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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 JUNE 2024

HIGHLIGHTS

- For the six months ended 30 June 2024, the revenue recorded by the Group amounted to approximately HK\$1,393,691,000, as compared to approximately HK\$1,237,781,000 for the six months ended 30 September 2023.
- Profit attributable to owners of the Company for the six months ended 30 June 2024 was approximately HK\$122,567,000, as compared to approximately HK\$110,636,000 for the six months ended 30 September 2023.
- Earnings per share attributable to owners of the Company for the six months ended 30 June 2024 was approximately HK12.3 cents (six months ended 30 September 2023: approximately HK11.1 cents).
- The Board recommended the payment of an interim dividend of HK11.0 cents per share for the six months ended 30 June 2024 (six months ended 30 September 2023: HK8.0 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 June 2024, together with the comparative figures for the six months ended 30 September 2023, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Six months ended	
		30 June	30 September
		2024	2023
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	1,393,691	1,237,781
Cost of sales		<u>(885,753)</u>	<u>(791,516)</u>
Gross profit		507,938	446,265
Other income and other gains, net	6	3,687	3,151
Selling and distribution expenses		(312,745)	(276,573)
Administrative and other expenses		<u>(42,432)</u>	<u>(34,875)</u>
Operating profit		156,448	137,968
Finance costs	7	<u>(8,936)</u>	<u>(4,905)</u>
Profit before income tax	8	147,512	133,063
Income tax expenses	9	<u>(24,945)</u>	<u>(22,427)</u>
Profit for the period attributable to owners of the Company		<u><u>122,567</u></u>	<u><u>110,636</u></u>
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of overseas operations		<u>674</u>	<u>(16)</u>
Other comprehensive income (expense) for the period, net of tax		<u>674</u>	<u>(16)</u>
Total comprehensive income for the period		<u><u>123,241</u></u>	<u><u>110,620</u></u>
Earnings per share attributable to owners of the Company during the period:			
– Basic and diluted (HK cents)	11	<u><u>12.3</u></u>	<u><u>11.1</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		30 June	31 December
		2024	2023
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		462,364	446,843
Deposits		41,546	35,500
Deposits paid for purchase of property, plant and equipment		1,631	285
Deferred tax assets		3,632	2,526
		509,173	485,154
Current assets			
Inventories		246,468	276,691
Trade receivables	12	15,604	16,149
Deposits, prepayments and other receivables		72,856	74,578
Cash and bank balances		183,930	130,712
		518,858	498,130
Total assets		1,028,031	983,284
Current liabilities			
Trade payables	13	84,577	88,496
Accruals and other payables	13	53,605	60,301
Bank borrowing		75,009	76,756
Lease liabilities		151,440	143,015
Dividend payable		2	306
Income tax payable		22,250	50,044
		386,883	418,918
Net current assets		131,975	79,212
Total assets less current liabilities		641,148	564,366

		30 June	31 December
		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current liabilities			
Accruals and other payables	<i>13</i>	3,168	2,805
Lease liabilities		<u>118,366</u>	<u>105,188</u>
		<u>121,534</u>	<u>107,993</u>
Net assets		<u><u>519,614</u></u>	<u><u>456,373</u></u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital	<i>14</i>	10,000	10,000
Reserves		<u>509,614</u>	<u>446,373</u>
Total equity		<u><u>519,614</u></u>	<u><u>456,373</u></u>

NOTES

For the six months ended 30 June 2024

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 the Hong Kong Special Administrative Region (“**Hong Kong**”), the Macau Special Administrative Region (“**Macau**”) and the Mainland of 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 27 August 2024, and should be read in conjunction with the Group’s annual financial statements for the nine months ended 31 December 2023.

Following the change of the Company’s financial year end date from 31 March to 31 December according to the Board’s announcement on 5 September 2023, the current financial period covers a six-month period from 1 January 2024 to 30 June 2024 while the comparison period covers a six-month period from 1 April 2023 to 30 September 2023. As a result, the comparative figures may not be fully comparable with the figures shown for the period.

