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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

HIGHLIGHTS

- For the six months ended 30 September 2022, the revenue recorded by the Group amounted to approximately HK\$1,031,896,000, representing an increase of approximately 19.6% as compared to approximately HK\$862,978,000 for the six months ended 30 September 2021.
- Profit attributable to owners of the Company for the six months ended 30 September 2022 was approximately HK\$82,049,000, representing an increase of approximately 261.5% as compared to approximately HK\$22,699,000 for the six months ended 30 September 2021. Excluding the non-recurring subsidy income of approximately HK\$17,996,000 during the Period under Review (six months ended 30 September 2021: nil subsidy income), the profit attributable to owners of the Company for the six months ended 30 September 2022 increased by approximately 182.2% as compared to the Corresponding Period Last Year.
- Earnings per share attributable to owners of the Company for the six months ended 30 September 2022 was approximately HK8.2 cents (six months ended 30 September 2021: approximately HK2.3 cents).
- The board of Directors recommended the payment of an interim dividend of HK8.0 cents per share for the six months ended 30 September 2022 (six months ended 30 September 2021: HK1.5 cents per share).

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 2022, together with the comparative figures for the six months ended 30 September 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

		Six months ended	
		30 September	
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	5	1,031,896	862,978
Cost of sales		(667,184)	(583,846)
Gross profit		364,712	279,132
Other income and other gains, net	6	17,939	271
Selling and distribution expenses		(246,080)	(216,023)
Administrative and other expenses		(36,824)	(32,692)
Operating profit		99,747	30,688
Finance costs	7	(3,486)	(3,824)
Profit before income tax	8	96,261	26,864
Income tax expense	9	(14,212)	(4,165)
Profit for the period attributable to owners of the Company		82,049	22,699
Earnings per share attributable to owners of the Company during the period:			
– Basic and diluted (HK cents)	11	8.2	2.3
Profit for the period		82,049	22,699
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas operations		(348)	–
Other comprehensive income for the period, net of tax		(348)	–
Total comprehensive income for the period		81,701	22,699
Total comprehensive income for the period is attributable to:			
Owners of the Company		81,701	22,699

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		30 September 2022	31 March 2022
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		419,768	442,411
Deposits		35,222	34,311
Deposits paid for purchase of property, plant and equipment		866	782
Deferred tax assets		1,810	1,516
		457,666	479,020
Current assets			
Inventories		189,915	217,969
Trade receivables	12	5,676	5,749
Deposits, prepayments and other receivables		60,770	67,339
Cash and bank balances		168,323	130,076
		424,684	421,133
Total assets		882,350	900,153
Current liabilities			
Trade payables	13	62,656	75,624
Accruals and other payables	13	45,374	44,116
Bank borrowings		81,107	82,981
Lease liabilities		124,281	129,913
Income tax payable		28,457	16,778
		341,875	349,412
Net current assets		82,809	71,721
Total assets less current liabilities		540,475	550,741

		30 September 2022	31 March 2022
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current liabilities			
Accruals and other payables	<i>13</i>	1,848	1,942
Lease liabilities		98,883	110,756
		<u>100,731</u>	<u>112,698</u>
Net assets		<u>439,744</u>	<u>438,043</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>14</i>	10,000	10,000
Reserves		429,744	428,043
		<u>439,744</u>	<u>438,043</u>

NOTES

For the six months ended 30 September 2022

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 11th Floor, C-Bons International Center, No. 108 Wai Yip Street, 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°)” and “FoodVille” branded stores in Hong Kong, the Macau Special Administrative Region (“**Macau**”) and the People’s Republic of China (the “**PRC**”) and wholesaling in Hong Kong.

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 24 November 2022.

These unaudited interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2021/2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ended 31 March 2023. Details of changes in accounting policies are set out in note 3, 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. There have been no material revisions to the nature and amount of estimates of amounts reported in prior periods. The adoption of new or revised accounting policies does not require significant judgement and estimates to be made.

