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Ausupreme International Holdings Limited

澳至尊國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2031)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

RESULTS

The board (the “Board”) of directors (the “Directors”) of Ausupreme International Holdings Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2016 together with the comparative figures of the last corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

		Six months ended 30 September	
		2016	2015
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	95,337	99,323
Cost of sales		<u>(14,237)</u>	<u>(13,221)</u>
Gross profit		81,100	86,102
Other revenue	6	142	314
Gain on disposal of a subsidiary		—	783
Gain on dissolution of a subsidiary		—	10
Selling and distribution expenses		(64,611)	(67,526)
General and administrative expenses		<u>(17,693)</u>	<u>(16,349)</u>
(Loss)/profit from operations		(1,062)	3,334
Finance costs	7	<u>(193)</u>	<u>(240)</u>

		Six months ended 30 September	
		2016	2015
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
	<i>Notes</i>		
(Loss)/profit before taxation	8	(1,255)	3,094
Income tax	9	<u>(733)</u>	<u>(1,448)</u>
(Loss)/profit for the period attributable to equity owners of the Company		(1,988)	1,646
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries			
		—	199
Reclassification of exchange reserve upon disposal and dissolution of subsidiaries			
		<u>—</u>	<u>(70)</u>
Total comprehensive (expense)/income for the period attributable to equity owners of the Company		<u>(1,988)</u>	<u>1,775</u>
		<i>HK Cent</i>	<i>HK Cent</i>
(Loss)/earnings per share	10		
— Basic		<u>(0.34)</u>	<u>0.29</u>
— Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

		30 September 2016 <i>Notes</i> HK\$'000 (Unaudited)	31 March 2016 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	12	3,243	3,396
Rental deposits		4,768	2,902
Deferred tax assets		1,350	1,420
		<u>9,361</u>	<u>7,718</u>
Current assets			
Inventories		12,271	9,825
Trade and other receivables	13	25,265	33,815
Tax recoverable		194	617
Pledged bank deposits		—	794
Cash and cash equivalents		124,898	31,655
		<u>162,628</u>	<u>76,706</u>
Current liabilities			
Trade and other payables	14	11,689	9,047
Bank borrowing	15	12,850	12,850
Obligations under finance leases		29	62
Provisions for reinstatement costs		196	317
		<u>24,764</u>	<u>22,276</u>
Net current assets		<u>137,864</u>	<u>54,430</u>
Total assets less current liabilities		<u>147,225</u>	<u>62,148</u>
Non-current liabilities			
Provisions for reinstatement costs		309	193
		<u>309</u>	<u>193</u>
NET ASSETS		<u>146,916</u>	<u>61,955</u>
CAPITAL AND RESERVES			
Share capital	16	7,500	59
Reserves		139,416	61,896
Total equity attributable to equity owners of the Company		<u>146,916</u>	<u>61,955</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Attributable to equity owners of the Company					Total HK\$'000
	Share capital	Share premium	Capital reserve	Exchange reserve	Retained earnings	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 31 March 2016 (Audited) and 1 April 2016	59	—	1,546	—	60,350	61,955
Changes in equity for the six months ended 30 September 2016:						
Loss for the period	—	—	—	—	(1,988)	(1,988)
Other comprehensive income for the period						
— Exchange differences on translation of financial statements of overseas subsidiaries	—	—	—	—	—	—
Total comprehensive expense for the period	—	—	—		(1,988)	(1,988)
Transfer on reorganisation (see <i>note</i> below)	(59)	59	—	—	—	—
Issue of new shares (<i>note 16</i>)	1,875	101,250	—	—	—	103,125
Issue of shares by capitalisation of share premium account (<i>note 16</i>)	5,625	(5,625)	—	—	—	—
Capitalisation of listing expenses	—	(9,076)	—	—	—	(9,076)
Interim dividend declared and paid in respect of the period	—	—	—	—	(7,100)	(7,100)
Balance at 30 September 2016 (Unaudited)	<u>7,500</u>	<u>86,608</u>	<u>1,546</u>	<u>—</u>	<u>51,262</u>	<u>146,916</u>

Note: The corporate reorganisation of the Group was made in preparation for the listing of the Company's issued shares on the Main Board of the Stock Exchange (the "Reorganisation").