The preparation of these unaudited interim condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates. The areas where significant judgements and estimates have been made in preparing financial statements and their effects are disclosed in note 4 to the unaudited condensed consolidated financial information in the interim report.

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 2023 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 2023 consolidated financial statements.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies applied are consistent with those of the annual financial statements for the period ended 31 December 2023, as described in those annual financial statements. In the current accounting period, the Group has applied, for the first time, the following amendments to HKFRSs, issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2024:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020)
	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of amendments to HKFRSs in the current interim period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial information.

The Group has not early adopted any new and amendments to HKFRSs that has been issued but not yet effective in the current accounting period.

4. SEGMENT INFORMATION

During the six months ended 30 June 2024 and 30 September 2023, the Group operated 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 locations 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 June 2024 and 30 September 2023 and certain non-current assets information as at 30 June 2024 and 31 December 2023.

	Hong Kong <i>HK\$’000</i>	Macau <i>HK\$’000</i>	PRC <i>HK\$’000</i>	Total <i>HK\$’000</i>
30 June 2024 (unaudited)				
Revenue	<u>1,362,267</u>	<u>31,404</u>	<u>20</u>	<u>1,393,691</u>
Non-current assets*	<u>454,447</u>	<u>9,514</u>	<u>34</u>	<u>463,995</u>
30 September 2023 (unaudited)				
Revenue	<u>1,207,336</u>	<u>27,528</u>	<u>2,917</u>	<u>1,237,781</u>
31 December 2023 (audited)				
Non-current assets*	<u>436,102</u>	<u>9,869</u>	<u>1,157</u>	<u>447,128</u>

* Excludes financial instruments 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 June 2024 (six months ended 30 September 2023: 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 June 2024 HK\$’000 (Unaudited)	30 September 2023 HK\$’000 (Unaudited)
Revenue from		
Retail sales	1,378,150	1,227,469
Wholesale	33,540	25,388
Less: Sales discounts	<u>(17,999)</u>	<u>(15,076)</u>
	<u>1,393,691</u>	<u>1,237,781</u>

6. OTHER INCOME AND OTHER GAINS, NET

	Six months ended	
	30 June 2024 <i>HK\$'000</i> (Unaudited)	30 September 2023 <i>HK\$'000</i> (Unaudited)
Interest income from bank deposits	3,254	3,502
Gains (losses) on written-off/disposal of property, plant and equipment, net	248	(712)
Others	185	361
	<u>3,687</u>	<u>3,151</u>

7. FINANCE COSTS

	Six months ended	
	30 June 2024 <i>HK\$'000</i> (Unaudited)	30 September 2023 <i>HK\$'000</i> (Unaudited)
Interest expenses on bank borrowing	1,188	1,171
Interest expenses on lease liabilities	7,748	3,734
	<u>8,936</u>	<u>4,905</u>

8. PROFIT BEFORE INCOME TAX

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

	Six months ended	
	30 June 2024 <i>HK\$'000</i> (Unaudited)	30 September 2023 <i>HK\$'000</i> (Unaudited)
Directors' emoluments	1,026	793
Staff costs:		
– Wages, salaries and other benefits	133,759	108,034
– Contributions to defined contribution pension plans	5,777	4,805
Depreciation of property, plant and equipment	109,784	105,670
Exchange differences, net	(1,085)	(956)
Costs of inventories recognised as expenses (excluding written-off of inventories)	881,834	788,556
Written-off of inventories	3,919	2,960
Operating lease payments in respect of retail stores		
– Short-term lease expenses	8,242	4,173
– Contingent rents	10,027	8,783
	<u>18,269</u>	<u>12,956</u>

9. INCOME TAX EXPENSES

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

	Six months ended	
	30 June 2024 <i>HK\$'000</i> (Unaudited)	30 September 2023 <i>HK\$'000</i> (Unaudited)
Current income tax		
– Hong Kong Profits Tax	25,511	22,788
– Macau Complementary Income Tax (“MCIT”)	540	202
	<u>26,051</u>	<u>22,990</u>
Deferred income tax	<u>(1,106)</u>	<u>(563)</u>
Income tax expenses	<u>24,945</u>	<u>22,427</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 June 2024 and 30 September 2023, 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 that do not qualify 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 June 2024 and 30 September 2023.