These unaudited interim condensed consolidated financial statements are presented in Hong Kong Dollars (“**HK\$**”), unless otherwise stated. These unaudited 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 2021/2022 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 2021/2022 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. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2022, as described in those annual financial statements. In the current accounting period, the Group has applied, for the first time, the following amendments issued by the HKICPA:

- Amendments to HKFRS 3: Reference to the Conceptual Framework
- Amendments to HKAS 16: Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to HKFRSs: Annual Improvements to HKFRSs 2018-2020

The application of the above amendments to HKFRSs during the current accounting period has no material effect on the amounts reported in the unaudited condensed consolidated interim financial information and/or disclosures set out in the unaudited condensed consolidated interim financial information.

4. SEGMENT INFORMATION

During the six months ended 30 September 2022, 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°)” and “FoodVille” branded stores in Hong Kong, Macau and the PRC and wholesaling 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.

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 regarding the Group’s geographical segments for the six months ended 30 September 2022 and 30 September 2021 and certain non-current assets information as at 30 September 2022 and 31 March 2022.

	Hong Kong <i>HK\$'000</i>	Macau <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Total <i>HK\$'000</i>
30 September 2022 (unaudited)				
Revenue	<u>1,003,727</u>	<u>25,974</u>	<u>2,195</u>	<u>1,031,896</u>
Non-current assets*	<u>399,110</u>	<u>17,771</u>	<u>2,887</u>	<u>419,768</u>
30 September 2021 (unaudited)				
Revenue	<u>835,005</u>	<u>27,973</u>	<u>–</u>	<u>862,978</u>
31 March 2022 (audited)				
Non-current assets*	<u>417,519</u>	<u>20,828</u>	<u>4,064</u>	<u>442,411</u>

* 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 six months ended 30 September 2022 (six months ended 30 September 2021: 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°)” and “FoodVille” branded stores in Hong Kong, Macau and the PRC and wholesaling 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	
	2022	2021
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Revenue from		
Retailing sales	1,028,617	866,425
Wholesale	14,764	3,662
Less: Sales discounts	(11,485)	(7,109)
	<u>1,031,896</u>	<u>862,978</u>

6. OTHER INCOME AND OTHER GAINS, NET

	Six months ended	
	30 September	
	2022	2021
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Interest income from bank deposits	281	24
Losses on written-off/disposal of property, plant and equipment, net	(607)	(164)
Government grant (<i>Note</i>)	17,996	–
Others	269	411
	<u>17,939</u>	<u>271</u>

Note:

The government grant recognised during the six months ended 30 September 2022 is mainly related to the COVID-19 related subsidy from Employment Support Scheme of Hong Kong government. During the six months ended 30 September 2022, the Group recognised government grant of HK\$17,996,000 from Employment Support Scheme of Hong Kong (six months ended 30 September 2021: Nil). The Group has elected to present this government grant separately, rather than reducing the related expense. The Group had to commit to spending the assistance on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have any unfulfilled obligations relating to this government grant.

7. FINANCE COSTS

	Six months ended 30 September	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Interest expenses on borrowings	774	722
Interest expenses on lease liabilities	<u>2,712</u>	<u>3,102</u>
	<u>3,486</u>	<u>3,824</u>

8. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 September	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Directors' emoluments	738	738
Staff costs:		
– Wages, salaries and other benefits	92,601	83,280
– Contributions to defined contribution pension plans	4,075	3,567
Depreciation of property, plant and equipment	94,133	93,984
Exchange differences, net	(709)	(219)
Cost of inventories recognised as expenses	667,184	583,846
Written-off of inventories	3,199	2,416
Operating lease payments in respect of retail stores and office		
– Short-term lease expenses	11,413	3,058
– Contingent rents	<u>7,078</u>	<u>5,873</u>
	<u>18,491</u>	<u>8,931</u>

9. INCOME TAX EXPENSE

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

	Six months ended	
	30 September	2021
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong Profits Tax	14,464	4,368
– Macau Complementary Income Tax (“MCIT”)	42	200
	<u>14,506</u>	<u>4,568</u>
– Over-provision in respect of prior year	–	(447)
	<u>14,506</u>	<u>4,121</u>
Deferred income tax	(294)	44
	<u>14,212</u>	<u>4,165</u>
Income tax expense	<u>14,212</u>	<u>4,165</u>

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.

