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澳至尊 AUSupreme

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 2017

RESULTS

The board (the “Board”) of directors (the “Directors”) of Ausupreme International Holdings Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2017 together with the relevant comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME/(EXPENSE)

For the six months ended 30 September 2017

		Six months ended 30 September	
		2017	2016
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	108,655	95,337
Cost of sales		(16,347)	(14,237)
Gross profit		92,308	81,100
Other revenue	6(a)	354	142
Other net losses	6(b)	(229)	—
Selling and distribution expenses		(77,481)	(64,611)
General and administrative expenses		(13,122)	(17,693)
Profit/(loss) from operations		1,830	(1,062)
Finance costs	7(a)	—	(193)

		Six months ended	
		30 September	
		2017	2016
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Profit/(loss) before taxation	7	1,830	(1,255)
Income tax expense	8	<u>(924)</u>	<u>(733)</u>
Profit/(loss) for the period attributable to equity owners of the Company		906	(1,988)
Other comprehensive income		<u>—</u>	<u>—</u>
Total comprehensive income/(expense) for the period attributable to equity owners of the Company		<u>906</u>	<u>(1,988)</u>
Dividend	9	<u>—</u>	<u>7,100</u>
		<i>HK Cent</i>	<i>HK Cent</i>
Earnings/(loss) per share	10		
— basic and diluted		<u>0.12</u>	<u>(0.34)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

		30 September 2017 <i>HK\$'000</i> (Unaudited)	31 March 2017 <i>HK\$'000</i> (Audited)
	Notes		
Non-current assets			
Property, plant and equipment	11	34,307	3,213
Rental deposits		3,789	5,821
Deferred tax assets		869	1,419
		<u>38,965</u>	<u>10,453</u>
Current assets			
Inventories		16,506	14,230
Trade and other receivables	12	31,046	26,104
Tax recoverable		1,916	1,826
Cash and cash equivalents		78,850	112,303
		<u>128,318</u>	<u>154,463</u>
Current liabilities			
Trade and other payables	13	13,717	12,376
Provision for reinstatement costs		241	145
		<u>13,958</u>	<u>12,521</u>
Net current assets		<u>114,360</u>	<u>141,942</u>
Total assets less current liabilities		<u>153,325</u>	<u>152,395</u>
Non-current liabilities			
Provision for reinstatement costs		433	409
		<u>433</u>	<u>409</u>
NET ASSETS		<u>152,892</u>	<u>151,986</u>
CAPITAL AND RESERVES			
Share capital	14	7,500	7,500
Reserves		145,392	144,486
Total equity attributable to equity owners of the Company		<u>152,892</u>	<u>151,986</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Attributable to equity owners of the Company				
	Share capital	Share premium	Capital reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 31 March 2017 (Audited) and 1 April 2017	7,500	86,608	1,546	56,332	151,986
Changes in equity for the six months ended 30 September 2017:					
Total comprehensive income for the period	—	—	—	906	906
Balance at 30 September 2017 (Unaudited)	7,500	86,608	1,546	57,238	152,892
	Attributable to equity owners of the Company				
	Share capital	Share premium	Capital reserve	Retained earnings	Total
	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:					
Total comprehensive expense for the period	—	—	—	(1,988)	(1,988)
Arising from reorganisation (<i>note 14</i>)	(59)	59	—	—	—
Issue of shares (<i>note 14</i>)	1,875	101,250	—	—	103,125
Capitalisation issue (<i>note 14</i>)	5,625	(5,625)	—	—	—
Expenses incurred in connection with the issue of shares	—	(9,076)	—	—	(9,076)
Interim dividend	—	—	—	(7,100)	(7,100)
Balance at 30 September 2016 (Unaudited)	7,500	86,608	1,546	51,262	146,916

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 September 2017*

	Six months ended	
	30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	(1,505)	6,155
Net cash (used in)/generated from investing activities	(31,948)	366
Net cash generated from financing activities	<u>—</u>	<u>86,722</u>
Net (decrease)/increase in cash and cash equivalents	(33,453)	93,243
Cash and cash equivalents at the beginning of the period	<u>112,303</u>	<u>31,655</u>
Cash and cash equivalents at the end of the period	<u>78,850</u>	<u>124,898</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 17 April 2015 and is an investment holding company. Its registered office is located at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company's principal place of business is 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 shares of the Company were initially listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 September 2016 (the "Listing Date" and the "Listing", respectively).