No provision of the PRC Corporate Income tax (“CIT”) has been made as the Group has no assessable profit for CIT for the six months ended 30 June 2024 and 30 September 2023.

10. DIVIDENDS

On 28 September 2023, a final dividend of HK11.0 cents per share for the year ended 31 March 2023 was approved by the Company’s shareholder (“**2022/2023 Final Dividend**”). The 2022/2023 Final Dividend of HK\$110,000,000 was paid during the period ended 31 December 2023.

On 28 November 2023, the Board has resolved to pay an interim dividend of HK8.0 cents per share, amounting to a total dividend of HK\$80,000,000 (“**2023 Interim Dividend**”), in respect of the six months ended 30 September 2023. The 2023 Interim Dividend of HK\$79,694,000 was paid during the period ended 31 December 2023.

On 24 May 2024, a final dividend of HK6.0 cents per share for the nine months ended 31 December 2023 was approved by the Company’s shareholders (“**2023 Final Dividend**”). The 2023 Final Dividend of HK\$59,998,000 was paid during the period ended 30 June 2024.

On 27 August 2024, the Board has resolved to pay an interim dividend of HK11.0 cents per share, amounting to a total dividend of HK\$110,000,000 (“**2024 Interim Dividend**”), in respect of the six months ended 30 June 2024. The 2024 Interim Dividend has not been recognised as a liability in this unaudited interim condensed consolidated financial statements.

11. EARNINGS PER SHARE

The basic earnings per share attributable to owners of the Company for the period is calculated based on the profit attributable to owners of the Company of approximately HK\$122,567,000 (six months ended 30 September 2023: approximately HK\$110,636,000) and the weighted average number of ordinary shares of 1,000,000,000 (six months ended 30 September 2023: 1,000,000,000 shares) in issue. The Company did not have any potential dilutive shares for the six months ended 30 June 2024 and 30 September 2023. Accordingly, the diluted earnings per share are the same as the basic earnings per share.

12. TRADE RECEIVABLES

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Trade receivables	<u>15,604</u>	<u>16,149</u>

As at 30 June 2024, the gross amount of trade receivables arising from contracts with customers amounted to approximately HK\$15,604,000 (31 December 2023: HK\$16,149,000).

Trade receivables mainly represented 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 Group allows an average credit period of 30 days to its wholesale customers with trading history, or otherwise sales on cash terms are required.

Included in the trade receivables are amounts due from the Group's related parties of approximately HK\$75,000 (31 December 2023: HK\$49,000), which is repayable on credit terms similar to the wholesale customers of the Group.

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
0–30 days	14,913	15,255
31–60 days	521	759
61–90 days	147	70
Over 90 days	<u>23</u>	<u>65</u>
	<u>15,604</u>	<u>16,149</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 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
0-30 days	70,947	72,729
31-60 days	13,171	15,403
61-90 days	193	200
Over 90 days	<u>266</u>	<u>164</u>
	<u>84,577</u>	<u>88,496</u>

(b) Accruals and other payables

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Current:		
Accruals for employee benefit expenses	33,232	37,439
Accruals for rental expenses	4,369	6,003
Accruals for logistic expenses	5,983	7,151
Contract liabilities in relation to cash coupon (Note (c))	415	650
Contract liabilities in relation to customer loyalty programme (Note (c))	1,410	-
Provision for reinstatement costs	2,042	2,111
Receipt in advance	212	139
Accruals for operating expenses and other payables	<u>5,942</u>	<u>6,808</u>
	<u>53,605</u>	<u>60,301</u>
Non-current:		
Provision for reinstatement costs	<u>3,168</u>	<u>2,805</u>

(c) **Contract liabilities**

The contract liabilities represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the period end date. The Group expects the transaction price allocated to the unsatisfied performance obligations will be recognised as revenue when the award points in relation to customer loyalty programme and the cash coupons are redeemed. Approximately HK\$650,000 of the contract liabilities as of 31 December 2023 has been recognised as revenue due to the redemption of the cash coupon in purchase by customers during the six months ended 30 June 2024.