During the six months ended 30 September 2022 and 2021, under the two-tiered profits tax rates regime, the first HK\$2 million of estimated assessable profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of other group entities incorporated in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

MCIT has been provided at the progressive rate on the estimated assessable profits. The maximum tax rate is 12% for the six months ended 30 September 2022 and 2021.

No provision of Corporate Income tax (“CIT”) for subsidiaries operating in the PRC has been made as the Group has no assessable profit for CIT for the six months ended 30 September 2022 and 2021.

10. DIVIDENDS

On 24 November 2022, the Board has resolved to pay an interim dividend of HK8.0 cents per share (for the six months ended 30 September 2021: HK1.5 cents), amounting to a total dividend of HK\$80,000,000, in respect of the six months ended 30 September 2022. This interim dividend has not been recognised as a liability in this unaudited interim condensed consolidated financial statements.

On 19 August 2022, a final dividend of HK8.0 cents per share for the year ended 31 March 2022 was approved by the Company’s shareholders (“**2022 Final Dividend**”). The 2022 Final Dividend of HK\$80,000,000 was paid during the six months ended 30 September 2022.

On 18 August 2021, a final dividend of HK2.5 cents per share for the year ended 31 March 2021 was approved by the Company’s shareholders (“**2021 Final Dividend**”). The 2021 Final Dividend of HK\$25,000,000 was paid during the year ended 31 March 2022.

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\$82,049,000 (six months ended 30 September 2021: HK\$22,699,000), and the weighted average number of ordinary shares of 1,000,000,000 (six months ended 30 September 2021: 1,000,000,000 shares) in issue. The Company did not have any potential dilutive shares for the six months ended 30 September 2022 and 2021. Accordingly, the diluted earnings per share are the same as the basic earnings per share.

12. TRADE RECEIVABLES

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Trade receivables	<u>5,676</u>	<u>5,749</u>

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 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
0-30 days	5,216	5,164
31-60 days	338	160
61-90 days	27	392
Over 90 days	<u>95</u>	<u>33</u>
	<u>5,676</u>	<u>5,749</u>

13. TRADE PAYABLES AND ACCRUALS AND OTHER PAYABLES

(a) Trade payables

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

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
0-30 days	51,343	67,002
31-60 days	11,221	8,233
61-90 days	85	122
Over 90 days	<u>7</u>	<u>267</u>
	<u>62,656</u>	<u>75,624</u>

(b) **Accruals and other payables**

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Current:		
Accruals for employee benefit expenses	23,882	17,164
Accruals for rental expenses	4,447	8,714
Accruals for logistic expenses	4,962	8,222
Contract liabilities in relation to customer loyalty programme (Note (c))	1,693	491
Accruals for property, plant and equipment	3,251	192
Contract liabilities in relation to cash coupon (Note (c))	–	25
Provision for reinstatement costs	1,899	1,704
Accruals for operating and other expenses	5,240	7,604
	<u>45,374</u>	<u>44,116</u>
Non-current:		
Provision for reinstatement costs	<u>1,848</u>	<u>1,942</u>

(c) **Contract liabilities**

The contract liabilities represented the aggregated amount of the transaction price allocated to the performance obligation that are unsatisfied as of the period ended date. The Group expects the transaction price allocated to the unsatisfied performance obligations will be recognised as revenue when the award points in related to customer loyalty programme and the cash coupons are redeemed. HK\$516,000 of the contract liabilities as of 31 March 2022 has been recognised as revenue due to the redemption of the cash dollars and cash coupon in purchase by customer during the six months ended 30 September 2022.

14. SHARE CAPITAL

	Number	Amount HK\$'000
Authorised:		
At 31 March 2022, 1 April 2022 and 30 September 2022	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 31 March 2022, 1 April 2022 and 30 September 2022	<u>1,000,000,000</u>	<u>10,000</u>

15. CAPITAL COMMITMENTS

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Commitments for acquisition of property, plant and equipment	<u>798</u>	<u>534</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a leisure food retailer operating chain retail stores under the brands “Best Mart 360° (優品360°)” and “FoodVille” in Hong Kong, Macau and Mainland China. The Group offers wide selection of imported pre-packaged leisure foods and other grocery products principally from overseas, which can be broadly categorised into (i) chocolates and confectioneries; (ii) nuts and dried fruits; (iii) packaged bakery products and snacks; (iv) biscuits and pastries; (v) cereals and milk; (vi) beverages and wine; (vii) rice, noodles and groceries; (viii) frozen and chilled food; and (ix) other products, such as personal care products, daily items and anti-epidemic products. It is the Group’s business objective to offer “Best Quality” and “Best Price” products to customers through continuous efforts on global procurement, with a mission to provide comfortable shopping environment and pleasurable shopping experience to customers.