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2017 (the "Condensed Consolidated Interim Financial Statements") 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 the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The unaudited Condensed Consolidated Interim Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual report of the Company for the year ended 31 March 2017.

The condensed consolidated results for the six months ended 30 September 2017 have not been audited nor reviewed by the independent auditor of the Company but have been reviewed by the audit committee of the Company (the "Audit Committee").

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited Condensed Consolidated Interim Financial Statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the unaudited Condensed Consolidated Interim Financial Statements are the same as those followed in the preparation of the Group's financial statements for the year ended 31 March 2017, except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the HKICPA that are relevant for the preparation of the Condensed Consolidated Interim Financial Statements and mandatorily effective for the current interim period.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

The adoption of the above amendments to HKFRSs has no material impact on the Group's accounting policies, presentation of the Condensed Consolidated Interim Financial Statements and amounts reported for the current and prior periods.

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	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Health supplement products	100,030	88,431
Honey and pollen products	2,172	3,308
Personal care products	6,453	3,598
	<u>108,655</u>	<u>95,337</u>

6. OTHER REVENUE AND OTHER NET LOSSES

(a) Other revenue

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income on bank deposits	251	5
Others	103	137
	<u>354</u>	<u>142</u>

(b) Other net losses

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss on disposal/write-off of property, plant and equipment	90	—
Net foreign exchange losses	139	—
	<u>229</u>	<u>—</u>

7. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings wholly repayable within five years	—	192
Finance charges on obligations under finance leases	—	1
	<u>—</u>	<u>1</u>
	<u>—</u>	<u>193</u>

(b) Other items

	Six months ended 30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Depreciation for property, plant and equipment	1,015	585
Operating lease charges in respect of properties		
— minimum lease payments	8,801	8,582
Net foreign exchange losses	139	—
Loss on disposal/write-off of property, plant and equipment	90	—
Cost of inventories recognised as an expense	16,347	14,237
	<u>16,347</u>	<u>14,237</u>

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax — Hong Kong Profits Tax		
Provision for the period	68	416
Current tax — Overseas		
Provision for the period	307	247
Deferred tax		
Origination of temporary differences	549	70
Total	<u>924</u>	<u>733</u>

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

9. DIVIDEND

Six months ended 30 September	
2017	2016
<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Unaudited)

Interim, paid of HK\$	<u>—</u>	<u>7,100</u>
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The Board has resolved not to declare an interim dividend for the six months ended 30 September 2017 (2016: Nil).

During the six months ended 30 September 2016 and prior to the Listing Date, a subsidiary of the Company declared an interim dividend of HK\$7,100,000. The dividend declared was paid in cash out of the internally generated resources to its then shareholders, which are also the controlling shareholders (as defined in the Listing Rules) of the Company (the “Controlling Shareholders”), prior to the corporate reorganisation of the Group undergone for the purpose of the Listing (the “Reorganisation”).

10. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share attributable to the equity owners of the Company is based on the following data:

Six months ended 30 September	
2017	2016
(Unaudited)	(Unaudited)

Earnings/(loss):

Profit/(loss) for the period attributable to equity owners of the Company (<i>HK\$'000</i>)	<u>906</u>	<u>(1,988)</u>
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Number of shares:

Number/weighted average number of ordinary shares in issue	<u>750,000,000</u>	<u>581,967,213</u>
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Basic and diluted earnings/(loss) per share (<i>HK cent</i>)	<u>0.12</u>	<u>(0.34)</u>
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The Group did not have any dilutive potential ordinary shares during the six months ended 30 September 2017 and 2016.

11. PROPERTY, PLANT AND EQUIPMENT

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Cost		
At the beginning of the period/year	8,169	7,680
Additions	32,202	1,310
Disposals/write off	(343)	(821)
At the end of the period/year	40,028	8,169
Accumulated depreciation		
At the beginning of the period/year	4,956	4,284
Charge	1,015	1,208
Written back on disposals/write off	(250)	(536)
At the end of the period/year	5,721	4,956
Carrying amount:		
At the end of the period/year	34,307	3,213
At the beginning of the period/year	3,213	3,396

12. TRADE AND OTHER RECEIVABLES

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Trade receivables	19,677	19,730
Other receivables	602	483
Deposits and prepayments	10,767	5,891
	31,046	26,104

(a) Ageing analysis of trade receivables

The ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date, is as follows:

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Within 30 days	9,215	8,578
31–60 days	7,809	6,310
61–90 days	2,505	2,483
Over 90 days	148	2,359
	19,677	19,730

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 2017 and 31 March 2017, none of trade receivables was individually determined to be impaired.