14. SHARE CAPITAL

	Number	Amount HK\$'000
Authorised:		
At 31 December 2023, 1 January 2024 and 30 June 2024	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 31 December 2023, 1 January 2024 and 30 June 2024	<u>1,000,000,000</u>	<u>10,000</u>

15. CAPITAL COMMITMENTS

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Commitments for acquisition of property, plant and equipment contracted but not provided for	<u>2,686</u>	<u>71</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a leisure food retailer operating chain retail stores under the brands “Best Mart 360°” and “FoodVille” in Hong Kong, Macau and the PRC and wholesaling in Hong Kong. The Group offers a 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 a comfortable shopping environment and a pleasurable shopping experience to customers.

As disclosed in the announcement of the Company dated 5 September 2023, the Board resolved to change the financial year end date of the Company from 31 March to 31 December. Accordingly, the current unaudited interim condensed consolidated financial statements of the Company covered a six-month period from 1 January 2024 to 30 June 2024 and the corresponding comparative figures covered a six-month period from 1 April 2023 to 30 September 2023. As a result, the comparative figures may not be fully comparable with the figures shown for the period.

BUSINESS REVIEW

For the six months ended 30 June 2024 (the “**Period under Review**”), the local and global economies maintained a modest recovery, and the business environment and consumer sentiment continued to improve. According to the visitor arrival statistics released by the Hong Kong Tourism Board, visitor arrivals from 1 January to 30 June 2024 reached more than approximately 21.0 million, representing an increase of approximately 64% as compared to 1 January to 30 June 2023. However, in the “post-epidemic era”, the change in people’s consumption habits, coupled with the resumption of post-epidemic outbound travel of Hong Kong people, and their enthusiasm for consumption northbound, have affected the performance of the local retail market. According to the Census and Statistics Department, the value of total retail sales in Hong Kong for the first half of 2024 was provisionally estimated at approximately HK\$191.454 billion as of 30 June 2024, representing a year-on-year decrease of approximately 6.6%.

During the Period under Review, the Group was prudent in dealing with the sluggish market and uncertain operating environment, and swiftly adjusted its product mix to take advantage of the popularity of Hong Kong people northbound consumption by introducing a wide range of speciality products from the Mainland China that are popular among Hong Kong people in order to satisfy the changing needs of customers. This, coupled with the steady expansion of its store network, contributed to the growth in revenue of the Group during the period despite the difficult times.

For the six months ended 30 June 2024, the Group recorded a revenue of approximately HK\$1,393,691,000, representing an increase of approximately 10.6% from that of approximately HK\$1,260,244,000 for the six months ended 30 June 2023.

The Group's gross profit for the six months ended 30 June 2024 was approximately HK\$507,938,000, and gross profit margin was approximately 36.4%, as compared with gross profit of approximately HK\$455,147,000 and gross profit margin of approximately 36.1% for the six months ended 30 June 2023, representing a year-on-year increase of approximately 11.6% and 0.3 percentage point, respectively. The increase in gross profit and gross profit margin for sales was mainly due to the Group's continuous review and adjustment of sales tactics as well as product mix and cost optimization.

Profit attributable to owners of the Company for the six months ended 30 June 2024 was approximately HK\$122,567,000 and the net profit margin was approximately 8.8%, as compared with that of approximately HK\$115,445,000 and the net profit margin of approximately 9.2% for the six months ended 30 June 2023, representing an increase of approximately 6.2% and a decrease of 0.4 percentage point, respectively. The decrease in net profit margin was mainly due to rising operating expenses, with the increase in labour costs being particularly significant.