Attributable to equity owners of the Company				
Share capital <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>

Balance at 31 March 2015 (Audited) and 1 April 2015	59	—	(129)	58,757	58,687
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Changes in equity for the six months ended

30 September 2015:

Profit for the period	—	—	—	1,646	1,646
Other comprehensive income/(expense) for the period					
— Exchange differences on translation of financial statements of overseas subsidiaries	—	—	199	—	199
— Reclassification of exchange reserve upon disposal and dissolution of subsidiaries	—	—	(70)	—	(70)
Total comprehensive income for the period	—	—	129	1,646	1,775
Deemed capital contribution (see <i>note</i> below)	—	1,488	—	—	1,488
Balance at 30 September 2015 (Unaudited)	<u>59</u>	<u>1,488</u>	<u>—</u>	<u>60,403</u>	<u>61,950</u>

Note: The deemed capital contribution was an amount of approximately HK\$1,488,000 due to and waived by the Controlling Shareholder, which has the same meaning as defined in the prospectus of the Company dated 30 August 2016 (the “Controlling Shareholder(s)” and the “Prospectus”, respectively).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 September 2016*

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	6,155	2,616
Net cash generated from investing activities	366	796
Net cash generated from/(used in) financing activities	86,722	(10,867)
Net increase/(decrease) in cash and cash equivalents	93,243	(7,455)
Cash and cash equivalents at the beginning of the period	31,655	41,287
Effect of changes in foreign exchange rate	—	(4)
Cash and cash equivalents at the end of the period	124,898	33,828

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2016

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 17 April 2015 being an investment holding company. The address of the Company's registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The Company's principal place of business is located at Office E, 28/F, EGL Tower, 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The Group is a Hong Kong-based brand builder and retailer of health and personal care products focusing on the development, marketing, sale and distribution of the branded products managed by the Group.

The issued shares of the Company were initially listed on the Main Board of the Stock Exchange on 12 September 2016.

The unaudited condensed consolidated interim financial statements of the Group are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis.

The accounting policies and method of computation used in the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2016 are the same as those followed in the preparation of the Group's financial statements for the year ended 31 March 2016 underlying the preparation of financial information included in the Accountants' Report in Appendix I of the Prospectus.

In the current interim period, the Group has applied, for the first time, amendments to Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

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

New and revised HKFRSs issued but not yet effective

The Group has not early adopted the following new and revised HKFRSs that have been issued by the HKICPA but are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ³
Amendments to HKFRS 2	Classification and Measurement of Share-based, Payment Transactions ¹
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 7	Disclosure Initiative ⁴
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁴

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2019

⁴ Effective for annual periods beginning on or after 1 January 2017

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors are still in the process of assessing the impact of HKFRS 15 on the amounts reported and disclosures made in the Group’s consolidated financial statements at the moment. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases”, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liabilities, and also classifies cash payments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flows. Also, the right-of-use asset and these lease liabilities are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently.

The Directors will assess the impact of the application of HKFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 16 until the Group performs a detailed review.

The Directors anticipate that the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

4. SEGMENT INFORMATION

HKFRS 8 “Operating Segments” requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group’s chief operating decision maker (i.e. the Board) for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the retail and wholesale of health and personal care products.