BUSINESS REVIEW

For the six months ended 30 September 2022 (the “**Period under Review**”), the Group continued to face a challenging operating environment. According to the visitor arrival statistics released by the Hong Kong Tourism Board, visitor arrivals from 1 January 2022 to 30 September 2022 rebounded more than 2.45 times as compared to the corresponding period last year. However, local tourism industry has yet to fully resume normal activities as worldwide and local anti-epidemic measures have not been completely relaxed, affecting the pace of recovery of the overall retail market. Notwithstanding the disbursement of Phase II of consumption vouchers (CVS) by the Hong Kong government to stimulate consumption during the Period under Review, according to the Census and Statistics Department, the value of total retail sales in Hong Kong for the first nine months of this year was provisionally estimated at approximately HK\$254,769 million, which was still slightly lower than that of the corresponding period last year by 1.3%, mainly attributable to the high base figures from the corresponding period last year.

Despite a generally weak retail sector, the Group actively coped with challenges by rapidly adjusting its product mix in response to changes in the needs of consumers. During the Period under Review, the Group maintained considerable growth.

During the six months ended 30 September 2022, the Group recorded a revenue of HK\$1,031,896,000, representing a year-on-year increase of approximately 19.6% from that of approximately HK\$862,978,000 for the six-month period ended 30 September 2021 (“**Corresponding Period Last Year**”). Gross profit and gross profit margin were approximately HK\$364,712,000 and 35.3%, respectively (for the six-month period ended 30 September 2021: gross profit of approximately HK\$279,132,000 and gross profit margin of approximately 32.3%), representing a year-on-year increase of approximately 30.7% and approximately 3.0 percentage points, respectively. Profit attributable to owners of the Company during the period amounted to approximately HK\$82,049,000 (for the six-month period ended 30 September 2021: approximately HK\$22,699,000), representing a year-on-year increase of approximately 261.5%. Excluding the non-recurring income of approximately HK\$17,996,000 received from the Hong Kong government under the Employment Support Scheme (for the six-month period ended 30 September 2021: nil), the year-on-year increase would be approximately 182.2%.

Turnover and gross profit both significantly increased as compared with the Corresponding Period Last Year, mainly attributable to the Group maintaining an active expansion policy to increase the strategic footprint of physical stores, its efforts to optimise shopping space aiming at providing a more comfortable shopping experience to customers, as well as the appropriate adjustments made by the Group to its sales strategy and optimisation of its product structure which have resulted in a more diversified range of products, driving gross profit margin to increase by 3.0 percentage points. Furthermore, by strengthening marketing promotion, optimising systems and simplifying processes, the Group has enhanced overall operational efficiency, leading to a significant year-on-year growth in operating profit.

CHAIN RETAIL STORES

As a leading leisure food supplier in Hong Kong, the Group adopts a dual-brand strategy by operating two retail brands, namely “Best Mart 360°” (“優品360°”), a common food brand, and “FoodVille”, a global gourmet brand. The Group strives to offer “Best Quality” and “Best Price” products to customers through efforts on global procurement, satisfying the needs of different customer segments. As at 30 September 2022, the Group operated a total of 144 chain retail stores (30 September 2021: 129 stores), comprising 141 “Best Mart 360°” stores and three “FoodVille” stores (30 September 2021: 128 stores and one store, respectively). In terms of geographical coverage, as at 30 September 2022, the Group operated 136 stores, six stores and two stores in Hong Kong, Macau and Mainland China, respectively (30 September 2021: 124 stores, five stores and nil, respectively). During the Period under Review, the Company proactively expanded the footprint of its physical stores. In addition to a net increase of 15 stores during the period, the Company has gradually rented larger retail spaces and has gradually optimised its existing stores in line with the diversification of its product mix to enhance the brand image. From store display to exterior decoration and signage, the Company strives to provide a more comfortable shopping environment to customers. In particular, the store located at Lee Garden Road in Causeway Bay has undergone a full upgrade to offer more product choices of snacks, wine, noodles and groceries under a brand new image. The Group will continue to concentrate on increasing its presence in shopping arcades in community or residential areas with a view to providing better services to the local community and a more comfortable shopping experience to customers.