13. TRADE AND OTHER PAYABLES

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Trade payables	6,515	3,972
Accrued staff costs	5,479	6,230
Other accruals and payables	1,723	2,174
	<u>13,717</u>	<u>12,376</u>

Ageing analysis of trade payables

The ageing analysis of trade payables, based on the invoice date, is as follows:

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Within 30 days	4,073	2,969
31–90 days	2,438	981
Over 90 days	4	22
	<u>6,515</u>	<u>3,972</u>

14. SHARE CAPITAL

	Number of Shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each in the share capital of the Company (the “Share(s)”) <i>Authorised:</i>		
Upon incorporation <i>(note i)</i>	38,000,000	380
Increased <i>(note ii)</i>	1,962,000,000	19,620
As at 31 March 2017 (Audited)	2,000,000,000	20,000
As at 30 September 2017 (Unaudited)	2,000,000,000	20,000
<i>Issued and fully paid:</i>		
Opening balance as at 1 April 2016 <i>(note i)</i>	1	—
Arising from Reorganisation <i>(note iii)</i>	9,999	—
Capitalisation issue <i>(note iii)</i>	562,490,000	5,625
Issue of shares <i>(note iii)</i>	187,500,000	1,875
As at 31 March 2017 (Audited)	750,000,000	7,500
As at 30 September 2017 (Unaudited)	750,000,000	7,500

Notes:

- (i) The Company was incorporated in the Cayman Islands on 17 April 2015 as an exempted company with an authorised share 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, which was later transferred to Beatitudes International Limited (“Beatitudes”), a company incorporated in the British Virgin Islands (the “BVI”) and wholly owned by the Controlling Shareholders.
- (ii) 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 Shares. On the same date, the Company allotted and issued 562,490,000 Shares credited as fully paid to the shareholder(s) whose name(s) appeared 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 year ended 31 March 2017 ranked pari passu in all respects with the then existing Shares in issue.

15. OPERATING LEASES COMMITMENTS

The Group as lessee

As at 30 September 2017 and 31 March 2017, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	30 September 2017 <i>HK\$'000</i> (Unaudited)	31 March 2017 <i>HK\$'000</i> (Audited)
Within 1 year	14,716	14,950
After 1 year but within 5 years	5,547	7,820
	<u>20,263</u>	<u>22,770</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. Rentals for the use of certain stores are determined by reference to the revenue of the relevant stores for the year and the rentals for certain stores will be escalated by a fixed percentage per annum.

16. MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 September 2017, the transactions or balances with the following parties were considered to be related party transactions:

Name of party	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

Leasing

(i) Rental expenses:

	Six months ended 30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Rental expenses	<u>300</u>	<u>240</u>

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 into in the normal course of business of the Group.

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

	30 September 2017	31 March 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within 1 year	500	600
After 1 year but within 5 years	<u>—</u>	<u>200</u>
	<u>500</u>	<u>800</u>

The lease related to Prof Kiu runs for an initial period of 2 years and the related commitments are included in note 15.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group, being principally 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, celebrated the first anniversary for the successful Listing on 12 September 2017. A celebration ceremony was conducted to conclude the achievements made during the first year of the Listing.

The overall retail market in Hong Kong has shown signs of recovery. According to the statistics from the Census and Statistics Department of Hong Kong, the estimated value of total retail sales in Hong Kong for the six months ended 30 September 2017 (the “Period”) increased by approximately 2.1% over the same period in 2016. During the Period, the Group’s revenue was approximately HK\$108,655,000, representing an increase of approximately 14% as compared to approximately HK\$95,337,000 for the corresponding period of last year. The Group’s sales increase had outperformed the overall Hong Kong retail market and this was the result of the Group’s effective sales and marketing strategy and a more diversified product portfolio.

During the Period, the revenue was derived mainly from the sales of the Group’s health and personal care products, which were broadly classified by nature into three major categories of products, namely (i) health supplement products; (ii) honey and pollen products; and (iii) personal care products.