5. REVENUE

Revenue represents the sales value of goods supplied to customers. The amount of each significant category of revenue is as follows:

	Six months ended 30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Health supplement products	88,431	93,336
Honey and pollen products	3,308	3,162
Personal care products	3,598	2,825
	<u>95,337</u>	<u>99,323</u>

6. OTHER REVENUE

	Six months ended 30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Bank interest income on bank deposits	5	213
Others	137	101
	<u>142</u>	<u>314</u>

7. FINANCE COSTS

	Six months ended 30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings wholly repayable within five years	192	237
Finance charges on obligations under finance leases	1	3
	<u>193</u>	<u>240</u>

8. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation for property, plant and equipment	585	799
Operating lease charges in respect of properties		
— minimum lease payments	8,582	8,875
— contingent rent	—	1
Cost of sales	<u>14,237</u>	<u>13,221</u>

9. INCOME TAX

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax — Hong Kong Profits Tax		
Provision for the period	416	1,800
Current tax — Overseas		
Provision for the period	247	158
Deferred tax		
Origination/(reversal) of temporary differences	<u>70</u>	<u>(510)</u>
Total	<u>733</u>	<u>1,448</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the period. Taxations for overseas subsidiaries are charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

10. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the following data:

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Earnings:		
(Loss)/profit for the period attributable to equity owners of the Company for the purpose of basic (loss)/earnings per share (HK\$'000)	<u>(1,988)</u>	<u>1,646</u>
Number of shares:		
Weighted average number of ordinary shares (2015: Number of ordinary shares) for the purpose of basic (loss)/earnings per share	<u>581,967,213</u>	<u>562,500,000</u>

The weighted average number and the number of ordinary shares for the purpose of calculating the basic (loss)/earnings per share for each of the six months ended 30 September 2016 and 2015, respectively have been retrospectively adjusted to reflect (i) the issue of a total of 9,999 ordinary shares of HK\$0.01 each for acquisitions of the entire issued share capitals of certain subsidiaries and (ii) the capitalisation issue of 562,490,000 ordinary shares of HK\$0.01 each as described in note 16 had been effective since 1 April 2015.

No diluted (loss)/earnings per share are presented as there were no potential dilutive ordinary shares in issue during both periods.

11. DIVIDEND

A dividend of HK\$7,100,000 (six months ended 30 September 2015: nil) was paid by a subsidiary of the Company to its then shareholders, which are also the Controlling Shareholders, prior to the listing of the Company's issued shares on the Stock Exchange on 12 September 2016.

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: nil).

12. PROPERTY, PLANT AND EQUIPMENT

	30 September 2016 <i>HK\$'000</i> (Unaudited)	31 March 2016 <i>HK\$'000</i> (Audited)
Cost		
At the beginning of the period/year	7,680	13,412
Additions	609	688
Disposals	—	(5,220)
Write-off	(453)	(554)
Disposal of a subsidiary	—	(629)
Exchange adjustments	—	(17)
	<u>7,836</u>	<u>7,680</u>
Accumulated depreciation		
At the beginning of the period/year	4,284	4,656
Charge	585	1,412
Written back on disposals	—	(980)
Written back on write-off	(276)	(377)
Disposal of a subsidiary	—	(415)
Exchange adjustments	—	(12)
	<u>4,593</u>	<u>4,284</u>
Net book value		
At the end of the period/year	<u><u>3,243</u></u>	<u><u>3,396</u></u>
At the beginning of the period/year	<u><u>3,396</u></u>	<u><u>8,756</u></u>

13. TRADE AND OTHER RECEIVABLES

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Trade receivables	18,162	25,196
Other receivables	68	—
Deposits and prepayments	7,035	8,619
	<u>25,265</u>	<u>33,815</u>

(a) Ageing analysis of trade receivables

As of the end of the reporting period/year, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date, is as follows:

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Within 30 days	7,231	8,215
31–60 days	6,589	5,885
61–90 days	1,692	5,819
Over 90 days	2,718	5,277
	<u>18,230</u>	<u>25,196</u>

Trade receivables are normally due within 30 to 120 days.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and debtors requiring credit over a certain amount. These evaluations focus on the past history of making payments of the customers/debtors when due and current ability to pay, and take into account information specific to the customers/debtors as well as pertaining to the economic environment in which the customers/debtors operate.