The Group has adopted a cautious approach in expansion, having taken into account the customer traffic and operational efficiency of each store while increasing its store locations. For the six months ended 30 September 2022, the ratio of rental expense (on a cash basis) to sales revenue of the Group’s retail stores was approximately 10.4% (for the six months ended 30 September 2021: 11.8%), representing a decrease of approximately 1.4 percentage points as compared with the Corresponding Period Last Year.

THE PRODUCTS

During the Period under Review, the Group adhered to its global procurement policy by sourcing a broad spectrum of products worldwide to continue optimising and enriching its product portfolio, replacing old products with new ones in order to make room for the latest and most popular products and flavours sourced from around the world. For the six months ended 30 September 2022, the Group has sold more than 900 brands and over 3,000 SKUs of products in total, offering customers a diversified range of choices.

To enhance brand advantages, control product quality and supply more effectively and maintain profitability, the Group continued to actively develop its private label products during the period. For the six months ended 30 September 2022, sales of private label products amounted to approximately HK\$151,064,000 (for the six months ended 30 September 2021: approximately HK\$140,044,000), representing an increase of approximately 7.9% as compared with the Corresponding Period Last Year and accounted for approximately 14.6% of the Group's overall revenue for the Period under Review. The Group has developed a cumulative total of 11 private labels and 183 products during the Period under Review, including nuts and dried fruits, canned Chinese delicacies, cereals, milk, honey, masks and daily necessities and a wide range of leisure food products. By strengthening its private label products, the Group has promoted customer loyalty and reinforced its operating income.

MEMBERSHIP SCHEME AND MARKETING & PROMOTIONAL ACTIVITIES

The retail business of the Group has always been customer-driven. Since 2015, the Group has established a membership scheme to promote customer loyalty, stimulate sales as well as reinforce and expand its customer base. In order to further deepen customer stickiness and expand customers' coverage, the Group launched its membership mobile app 2.0 in 2020 and reviewed its marketing strategy by using big data analysis. In addition to fully optimising and enhancing its membership reward scheme to attract more customers to become members, the Group has continuously provided updates of special offers for selected products and member benefits, as well as access to latest market information to effectively strengthen the ties between members and the Group and generate recurring sales, driving sustainable growth for the Group's business.

As at 30 September 2022, the number of the Group's registered fans and members was approximately 1,931,400 (30 September 2021: 1,764,600), representing a year-on-year growth of 9.5%. The number of mobile app members has reached approximately 815,100, an increase of 27.9% from approximately 637,100 of the Corresponding Period Last Year.

Meanwhile, for the purpose of strengthening its marketing strategy and enhancing brand awareness, the Group has conducted various marketing and promotional activities to enhance the brand's exposure in the market during the Period under Review. These marketing initiatives included: (i) cooperating with some e-payment platforms to offer free electronic coupons to customers during the disbursement period of the government's electronic consumption vouchers; (ii) launching "Money-saving Tips", under which customers will be entitled to a cash coupon for every purchase exceeding certain amount; (iii) collaborating with Berndes, a century-old German premium cookware brand, in the roll-out of an exclusive redemption programme; and (iv) conducting live broadcasts by working with various television artists and "KOLs" and placing advertisements across different media channels, including television, newspaper and social media platform. Through these activities, the Group has successfully generated recurring businesses and attracted new customers, garnering a significant volume of consumer buzz for the Group in the market.

