$79.4 million (representing approximately 37.2% of the Net Proceeds) had been utilised. Set out below is the breakdown of the use of the Net Proceeds up to 31 March 2020:

		Original amount of Net Proceeds allocated approximately *HK$'million*	Revised allocation of Net Proceeds (as disclosed in the Proceeds Use Announcement) approximately *HK$'million*	Amount of Net Proceeds used up to 31 March 2020 approximately *HK$'million*	Unutilised amount of Net Proceeds up to 31 March 2020 approximately *HK$'million*
Specific use of Net Proceeds					
(A)	Opening of new retail stores in Hong Kong	142.1	112.1	52.8	59.3
(B)	Intensifying and broadening marketing efforts	28.9	28.9	7.5	21.4
(C)	Upgrading information technology systems	21.6	21.6	4.7	16.9
(D)	General working capital	21.1	21.1	14.0	7.1
(E)	Outbound investment	–	30.0	0.4	29.6

As at 31 March 2020, approximately HK$134.3 million (representing approximately 62.8% of the Net Proceeds) had not yet been utilized. It is expected that the remaining Net Proceeds will be fully utilised by 2022 in accordance with the revised intended use as stated in the Proceeds Use Announcement.

The unutilised Net Proceeds 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

As at 31 March 2020, excluding five Directors, the Group employed a total of 548 (2019: 538) full-time employees and 141 (2019: 185) part-time employees. The staff costs, excluding Directors' emoluments, of the Group for the year ended 31 March 2020 was approximately HK$134,973,000 (2019: approximately HK$119,373,000). 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.

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.

MATERIAL INVESTMENTS

Save as disclosed in this announcement, the Group did not have any material investments during the year ended 31 March 2020.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this announcement, the Group did not have any material acquisitions or disposals during the year ended 31 March 2020.

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 31 March 2020.

CONTINGENT LIABILITIES

Save as disclosed in this announcement, the Group did not have any significant contingent liabilities as at 31 March 2020.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2020 (2019: HK6.0 cents per share).

CLOSURE OF SHARE REGISTER FOR AGM

For determining the entitlement of the Shareholders to attend and vote at the forthcoming annual general meeting to be held on Tuesday, 18 August 2020 (the "**AGM**"), the register of members of the Company will be closed from Thursday, 13 August 2020 to Tuesday, 18 August 2020 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify to attend and vote at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office 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, 12 August 2020.

EVENT AFTER THE END OF THE REPORTING PERIOD

Since the outburst of novel coronavirus in January 2020, the global economy continues to experience sharp contraction despite the massive monetary and fiscal support measures from central banks and governments worldwide. Despite the Hong Kong Government launched various relief measures in minimizing the impacts of the epidemic on local economy and for supporting the recovery of domestic economy which the Group has been granted HK$15,965,508 wage subsidies under the first tranche of the Employment Support Scheme ("**Employment Support Scheme**") launched by the Hong Kong Government, and is expected to entitle for further wage subsidies under the second tranche of the Employment Support Scheme, it is expected that the economic activities will take time to fully recover and the process of recovery will be dependent, amongst other factors, on the epidemic being well-contained in Hong Kong, the Greater China region and globally. Hence, the time duration and scope of the disruptions from the novel conornavirus infection cannot be accurately assessed at this point of time. Such disruptions, if continue, will inevitably affect the Group's subsequent operation performance.

As disclosed in the Company's announcement on 22 May 2020 ("**Acquisition Announcement**"), the Group had entered into a provisional sale and purchase agreement to conditionally acquire the entire issued shares of Allied Wide Limited ("**Target Company**") which holds an office premises situated at "Offices Nos.1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 15 and 16 on 11th Floor and Car Parking Spaces Nos.P59, P60 and P65 on the 3rd Floor, C-Bons International Center, No.108 Wai Yip Street, Kowloon, Hong Kong" and relating shareholders' loans extended to the Target Company ("**Acquisition**") for a consideration of HK$176,862,000. Subject to the completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Company will be consolidated into the accounts of the Group. For further details of the Acquisition, please refer to the Acquisition Announcement.

Save as disclosed in this announcement, there were no other important events affecting the Group that have occurred since 31 March 2020 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the financial year under review.

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 financial year under review.

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 financial year under review, the Company has adopted and complied with all applicable code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

The roles of the Chairman and the Chief Executive Office are separate and performed by Mr. Lin Tsz Fung and Mr. Hui Chi Kwan respectively to ensure a balance of power and authority, so that power is not concentrated in any one individual.

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 CONSOLIDATED FINANCIAL STATEMENTS

The Group's audited annual results for the year ended 31 March 2020 had been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual 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 annual report for the year ended 31 March 2020 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, 24 June 2020

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.