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. As at 30 September 2016 and 31 March 2016, none of trade receivables was individually determined to be impaired.

14. TRADE AND OTHER PAYABLES

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Trade payables	5,749	3,134
Accrued staff costs	4,591	4,625
Other accruals and payables	1,349	1,288
	<u>11,689</u>	<u>9,047</u>

Ageing analysis of trade payables

As at 30 September 2016 and 31 March 2016, the ageing analysis of trade payables, based on the invoice date, is as follows:

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Within 30 days	3,534	1,085
31–90 days	2,215	2,049
	<u>5,749</u>	<u>3,134</u>

15. BANK BORROWING

As at 30 September 2016 and 31 March 2016, a revolving bank loan of HK\$12,850,000 was repayable within 1 year or on demand and secured by (1) the property owned by a related company, which is beneficially owned and controlled by the Controlling Shareholders, and (2) personal guarantees provided by Mr. Choy Chi Fai and Ms. Ho Ka Man, the Directors and the Controlling Shareholders. The negotiation with the bank for the releases of the charges over the above related company's property and personal guarantees is in progress.

16. SHARE CAPITAL

	Number of Shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each ("Share(s)")		
Authorised:		
Upon incorporation (<i>note i</i>)	38,000,000	380
Increased during the period (<i>note ii</i>)	1,962,000,000	19,620
As at 30 September 2016	<u>2,000,000,000</u>	<u>20,000</u>
	Number of Shares	Share capital HK\$'000
Issued and fully paid:		
Opening balance as at 1 April 2016 (<i>note i</i>)	1	—
Issued during the period (<i>note iii</i>)	749,999,999	7,500
As at 30 September 2016	<u>750,000,000</u>	<u>7,500</u>

Notes:

- The Company was incorporated in the Cayman Islands on 17 April 2015 as an exempted company with an authorised capital of HK\$380,000, divided into 38,000,000 Shares. On the date of incorporation, 1 Share was allotted and issued to the subscriber to the memorandum and articles of association of the Company and was later transferred to Beatitudes International Limited ("Beatitudes"), a company incorporated in the British Virgin Islands and wholly owned by the Controlling Shareholders.
- Pursuant to the written resolution passed by the then sole shareholder of the Company on 20 July 2016, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 Shares.

- (iii) On 30 June 2016, the Company issued a total of 9,999 Shares to Beatitudes for acquisitions of the entire issued share capitals of certain subsidiaries on the Reorganisation.

On 12 September 2016, the Company issued a total of 187,500,000 Shares at HK\$0.55 per Share pursuant to the Hong Kong public offering of the Company's Shares. On the same date, the Company allotted and issued 562,490,000 Shares credited as fully paid to the shareholder(s) being on the register of members of the Company at the close of business on 22 August 2016 by capitalising an amount of HK\$5,624,900 from the share premium account of the Company.

- (iv) All the Shares issued during the six months ended 30 September 2016 and 2015 ranked pari passu in all respects with the then existing Shares in issue.

17. OPERATING LEASES COMMITMENTS

The Group as lessee

As at 30 September 2016 and 31 March 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Within 1 year	14,149	12,161
After 1 year but within 5 years	10,073	6,430
	<u>24,222</u>	<u>18,591</u>

The Group leases a number of properties under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the leases when all terms are renegotiated. Certain rentals for the use of shops are determined by reference to the revenue of the relevant shops for the year and the rentals for certain shops will be escalated by a fixed percentage per annum.

18. MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 September 2016 and 2015, the transactions or balances with the following parties were considered to be related party transactions:

Name of parties	Relationship with the Group
Mr. Choy Chi Fai	Executive Director and one of the Controlling Shareholders
Ms. Ho Ka Man	Executive Director and one of the Controlling Shareholders
Mr. Ho Chun Kit, Saxony	Executive Director
Mr. Au Chun Kit	Executive Director
Prof Kiu International Limited ("Prof Kiu")	Beneficially owned and controlled by the Controlling Shareholders

(a) Financing arrangements

- (i) The following are the amounts due from related parties:

	Maximum balance outstanding during the six months ended	
	30 September 2016	30 September 2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amounts due from Controlling Shareholders		
— Mr. Choy Chi Fai	—	4,874
— Ms. Ho Ka Man	—	4,873
Amount due from Prof Kiu	—	38

- (ii) The Controlling Shareholders have provided their personal guarantees to the banks for the banking facilities granted to the Group during the year ended 31 March 2016 and the six months ended 30 September 2016. In addition, during the year and six months ended and as at 31 March 2016 and 30 September 2016, respectively, the property of Prof Kiu has been pledged to a bank for banking facilities granted to the Group. The negotiation with the bank for the releases of the personal guarantees and the charges over the property of Prof Kiu is in progress.

(b) Leasing

- (i) Rental expenses:

	Six months ended	
	30 September 2016	30 September 2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Rental expenses	240	180

Rental expenses were paid to Prof Kiu in accordance with the terms of underlying contracts. The Directors are of the opinion that the above transactions were entered in the normal course of business of the Group.

- (ii) Commitments under an operating lease payable to Prof Kiu:

	30 September 2016	31 March 2016
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within 1 year	600	90
After 1 year but within 5 years	450	—
	1,050	90

The lease related to Prof Kiu runs for an initial period of 2 years and the related commitments are included in note 17.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The issued shares of the Company were successfully listed on the Main Board of the Stock Exchange on 12 September 2016 (the “Listing” and the “Listing Date”). This marked a significant milestone in the strategic development of the Group. The Listing can support the Group in sustainable business development and growth in the long term.

Though the Group has attained the above remarkable achievement, the overall retail industry in Hong Kong has declined by 9.6% in the period from January to September 2016 as compared to the same period in 2015 according to the statistics from the Census and Statistics Department released on 3 November 2016. Despite the downturn of the whole retail sector, the Group has strived to maintain our development by continuously offering high quality of products to its customers.

Among the three types of products that the Group offered, health supplement products continued to be the major category, which constituted approximately 92.8% of the total revenue, which amounted to HK\$88.4 million. Personal care products for the first time exceeded honey and pollen products to become the second main category with revenue of HK\$3.6 million which contributed to approximately 3.8% of the total revenue. Honey and pollen products made up of approximately 3.4% of total revenue, which amounted to HK\$3.3 million.

As at 30 September 2016, the Group had 13 specialty stores and more than 70 sales counters, the respective total numbers of which were approximately the same of those as compared to 31 March 2016. The Group will continue to carefully identify suitable locations for the specialty stores after considering factors such as premises size, estimated pedestrian flow, accessibility of the location to the target customers and cost of set-up, especially during the economic downturn of the retail industry.

FINANCIAL REVIEW

During the six months ended 30 September 2016, the Group’s revenue was approximately HK\$95.3 million, representing a decrease of 4% as compared to HK\$99.3 million for the corresponding period of last year. This was mainly attributable to the decreasing number of mainland Chinese visitors in Hong Kong and the effect on depreciation of Renminbi.

When considering revenue by sales channels, a majority of the sales was made through consignment stores, which accounted for 81.2% of the total revenue which was approximately HK\$77.4 million; this followed by sales from specialty stores amounting to HK\$15.5 million which constituted 16.3%. The remaining HK\$2.4 million representing 2.5% of total sales was generated from other sales channels which included online sales, distribution in Singapore by an exclusive distributor and sales at trade fairs and exhibitions.

The cost of sales increased to HK\$14.2 million from HK\$13.2 million of the same period of last year. One of the reasons for the increase was the slight appreciation of Australian dollars during the six months ended 30 September 2016 when compared to the corresponding period of last year. In addition, an increase in the cost of the imported products also contributed to the increase in cost of sales.