EMPLOYEES

In line with the expansion of its retail store network in Hong Kong, Macau and Mainland China, during the Period under Review, the Group continued to recruit front-line staff, office staff and managerial staff as well as warehouse staff to support its development. As at 30 September 2022, the number of full-time and part-time employees of the Group was 1,167 (30 September 2021: 900). In order to retain staff and to properly reward employees of the Group for the purpose of strengthening cohesion and loyalty among them, the Group regularly reviews and updates its employee benefit plans and remuneration packages with reference to labour market supply and labour cost trend, as well as individual performance. Meanwhile, the Group is committed to investing resources in optimising its systems. By consolidating the systems within the Group, the Group has fostered a close communication of information between front-line and back-end staff, established a more meticulous and integrated management on people, goods and venues. The Group has also further enhanced automation to streamline processes and boosted overall efficiency. Staff costs (excluding Directors' emoluments) of the Group for the six months ended 30 September 2022 accounted for approximately 9.4% of revenue, representing a decrease of approximately 0.7 percentage point as compared to 10.1% in the Corresponding Period Last Year.

OUTLOOK

The gradual lifting of social distancing measures by the government and the adjustments made officially to the quarantine arrangements for inbound persons arriving in Hong Kong at the end of September this year are favourable to speeding up the pace of recovery of the local tourism industry and business investment activities. The Group will continue to closely monitor various factors and developments, timely implement necessary business measures to capture market opportunities and actively explore various development opportunities in order to maximise returns for shareholders.

Looking ahead, as the market anticipates the lifting of all travel restrictions by the government and a continued improvement in local business sentiment, the Group will also ride on the economic recovery to consistently look for suitable opportunities to expand the store network of its major retail brand “Best Mart 360” (“優品360”) and global gourmet store “FoodVille” in Hong Kong, Macau and Mainland China, with a target of achieving a net increase of 20 retail stores each year to satisfy the demand of different customer segments for quality food products under a “dual-brand” model. The “Best Mart 360” (“優品360”) brand will continue to focus on serving the residential areas and expanding the coverage of its store network, while the ongoing optimisation of existing retail stores will continue, with a view to providing more comfortable shopping experience to customers and boosting store sales. “FoodVille” will target large and medium-to-high-end shopping malls in Hong Kong as well as stores with larger area and locations with higher customer traffic and stronger consumer spending power. The Group will strive to increase the number of exclusive products of “FoodVille” and actively look for medium-to-high-end diversified quality products from around the world, in order to further differentiate the two brands.

To uphold its business mission in offering the “Best Quality” and “Best Price” to its customers, the Group will strive to strengthen the core competitiveness of its brand. Apart from continuing to source a diversified range of food products worldwide, the Group will also step up the development of its private label products, not only to satisfy market demand for daily necessities and enrich the choices for customers, but also to effectively control product quality. The Group will continue to actively identify upstream suppliers to secure a lower procurement cost, in order to maintain its competitive advantages in pricing.

The Board is of the view that business diversification can effectively expand the Group’s income stream and enable the Group to better attract recurring purchases from customers. In addition to accelerating deployment in the Greater Bay Area with the target of expanding its physical sales network across the country, the Group is also actively examining a trial run of an e-commerce business in Mainland China to allow customers to make online purchases via a WeChat mini-app, with delivery service covering an ecosphere of 3km from the store location, striving for the fastest delivery. It is expected that the e-commerce business will commence in this financial year.

Further, the Group will continue to develop its business-to-business (B2B) segment by bulk selling its private label products and other imported products to other retailers in Hong Kong, online stores and even merchants or enterprises in other overseas markets, with a view to expanding the Group’s potential customer base and generate more steady streams of revenue to maintain the profitability of the Group.

FINANCIAL REVIEW

Revenue

For the six months ended 30 September 2022, the revenue recorded by the Group amounted to approximately HK\$1,031,896,000, representing an increase of approximately 19.6% as compared to approximately HK\$862,978,000 for the six months ended 30 September 2021. The increase in revenue mainly reflected the success of the Group's expansion strategy, store and shopping environment optimisation, appropriate sales strategy adjustment and product mix optimisation.

Profit attributable to Owners of the Company

Profit attributable to owners of the Company for the six months ended 30 September 2022 amounted to approximately HK\$82,049,000 representing an increase of approximately 261.5% from approximately HK\$22,699,000 for the six months ended 30 September 2021. The increase in profit was mainly due to the Group's appropriate sales and expansion strategy. Furthermore, marketing and promotion strengthening and systems and product optimisation enhanced the overall operational efficiency and hence the operating profit. The Group received an aggregate amount of approximately HK\$17,996,000 subsidy income from the government of Hong Kong while no subsidy incomes had been received during the Corresponding Period Last Year.