- (i) Health supplement products continued to be the major category during the Period, which constituted approximately 92.1% of the total revenue and amounted to approximately HK\$100,030,000 (2016: HK\$88,431,000). This represented a 13.1% increase as compared to the same period in 2016 as a result of the expansion of product portfolio and strong sales efforts.
- (ii) Personal care products continued to be the second category with revenue of approximately HK\$6,453,000 (2016: HK\$3,598,000) which contributed to approximately 5.9% of the total revenue. The sales of this particular category of products had increased by approximately 79.3% from the corresponding period of last year due to the introduction of a new skin-care product line with favourable customers’ responses.
- (iii) Honey and pollen products were the third category of products which made up of approximately 2% of total revenue and amounted to approximately HK\$2,172,000 (2016: HK\$3,308,000).

As at 30 September 2017, the Group had 14 specialty stores and 81 sales counters in Hong Kong and Macau (31 March 2017: 14 specialty stores and 70 sales counters). The Group will continue carefully identifying suitable locations for the specialty stores and other sales channels to maximise its exposure to the target customers to attain the continued growth of sales. In addition to traditional stores, the Group had expanded its market through e-commerce since July 2016. During the six months ended 30 September 2017, revenue of approximately HK\$2,893,000 was derived from e-commerce business. This represented an approximately 65.9% increase of revenue derived from e-commerce channels as compared to that for the year ended 31 March 2017 of approximately HK\$1,744,000.

On 28 June 2017, the Group completed a transaction with an independent third party for the acquisition of a property unit for warehouse and ancillary purposes and two car-parking spaces in Hong Kong at a cash consideration of HK\$26,500,000 to cope with the expansion in the Group's business. Details of the transaction are contained in the announcement of the Company dated 23 May 2017. The new warehouse has facilitated the storage of the Group's increased product varieties and prevented the pressure from rent increase and the possibility of warehouse re-allocation due to termination of leases.

FINANCIAL REVIEW

During the six months ended 30 September 2017, the Group's revenue was approximately HK\$108,655,000, representing an increase of approximately 14% as compared to HK\$95,337,000 for the corresponding period of last year. This was due to the recovery of retail market in Hong Kong and the success of our strategically strong sales and marketing efforts and a more diversified product portfolio of the Group.

The following table sets forth the breakdown of the Group's revenue by categories of product for the six months ended 30 September 2017 and 2016:

	For the six months ended 30 September			
	2017		2016	
	<i>HK\$'000</i>	% of total revenue	<i>HK\$'000</i>	% of total revenue
Health supplement products	100,030	92.1%	88,431	92.8%
Honey and pollen products	2,172	2.0%	3,308	3.4%
Personal care products	6,453	5.9%	3,598	3.8%
Total	<u>108,655</u>	<u>100%</u>	<u>95,337</u>	<u>100%</u>

The Group's revenue attributable to health supplement products increased by approximately HK\$11,599,000 or 13.1% to approximately HK\$100,030,000 for the six months ended 30 September 2017 (2016: HK\$88,431,000), while its revenue attributable to honey and pollen products decreased by approximately HK\$1,136,000 or 34.3% to approximately HK\$2,172,000 for the six months ended 30 September 2017 (2016: HK\$3,308,000). Revenue attributable to personal care products increased by approximately HK\$2,855,000 or 79.3% to approximately HK\$6,453,000 for the six months ended 30 September 2017 (2016: HK\$3,598,000), mainly attributable to the expansion of sales network and the introduction of more new personal care products.

The table below sets forth the breakdown of the Group's revenue by sales channels for the six months ended 30 September 2017 and 2016:

	For the six months ended 30 September			
	2017		2016	
	<i>HK\$'000</i>	% of total revenue	<i>HK\$'000</i>	% of total revenue
Specialty stores	17,178	15.8%	15,545	16.3%
Consignment stores	86,170	79.3%	77,416	81.2%
Other sales channels	5,307	4.9%	2,376	2.5%
Total	<u>108,655</u>	<u>100%</u>	<u>95,337</u>	<u>100%</u>

When considering revenue by sales channels, a majority of the sales was derived from consignment stores, which accounted for approximately 79.3% of the total revenue for the six months ended 30 September 2017. The revenue derived from consignment stores increased by approximately HK\$8,754,000 or 11.3% to approximately HK\$86,170,000 for the six months ended 30 September 2017 (2016: HK\$77,416,000) while its revenue made through specialty stores increased by approximately HK\$1,633,000 or 10.5% to approximately HK\$17,178,000 for the six months ended 30 September 2017 (2016: HK\$15,545,000). The remaining sales was generated from other sales channels which included wholesale, e-commerce sales, and sales at trade fairs and exhibitions. The revenue derived from other sales channels increased by approximately HK\$2,931,000 or 123.4% to approximately HK\$5,307,000 for the six months ended 30 September 2017 (2016: HK\$2,376,000).