CHAIN RETAIL STORES

The Group is looking for stores with higher potential in various districts to improve its store network. As at 30 June 2024, the Group operated a total of 175 chain retail stores, including 168 chain retail stores (30 September 2023: 156 stores) in Hong Kong and 7 chain retail stores (30 September 2023: 7 stores) in Macau, respectively. On the other hand, taking into account the fierce competition in the retail sector of physical food stores in the Mainland China, as well as the operating data of these stores, the Group closed all its chain retail stores in the Mainland China at the beginning of this year. In the future, the Group's business will focus on Hong Kong and Macau as its core and continue to maintain an open attitude, proactively exploring the feasibility of expanding its business in the Mainland China and overseas.

During the Period under Review, the Group followed its store optimisation strategies, which include improving the stocking arrangement, product display and shop appearance, etc., to provide a better shopping experience and enhance the brand image.

The Group launched a new global wine and food shop “FoodVille” in 2021, which focuses on medium-to-high-end global quality food products, including fine wines from around the world, premium chocolates, health food, frozen food, western sauces and ingredients, etc., in order to cater to the market’s pursuit of a high quality of life and broaden the Company’s customer bases. As at 30 June 2024, the Group operated 7 shops (30 September 2023: 6 shops) under the relevant retail brands.

For the six months ended 30 June 2024, the ratio of rental expense (on cash basis) to sales revenue of the Group’s retail stores was approximately 9.5% (for the six months ended 30 September 2023: approximately 9.8%).

THE PRODUCTS

During the Period under Review, the Group adhered to its global procurement policy by sourcing a broad spectrum of products worldwide to provide a diversified range of choices for customers. For the six months ended 30 June 2024, the Group has sold more than 1,150 brands and over 3,237 stock keeping units (“SKUs”) of products in total, offering customers a diversified range of choices. The Group continued to optimise its product portfolio, phasing out older items to make room for the latest products and flavours, to stay abreast of changes in customer demands.

In order to enrich our product mix, enhance the effectiveness of control over product qualities and supplies and increase profitability, the Group continued to actively develop its private label products during the period. For the six months ended 30 June 2024, sales derived from private label products amounted to approximately HK\$234,630,000 (for the six months ended 30 September 2023: approximately HK\$192,986,000), accounted for approximately 16.8% of the Group’s overall revenue for the Period under Review. The Group had a total of 11 private labels and 228 SKUs of products during the Period under Review, including masks, canned Chinese delicacies, cereals, milk, honey, nuts and dried fruits as well as a wide range of leisure food products.

MEMBERSHIP SCHEME AND MARKETING & PROMOTIONAL ACTIVITIES

The retail business of the Group has always been customer-driven. The Group established a membership scheme since April 2015 to promote customer loyalty, stimulate sales as well as expand its customer base. In order to deepen customer stickiness and expand customers’ coverage, the Group launched its membership mobile app 2.0 in 2020. Through the use of big data analysis, the Group dynamically refined its market strategies and continuously optimised and enhanced its membership reward scheme, including APP e-point programme, special offers for selected products and access to latest market information, etc., so as to effectively strengthen the ties between members and the Group, gain repeated patronage from members and drive sustainable growth for the Group’s business.

As at 30 June 2024, the number of the Group's registered fans and members was approximately 2,214,680 (30 September 2023: approximately 2,087,700). The number of mobile app members has reached approximately 1,112,031 (30 September 2023: approximately 980,000) as of 30 June 2024.

The Group conducted various marketing and promotional activities during the period, including the launch of the “Best Price (至優價)”, “Buy and Replace (一買即換)” and “Monday Reward (狂賞星期一)” and other promotional campaign, which provided customers with a series of special offers for selected quality products from time to time to express our gratitude for our customers' support and to enhance customer loyalty. Meanwhile, the Group continued to advertise in an all-round manner through television, newspapers, social media platforms and other media, which successfully obtained repeat customers, attracted new customers and greatly promoted the discussions about the Group in the market.