Gross Profit and Gross Profit Margin

For the six months ended 30 September 2022, the gross profit of the Group was approximately HK\$364,712,000, representing an increase of approximately 30.7% from approximately HK\$279,132,000 for the six months ended 30 September 2021, while the gross profit margin for the six months ended 30 September 2022 was approximately 35.3%, representing an increase of approximately 3.0 percentage points from approximately 32.3% for the six months ended 30 September 2021. The increase in gross profit margin of the Group for the Period under Review was mainly due to the product adjustment strategy and the constant effort to improve bargaining power, which enabled the Group to control its procurement costs effectively.

Selling and Distribution Expenses

For the six months ended 30 September 2022, selling and distribution expenses of the Group amounted to approximately HK\$246,080,000, representing an increase of approximately 13.9% from approximately HK\$216,023,000 for the six months ended 30 September 2021. The increase in selling and distribution expenses during the Period under Review was mainly due to the increase of rental expenses and other store operating expenses due to the increase in the number of retail stores in Hong Kong, Macau and Mainland China and the recruitment of additional frontline and warehouse staff to cope with the expansion of retail store network in Hong Kong, Macau and Mainland China.

Administrative and Other Expenses

For the six months ended 30 September 2022, administrative and other expenses of the Group amounted to approximately HK\$36,824,000, representing an increase of approximately 12.6% from approximately HK\$32,692,000 for the six months ended 30 September 2021. The increase in administrative and other expenses was mainly due to the recruitment of additional management personnel and office staff during the Period under Review to support the Group's active expansion strategy and the various enhancement and optimisation projects.

Finance Costs

Finance costs of the Group for the six months ended 30 September 2022 amounted to approximately HK\$3,486,000, representing a decrease of approximately 8.8% from approximately HK\$3,824,000 for the six months ended 30 September 2021. Such decrease was mainly attributable to the decrease in interest expenses on lease liabilities from approximately HK\$3,102,000 for the six months ended 30 September 2021 to approximately HK\$2,712,000 for the six months ended 30 September 2022.

Income Tax Expense

The income tax expense of the Group increased from approximately HK\$4,165,000 for the six months ended 30 September 2021 to approximately HK\$14,212,000 for the six months ended 30 September 2022, representing an increase of approximately 241.2% mainly due to the increase in assessable profit of a major operating subsidiary.

Financial Position, Liquidity and Financial Resources

As at 30 September 2022, the Group's total cash and bank balances (including cash and cash equivalents) were approximately HK\$168,323,000 (as at 31 March 2022: approximately HK\$130,076,000), representing an increase of approximately 29.4% which was mainly due to cash generated from higher revenues. The current ratio (calculated by current assets divided by current liabilities) of the Group remained relatively stable at approximately 1.2 as at 31 March 2022 and as at 30 September 2022.

As at 30 September 2022, the Group has total bank borrowings of approximately HK\$81,107,000, representing a decrease of approximately 2.3% as compared with approximately HK\$82,981,000 as at 31 March 2022. The total unutilised banking facility extended by commercial banks as at 30 September 2022 amounted to approximately HK\$250,787,000. The carrying amounts of the Group's borrowings are denominated in Hong Kong dollars, secured and approximate to their fair value.

The gearing ratio of the Group as at 30 September 2022 was approximately 18.4% as compared to that of approximately 18.9% as at 31 March 2022, 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 decrease in gearing ratio was mainly due to the repayment of bank borrowings within the Period under Review.

The Group financed its liquidity and working capital requirements mainly through a combination of various sources, including but not limited to cash generated from the Group's operations and bank borrowings.

Capital Structure

The capital structure of the Company comprises of issued share capital and reserves. As at 30 September 2022, the Company had 1,000,000,000 Shares in issue.

Capital Commitments

Details of the capital commitments are set out in note 15.

Pledge of Assets

As at 30 September 2022, the bank borrowings and other banking facilities of the Group are secured by:

- (i) the corporate guarantee provided by the Company and a subsidiary; and
- (ii) property, plant and equipment of office premises of the Group with carrying amount of approximately HK\$168,854,000 (as at 31 March 2022: approximately HK\$171,350,000).