The cost of sales increased by approximately HK\$2,110,000 or 14.8% to approximately HK\$16,347,000 for the six months ended 30 September 2017 as compared to that of approximately HK\$14,237,000 for the corresponding period of 2016. The increase was mainly attributable to the sales growth for the Period.

The selling and distribution expenses of the Group increased by approximately HK\$12,870,000 or 19.9% to approximately HK\$77,481,000 for the six months ended 30 September 2017 (2016: HK\$64,611,000). The increase was mainly attributable to expenses including sales commissions and expenses incurred for the expansion of various sales channels.

The general and administrative expenses of the Group decreased by approximately HK\$4,571,000 or 25.8% to approximately HK\$13,122,000 for the six months ended 30 September 2017 (2016: HK\$17,693,000). The decrease was mainly due to the absence of non-recurring Listing expenses incurred for the corresponding period of 2016.

There were no finance costs for the six months ended 30 September 2017 (2016: HK\$193,000) as the Group did not have any bank borrowings for the Period.

The Group's revenue was mainly derived in Hong Kong and Macau during the Period. For the six months ended 30 September 2017, income tax expense increased by approximately HK\$191,000 or 26.1%, from approximately HK\$733,000 to approximately HK\$924,000, mainly due to an increase in our profit before taxation. The provision of Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 September 2017 and 2016. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

As a result of the above factors, there was a profit attributable to equity owners of the Company for the six months ended 30 September 2017 of approximately HK\$906,000 as compared to a loss of approximately HK\$1,988,000 for the same period of last year. The change to profit from loss for the Period was mainly due to (i) the increases in sales of both health supplement products and personal care products; and (ii) the absence of non-recurring Listing expenses incurred for the corresponding period of 2016. Such impacts were partially offset by an increase in direct selling expenses including sales commissions and expenses incurred for the expansion of various sales channels.

For the six months ended 30 September 2017, the basic earnings per share was HK0.12 cent, the calculation of which is based on the profit for the period attributable to equity owners of the Company of approximately HK\$906,000 and the number of 750,000,000 ordinary shares in issue during the Period. For the period ended 30 September 2016, the basic loss per share was HK0.34 cent, the calculation of which is based on the loss for the period attributable to equity owners of the Company of approximately HK\$1,988,000 and the weighted average number of 581,967,213 ordinary shares of the Company. Diluted earnings and loss per share are the same as the basic earnings and loss per share because the Group had no dilutive potential ordinary shares during the six months ended 30 September 2017 and 2016, respectively.

Liquidity

The Group's financing and treasury activities are centrally managed and controlled at the corporate level. The main objective is to utilize the funding efficiently and to manage the financial risks effectively. The Group generally meets its working capital requirements from its internally generated funds, and maintains a healthy financial position.

As at 30 September 2017, the Group had net current assets and net assets of approximately HK\$114,360,000 (31 March 2017: HK\$141,942,000) and HK\$152,892,000 (31 March 2017: HK\$151,986,000), respectively. As at 30 September 2017, the current ratio calculated based on current assets divided by current liabilities of the Group was 9.2 (31 March 2017: 12.3).

Cash and cash equivalents held by the Group amounted to approximately HK\$78,850,000 as at 30 September 2017 (31 March 2017: HK\$112,303,000) and were mainly denominated in Hong Kong dollars, Japanese yen, Australian dollars and Renminbi.

Other Financial Resources and Gearing

As at 30 September 2017 and 31 March 2017, the Group did not have any bank borrowing and therefore no gearing ratio (calculated based on the interest-bearing liabilities divided by the total equity as at the respective end of period and multiplied by 100%) was applicable as at 30 September 2017 and 31 March 2017.

Foreign Exchange 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, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Japanese yen, Australian dollars and Renminbi. The Group currently does not have any foreign currency hedging policy. However, the Group maintains a conservative approach in treasury management by constantly monitoring foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Therefore, the Group considers that the impact of foreign exchange risks is not significant.

Capital Commitments

As at 30 September 2017, the Group did not have any capital commitment (31 March 2017: Nil).

Use of Proceeds

The net proceeds from the Hong Kong public offering of Shares were approximately HK\$71,676,000 (after deducting underwriting fees and related Listing expenses), of which approximately HK\$31,769,000 had been utilized as at 30 September 2017.