EMPLOYEES

As at 30 June 2024, the number of full-time and part-time employees of the Group was 1,313 (30 September 2023: 1,226). In order to retain staff and to suitably incentivise employees of the Group so as to increase staff cohesion and loyalty, 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. Staff costs (excluding Directors' emoluments) of the Group for the six months ended 30 June 2024 accounted for approximately 10.0% of revenue (for the six months ended 30 September 2023: approximately 9.1%).

OUTLOOK

Since last year, to boost the economy, the Hong Kong Government has been promoting the mega-event economy with a view to attracting tourists to Hong Kong by organising a number of mega-events. However, the Group expects that the retail market will remain sluggish in the short term, and that the market environment will continue to be challenging due to factors such as the high interest rate environment and geopolitical tensions, the local and global economies being in a counter-cyclical state, coupled with the continuous increase in the number of outbound travel of Hong Kong people and the rise of the northbound consumption trend. The Group will closely monitor market changes and make prompt adjustments to its business strategies. We will strictly control costs and expenses, enhance operational efficiency and explore different development opportunities, so as to maximise returns for shareholders and investors.

With the further opening up of cities under the Individual Visit Scheme by the Mainland China from May 2024, visitor arrivals to Hong Kong is expected to increase, hopefully driving a gradual improvement in the local economy. The Group will continue to look for suitable opportunities to expand the shop network of its major retail brand “Best Mart 360° (優品360°)” and its global wine and food shop “FoodVille” to cater the diversified demands of different customer segments for quality food products under our “dual-brand” model, while stay on monitoring the operation of the existing stores and make timely adjustments to its operation strategies when necessary.

The Group remains committed to its business mission in offering products with the “Best Quality” and “Best Price” to its customers. We will continue to broaden our supply channels, optimise our sales categories and strive for price competitiveness to attract repeat customers. We will deepen the extension of our business-to-business (B2B) food wholesale business, further enriching the Group’s revenue streams. Furthermore, the Group will endeavour to develop its private label products, aiming not only to satisfy market demand for daily necessities but also to provide customers with a broader range of choices.

Looking ahead, the Group will adhere to a prudent approach to steadily expand our business footprint, maintaining our leading position in the Hong Kong leisure food retail market. Meanwhile, we will proactively explore opportunities for business expansion both in the Mainland China and overseas, thereby delivering stable and sustainable returns for our shareholders.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2024, the revenue recorded by the Group amounted to approximately HK\$1,393,691,000 (six months ended 30 September 2023: approximately HK\$1,237,781,000). Seasonal trends are observed in our industry. Compared with the same period last year, the revenue of the Group for the six months ended 30 June 2024 increased by approximately 10.6% from approximately HK\$1,260,244,000 for the six months ended 30 June 2023. The increase in revenue was primarily attributed to our steady store network expansion momentum as well as the optimisation of our sales strategy and product mix.

Profit attributable to Owners of the Company

Profit attributable to owners of the Company for the six months ended 30 June 2024 amounted to approximately HK\$122,567,000 (six months ended 30 September 2023: approximately HK\$110,636,000). Compared with the same period last year, profit attributable to owners of the Company for the six months ended 30 June 2024 increased by approximately 6.2% from approximately HK\$115,445,000 for the six months ended 30 June 2023, mainly driven by the growth in sales and resulting growth in gross profit from the Group's retail stores, which outweighed the adverse effect from surging operating cost.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2024, the gross profit of the Group was approximately HK\$507,938,000 (six months ended 30 September 2023: approximately HK\$446,265,000). Compared with the same period last year, the gross profit of the Group for the six months ended 30 June 2024 increased by approximately 11.6% from approximately HK\$455,147,000 for the six months ended 30 June 2023. Gross profit margin for the six months ended 30 June 2024 was approximately 36.4%, representing an increase of approximately 0.3 percentage points from approximately 36.1% for the six months ended 30 June 2023. The rise in gross profit margin of the Group for the Period under Review was largely attributed to our adaptive sales strategy and product mix optimisation.