Foreign Currency Risk

The Group operates in Hong Kong, Macau and Mainland China and is exposed to foreign exchange risk from (i) the purchase of products from various overseas suppliers mainly from Japan, Europe, Korea and the United States, which purchases are primarily settled in foreign currencies; and (ii) the revenue generated from the operation in Macau and Mainland China. Nevertheless, taking into account the current balance between US dollar payments and other relatively depreciating currency payments, retail industry practice, the Group's current operation and the stable exchange rates of Macau Pataca and scale of Mainland China operations, the Directors do not consider the Group is subject to material foreign exchange risk. The Directors will regularly review and assess the change in risks and 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.

EMPLOYEES AND REMUNERATION POLICIES

Following the enhancement of front-line staffing structure, the number of employees of the Group increased from a total of 895 employees (excluding five Directors) as at 30 September 2021 to a total of 1,162 employees (excluding five Directors) as at 30 September 2022. The staff costs (excluding Directors' emoluments) for the six months ended 30 September 2022 was approximately HK\$96,676,000 (six months ended 30 September 2021: approximately HK\$86,847,000).

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 (the “**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 Group places great importance on the continuous development and training of the employees, and is devoted to the continuous improvement in the skills and quality of service of the employees. The Group offers various in-house training programmes to the newly recruited employees and frontline staff and management in various aspects, such as technical skills and knowledge, occupational safety and compliance with the laws. During the Period under Review, the Group had also improved the modules of in-house training by introducing video programmes lectures for the orientation of newly recruited front-line staff.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions or disposals for the six months ended 30 September 2022.

MATERIAL INVESTMENTS

For the six months ended 30 September 2022, the Group did not have any material investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have other plans for material investments and capital assets as at 30 September 2022.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 September 2022.

INTERIM DIVIDEND

The Board has recommended to declare an interim dividend of HK8.0 cents per share for the six months ended 30 September 2022 (for the six months ended 30 September 2021: HK1.5 cents per share), representing an aggregate amount of HK\$80,000,000 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 14 December 2022. The interim dividend is expected to be paid on or around Friday, 23 December 2022.

To ascertain shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from Monday, 12 December 2022 to Wednesday, 14 December 2022 (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 Friday, 9 December 2022.

EVENT AFTER THE END OF THE PERIOD

No significant events occurred since the end of the Period 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 six months ended 30 September 2022 and up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 2022 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 2022 and up to the date of this announcement, 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.

REVIEW OF UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Group's unaudited interim condensed consolidated financial statements for the six months ended 30 September 2022 had been reviewed by the Audit Committee of the Company, 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 2022 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.

OTHER BUSINESS UPDATE

As disclosed in the Company's announcement dated 24 August 2022, Mr. Lin Tsz Fung ("**Mr. Lin**") and Ms. Hui Ngai Fan ("**Ms. Hui**"), the ultimate controlling shareholders of the Company each holding 375,000,000 shares of the Company ("**Shares**"), representing 37.5% of the total issued shares as at the date of this announcement and their wholly-owned entities ("**Potential Vendors**") have entered into an entered into a memorandum of understanding ("**MOU**") with China Merchants Haitong Trading Co., Ltd. ("**Potential Purchaser**") for the possible sale and purchase of the 490,000,000 Shares, representing 49.0% of the total number of shares in issue as at the date of this announcement.

Since the date of this announcement, the potential purchaser and its professional advisers have been conducting due diligence on the Group. As of the date of this announcement, discussions between the Potential Vendors and the Potential Purchaser regarding the possible transaction are ongoing, and save for the MOU, the Potential Purchaser and the Potential Vendors have not yet entered into a formal or legally binding agreement regarding the possible transaction.

The Potential Purchaser is a comprehensive trading company covering food, transportation and bulk commodities. It has subsidiaries in 10 cities in China and seven overseas branches. It is a wholly-owned subsidiary of China Merchants Group Co., Ltd., and China Merchants Group Co., Ltd. is a wholly-owned state-owned enterprise directly controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China.

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 2022 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 November 2022

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.