Intended applications	Net actual proceeds HK\$'000	Amount utilized as at 30 September 2017 HK\$'000	Balance as at 30 September 2017 HK\$'000
Developing and strengthening our brand	25,086	13,501	11,585
Maintaining, expanding and improving sales network	17,919	7,967	9,952
Exploring business collaboration and expanding customer base	12,185	4,350	7,835
Diversifying and expanding product portfolio	9,318	4,365	4,953
General working capital	7,168	1,586	5,582
	<u>71,676</u>	<u>31,769</u>	<u>39,907</u>

The balance of net proceeds has been securely placed in licensed banks in Hong Kong.

Major Investments, Acquisitions and Disposals

Except for the acquisition of properties as disclosed in the announcement of the Company dated 23 May 2017, the Group had no material investments, acquisitions or disposals during the six months ended 30 September 2017.

Contingent Liabilities

As at 30 September 2017, the Group had no material contingent liabilities (31 March 2017: Nil).

EMPLOYEE INFORMATION

As at 30 September 2017, the Group had 198 (30 September 2016: 185) employees, including part-time staff. The Group remunerates employees based on their performance and experience as well as prevailing market conditions. In addition to salary and commission payment to staff, other staff benefits include a share option scheme, discretionary bonus, staff discount on purchases and internal training.

DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2017 (2016: Nil).

During the six months ended 30 September 2016 and prior to the Listing Date, a subsidiary of the Company declared an interim dividend of HK\$7,100,000. The dividend declared was paid in cash out of the internally generated resources to the then shareholders, which are also the Controlling Shareholders, prior to the Reorganisation.

PROSPECTS

12 September 2017 marked the first anniversary of the successful Listing. The Listing status has greatly uplifted the profile of the Group and the net proceeds from the Listing have continued to flourish the development of its business.

Meanwhile, the overall retail sales of Hong Kong has shown signs of improvement, but at the same time the market competition has become stronger and more fierce with more brands entering into the industry. Amid the fast changing market, the Group is determined to expand its business and create promising values for the shareholders of the Company (the “Shareholders”) by executing the following initiatives:

Further development of e-commerce sales network

The development of e-commerce has proven to be at expeditious speed, especially in the Mainland China. For a popular shopping festival of “Double Eleven”, US\$25.3 billion of the gross merchandise volume could be generated in 24 hours of 11 November 2017, representing a 39% increase from 2016 shopping festival of “Double Eleven” according to the press release from the website of Alibaba. The Group has participated in this important e-commerce event and has attained pleasing results. Therefore, the Group will continue to increase resources in this sales channel through expansion to various online platforms in the Mainland China, Hong Kong and other regions, and promoting the products through multiple social media to capture the vast online markets.

Enhancement of brand recognition

Series of advertising campaigns starred by spokespersons Mr. Zhang Jin and Ms. Ada Choi Siu Fun will continue to be launched in Hong Kong to solidify the brand image of the supreme quality of health and personal care products. Besides, recent advertising campaigns through social media such as live video streaming with interesting topics relating to health or life-styles and real-time interaction with viewers can greatly promote the brand awareness in the online markets.

Expansion and improvement of sales network

The Group will maintain its optimization of the retail networks of self-operated specialty stores and consignment sales locations by continuously reviewing the performance of each store, and actively seeking opportunities in innovative sales channels and other countries. Besides, some of the Group’s stores have installed a medical measuring instrument to promote shoppers’ awareness of cardio health. Similar strategies are expected to be implemented in some other locations to dynamically interact with customers to enrich shopping experiences.

Diversification of product portfolio

The Group has targeted to diversify the product portfolio in order to capture a wider customer base with evolving preferences. Several new products have been launched with promising performance, especially the skin care category. The Group will continue to source a variety of high-quality healthy food, beverage or skin care products to meet customers’ demand based on market research and opinions from consumers.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEME

Pursuant to the written resolution of the sole Shareholder passed on 20 July 2016, the Company adopted a share option scheme (the “Share Option Scheme”) conditional upon the Listing. The Share Option Scheme became effective on the Listing Date. No share options have been granted since the Listing Date and, therefore, there were no outstanding share options as at 30 September 2017.

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 2017.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the six months ended 30 September 2017 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 contained in Appendix 14 to the Listing Rules (the “CG Code”) throughout the Period 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 as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct regarding Directors’ securities transactions. Following specific enquiries of all Directors made by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Period.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Directors, not less than 25% of the total number of the issued Shares were in the hands of the public throughout the Period.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures and review of 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 2017 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, 29 November 2017

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.