The selling and distribution expenses of the Group decreased by HK\$2.9 million or 4.3% to HK\$64.6 million for the six months ended 30 September 2016 (2015: HK\$67.5 million). It was mainly due to the drive for cost effectiveness in managing advertising expenses in Hong Kong.

The general and administrative expenses of the Group increased by HK\$1.4 million to HK\$17.7 million for the six months ended 30 September 2016 (2015: HK\$16.3 million). The increase was primarily attributed to a charity donation of HK\$1 million to The Community Chest of Hong Kong as a result of the Stock Code Balloting for Charity Scheme by the Stock Exchange.

The listing expenses were approximately HK\$7.1 million during the six months ended 30 September 2016, which was approximately the same as compared to the corresponding period of last year and this was one of the major administrative expenses incurred but this was non-recurring in nature.

Based on the above factors, there was a loss attributable to equity owners of the Company for the six months ended 30 September 2016 of approximately HK\$2.0 million as compared to a profit of approximately HK\$1.6 million for the same period of last year. If the listing expenses which would not be incurred again were excluded, the profit attributable to equity owners of the Company would have been approximately HK\$5.1 million (2015: HK\$8.7 million). The Group would continue to diversify our product mix and open up new sales channels in various areas to increase sales to enhance profitability and productivity.

Liquidity

Cash and cash equivalents held by the Group amounted to approximately HK\$124.9 million as at 30 September 2016 (31 March 2016: HK\$31.7 million) and were mainly denominated in Hong Kong dollars. The increase was mainly contributed from the unutilized net proceeds from the public offering.

As at 30 September 2016, the Group had net current assets and net assets of approximately HK\$137.9 million (31 March 2016: HK\$54.4 million) and approximately HK\$146.9 million (31 March 2016: HK\$62.0 million), respectively. As at 30 September 2016, the current ratio calculated based on current assets divided by current liabilities of the Group was 6.6 (31 March 2016: 3.4).

Use of Proceeds from the Hong Kong Public Offering

The net proceeds are intended to be applied in accordance with the proposed application set out in the paragraph headed “Future Plans and Use of Proceeds — Use of proceeds” in the Prospectus. The Directors are not aware of any material change to the planned use of proceeds as at the date of this announcement. As at 30 September 2016, the net proceeds of the share offer have not been applied and utilized. Any net proceeds that were not applied immediately have been securely placed in licensed banks in Hong Kong as at the date of this announcement.

Other Financial Resources & Gearing

As at 30 September 2016, total bank borrowings of the Group amounted to approximately HK\$12.9 million, which was the same as at 31 March 2016. The total equity attributable to equity owners of the Company amounted to approximately HK\$146.9 million (31 March 2016: HK\$62.0 million). The Group’s gearing ratio was 8.8% (31 March 2016: 20.8%). Gearing ratio is calculated based on the interest-bearing liabilities divided by the total equity as at the respective end of period and multiplied by 100%.

Foreign Currency Exposure

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency. The Group currently does not have any foreign currency hedging policy. However, the Group's management closely monitors its exposure to foreign currency risk and will consider hedging significant foreign currency exposure should the need arise.

Capital Commitments

As at 30 September 2016, the Group did not have any capital commitment (31 March 2016: nil).

Major Investments, Acquisitions and Disposals

The Group had no material investments, acquisitions or disposals during the six months ended 30 September 2016.

Contingent Liabilities

As at 30 September 2016, the Group did not have any significant contingent liabilities.

EMPLOYEE INFORMATION

As at 30 September 2016, the Group had 185 employees, including part-time staff (2015: 165 employees). The Group remunerated employees based on their performance and experience as well as prevailing market condition. In addition to salary and commission payment to sales staff, other staff benefits include staff discount on purchases and internal training.

PROSPECTS

The successful Listing of the Company in September 2016 has marked an important milestone for the Group and the listing status has enhanced its profile, especially in the retail industry. The net proceeds from the Listing have allowed the Group to implement and execute its business plan.