Other Income and Other Gains, Net

For the six months ended 30 June 2024, the Group recorded net other income and other gains of approximately HK\$3,687,000 (six months ended 30 September 2023: approximately HK\$3,151,000), which mainly comprised (i) interested income from bank deposits of approximately HK\$3,254,000 (six months ended 30 September 2023: approximately HK\$3,502,000) and (ii) net gain on written-off or disposal of property, plant and equipment of approximately HK\$248,000 (six months ended 30 September 2023: net loss on written-off or disposal of property, plant and equipment of approximately HK\$712,000).

Selling and Distribution Expenses

For the six months ended 30 June 2024, selling and distribution expenses of the Group amounted to approximately HK\$312,745,000 (six months ended 30 September 2023: approximately HK\$276,573,000). Compared with the same period last year, selling and distribution expenses of the Group for the six months ended 30 June 2024 increased by approximately 13.0% from approximately HK\$276,664,000 for the six months ended 30 June 2023, which was mainly due to the increase of rental expenses and other store operating expenses resulting from the expansion of retail store network, together with more frontline and warehouse staff hired to support the growth in scale as well as escalating staff cost.

Administrative and Other Expenses

For the six months ended 30 June 2024, administrative and other expenses of the Group amounted to approximately HK\$42,432,000 (six months ended 30 September 2023: approximately HK\$34,875,000). Compared with the same period last year, administrative and other expenses of the Group for the six months ended 30 June 2024 increased by approximately 21.4% from approximately HK\$34,940,000 for the six months ended 30 June 2023, which was mainly attributable to escalating staff cost.

Financial Position, Liquidity and Financial Resources

As at 30 June 2024, the Group's total cash and bank balances (including cash and cash equivalents) were approximately HK\$183,930,000 (as at 31 December 2023: approximately HK\$130,712,000), representing an increase of approximately 40.7% which was predominately contributed by the cash generated from operating activities. The current ratio (calculated by current assets divided by current liabilities) of the Group remained relatively stable at approximately 1.2 and 1.3 as at 31 December 2023 and 30 June 2024 respectively.

As at 30 June 2024, the Group has total bank borrowing of approximately HK\$75,009,000, representing a decrease of approximately 2.3% as compared with approximately HK\$76,756,000 as at 31 December 2023. The total unutilised banking facility extended by commercial banks as at 30 June 2024 amounted to approximately HK\$242,481,406 (as at 31 December 2023: approximately HK\$240,630,000). The carrying amounts of the Group's borrowing are denominated in Hong Kong dollars, secured and approximate to their fair value.

As at 30 June 2024, the Group had a gross gearing ratio (i.e., gross debt divided by total equity) of approximately 14.4% (as at 31 December 2023: approximately 16.8%). For this purpose, gross debt is defined as total interest-bearing borrowings excluding lease liabilities. The decrease in gearing ratio was mainly due to the repayment of bank borrowing 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, bank borrowing and other external equity and debt financings as and when appropriate.

Capital Structure

The capital structure of the Company comprises of issued share capital and reserves. As at 30 June 2024, the Company had 1,000,000,000 shares in issue.

The capital structure of the Group as at 30 June 2024 in terms of debt profile is mainly bank borrowing and as at 30 June 2024, the Group had outstanding bank borrowing of approximately HK\$75,009,000 (as at 31 December 2023: approximately HK\$76,756,000) repayment within one year or contain a repayment on demand clause. Bank borrowing bears interest at floating interest rates. The effective interest rate of the Group's bank borrowing is prime rate minus 3% per annum as at 30 June 2024.

Capital Commitments

Details of the capital commitments are set out in note 15 to the unaudited interim condensed consolidated financial statements in this announcement.

Charge On Group Assets

As at 30 June 2024, the bank borrowing 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\$160,119,000 (as at 31 December 2023: approximately HK\$162,615,000).