Though the sluggish condition of the local retail sector may continue in the near future, the Group is determined to focus on its principal business objectives of developing the business and achieving sustainable growth by implementing the following strategies:

Further develop and strengthen the brand

The Group will launch a new series of television commercials and other marketing campaigns starring by the spokespersons Mr. Zhang Jin and Ms. Ada Choi Siu Fun to continuously build the prestige image of the brand. Meanwhile, expansion of the sales and marketing team with effective staff training will enhance sales and customer support.

Maintain, expand and improve the sales network

Strategic expansion of the network of self-operated specialty stores and extension of the consignment sales coverage will be implemented. Meanwhile, the Group will actively explore opportunities in extending the business to other areas in Asia.

Explore business collaboration and expand the customer base

The management of the Group is of the view that online shopping is gaining popularity expeditiously due to the high traffic on the online shopping platforms and it will become an important shopping channel for the customers of the Group in future. Therefore, the Group will continue to develop the e-commerce sales network and co-operate with more online shopping platforms in Hong Kong, the mainland of China and other regions.

Diversify and expand the product portfolio

Based on customers' feedback and market research, the Group will continue to enrich its product portfolio to meet the evolving consumer preference. The Group will explore opportunities to diversify the types of products offered such as health food and beverages in order to reach a wider customer base.

In the face of the challenging retail environment, the Group will continue to focus on developing the business and achieving sustainable growth as a way to return the consistent support from the shareholders and stakeholders of the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEME

Pursuant to the written resolution of the Company on 20 July 2016, the Company adopted a share option scheme conditional upon the Listing of the Company's shares on the Stock Exchange. No share options have been granted since the Listing Date and there were no outstanding share options as at 30 September 2016.

DIVIDEND

During the six months ended 30 September 2016 and prior to the Listing Date, a subsidiary of the Company declared a dividend of HK\$7.1 million. The dividend declared was paid in cash out of the internally generated resources to the then shareholders.

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 September 2016.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the six months ended 30 September 2016 was the Company or its subsidiary a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules throughout the period from the Listing Date to 30 September 2016 save for the deviation from code provision A.2.1 as follows:

Under code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual.

In view of the present composition of the Board, the in-depth knowledge of the Chairman (who is also the managing Director) of the operations of the Group and the health and personal care industry in general, his extensive business network and connections, and the scope of operations of the Group, the Board believes that it is in the best interest of the Group for Mr. Choy Chi Fai to assume the roles of both the Chairman and the managing Director of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having been made specific enquiries of all Directors by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the period from the Listing Date to 30 September 2016.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Directors, the percentage of the Company’s Shares which are in the hands of the public is not less than 25% of the Company’s total number of issued Shares during the period from the Listing Date to 30 September 2016.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company (the “Audit Committee”) comprises three independent non-executive Directors. The principal duties of the Audit Committee include the review and supervision of the Company’s and the Group’s financial reporting system and internal control procedures and review of the Company’s and the Group’s financial information.

The Audit Committee has reviewed the unaudited condensed consolidated financial results of the Group for the six months ended 30 September 2016 and this announcement.

APPRECIATION

On behalf of the Board, I would like to express our gratitude to our shareholders for their continuing support, and extend our sincere appreciation to all management and staff for their ongoing dedication, commitments and contributions.

By Order of the Board
Ausupreme International Holdings Limited
Choy Chi Fai
Chairman, Executive Director and Managing Director

Hong Kong, 28 November 2016

As at the date of this announcement, the Board comprises four Executive Directors, namely Mr. Choy Chi Fai (Chairman and Managing Director), Ms. Ho Ka Man, Mr. Ho Chun Kit, Saxony and Mr. Au Chun Kit; and three Independent Non-executive Directors, namely Dr. Luk Ting Kwong, Mr. Ko Ming Kin and Mr. Wan Cho Yee.

In case of any inconsistency between the English and Chinese versions, the English text of this announcement shall prevail over the Chinese text.