Foreign Currency Risk

The Group mainly operates in Hong Kong and is exposed to foreign exchange risk from (i) the purchase of products from various overseas suppliers, which transactions are primarily settled in foreign currencies including USD, JPY, EUR, RMB, AUD, GBP, SGD, etc; and (ii) the revenue generated from the operation in Macau. Nevertheless, taking into account the retail industry practice, the Group's current operation and the stable exchange rates of Macau Pataca, the Directors do not consider the Group subjected to material foreign exchange risk. The Directors will closely monitor the Company's exposure to such currency fluctuations and take proactive measures in response.

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 periods for meeting future funding requirements.

EMPLOYEES AND REMUNERATION POLICIES

Although the business environment remained challenging during the Period under Review, the Group maintained a steady pace of expansion. The number of employees of the Group increased from a total of 1,214 employees (excluding 12 Directors) as at 30 September 2023 to a total of 1,301 employees (excluding 12 Directors) as at 30 June 2024. The staff costs (excluding Directors' emoluments) for the six months ended 30 June 2024 was approximately HK\$139,536,000 (six months ended 30 September 2023: approximately HK\$112,839,000).

The remuneration policy of the Group is aimed at rewarding the employees based on their performance, qualifications, experience and competence. The 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 an annual review on the performance of the employees and makes reference to such performance review when assessing the award of discretionary annual bonuses, salary adjustments and promotion appraisals. The remuneration package of the executive Directors and senior management is determined with reference to those paid by comparable companies, time commitment and performance of the Directors and senior management and the performance of the Group. A remuneration committee is set up for reviewing the Group's emolument policy as well as the 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 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 their skills and quality of service. The Group offers various in-house training programmes to newly recruited employees and frontline staff and management in various aspects, such as technical skills and knowledge, occupational safety and compliance with the laws. The Group is dedicated to continuously reviewing and expanding the range of training programmes offered to employees to ensure the effectiveness of these programmes.

SIGNIFICANT INVESTMENT

The Group did not have any significant investments during the six months ended 30 June 2024.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions or disposals for the six months ended 30 June 2024.

CAPITAL EXPENDITURE

For the six months ended 30 June 2024, the Group spent approximately HK\$9,516,000 on purchase of property, plant and equipment (six months ended 30 September 2023: approximately HK\$14,845,000).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have other plans for material investments and capital assets as at 30 June 2024.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2024 and 31 December 2023.

INTERIM DIVIDEND

The Board has recommended to declare an interim dividend of HK11.0 cents per share of the Company (the “**Share**”) for the six months ended 30 June 2024 (six months ended 30 September 2023: HK8.0 cents per Share), representing an aggregate amount of HK\$110,000,000 to the shareholders whose names appear on the register of members of the Company on Friday, 20 September 2024. The interim dividend is expected to be paid on or around Friday, 27 September 2024.

To ascertain shareholders’ entitlement to the interim dividend, the register of members of the Company will be closed from Tuesday, 17 September 2024 to Friday, 20 September 2024 (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 no later than 4:30 p.m. on Monday, 16 September 2024.

EVENT AFTER THE END OF THE PERIOD UNDER REVIEW

No significant events affecting the Group occurred since the end of the Period under Review 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 June 2024 and up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 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 June 2024 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 we meet the expectations of the shareholders of the Company.

During the six months ended 30 June 2024 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 C1 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 June 2024 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 June 2024 had been reviewed by SHINEWING (HK) CPA Limited, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement of the Company is published on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.bestmart360.com>). The interim report for the six months ended 30 June 2024 will be available on the above websites and despatched to Shareholders in due course.

By order of the Board
Best Mart 360 Holdings Limited
Li Guanpeng
Chairman

Hong Kong, 27 August 2024

As at the date of this announcement, the executive Directors are Mr. Li Guanpeng, Mr. Hui Chi Kwan, Ms. Cui Qian, Mr. Lu Rong, Mr. Liu Yunfeng, Mr. Huang Shengchao, Ms. Wang Kanglin and Mr. Lin Tsz Fung; and the independent non-executive Directors are Mr. Sze Irons, Ms. Choy So Yuk, Ms. Chan Yuen Sau Kelly and Mr. Gao Wei.