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 2018

## 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 (together as the "**Group**") for the six months ended 30 September 2018 together with the relevant comparative figures as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 September 2018*

| | | **Six months ended 30 September** | |
|---|---|---|---|
| | | **2018** | 2017 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Unaudited) |
| **Revenue** | 5 | **138,836** | 108,655 |
| Cost of sales | | **(18,925)** | (16,347) |
| **Gross profit** | | **119,911** | 92,308 |
| Other revenue | 6(a) | **364** | 354 |
| Other net gains/(losses) | 6(b) | **30** | (229) |
| Selling and distribution expenses | | **(90,638)** | (77,481) |
| General and administrative expenses | | **(14,378)** | (13,122) |

| | Notes | Six months ended 30 September 2018 HK$'000 (Unaudited) | 2017 HK$'000 (Unaudited) |
|---|---|---|---|
| **Profit from operations and profit before taxation** | 7 | **15,289** | 1,830 |
| Income tax expense | 8 | **(3,047)** | (924) |
| **Profit for the period and total comprehensive income for the period attributable to equity owners of the Company** | | **12,242** | 906 |
| | | ***HK Cents*** | *HK Cents* |
| Earnings per share attributable to equity owners of the Company | 10 | | |
| — basic and diluted | | **1.63** | 0.12 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2018*

| | *Notes* | **30 September 2018** **HK$'000** **(Unaudited)** | 31 March 2018 *HK$'000* (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **32,358** | 33,421 |
| Rental deposits | | **2,599** | 2,877 |
| Deferred tax assets | | **653** | 640 |
| | | **35,610** | 36,938 |
| **Current assets** | | | |
| Inventories | | **21,473** | 17,212 |
| Trade and other receivables | 12 | **34,168** | 31,343 |
| Tax recoverable | | **—** | 2,446 |
| Cash and cash equivalents | | **106,513** | 91,738 |
| | | **162,154** | 142,739 |
| **Current liabilities** | | | |
| Trade and other payables | 13 | **17,723** | 14,487 |
| Dividend payable | | **7,500** | — |
| Tax payable | | **2,656** | — |
| Provisions | | **415** | 403 |
| | | **28,294** | 14,890 |
| **Net current assets** | | **133,860** | 127,849 |
| **Total assets less current liabilities** | | **169,470** | 164,787 |
| **Non-current liabilities** | | | |
| Provisions | | **212** | 271 |
| | | **212** | 271 |
| **NET ASSETS** | | **169,258** | 164,516 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 14 | **7,500** | 7,500 |
| Reserves | | **161,758** | 157,016 |
| **Total equity attributable to equity owners of the Company** | | **169,258** | 164,516 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 September 2018*

| | **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 2018 (Audited) and 1 April 2018** | **7,500** | **86,608** | **1,546** | **68,862** | **164,516** |
| **Changes in equity for the six months ended 30 September 2018:** | | | | | |
| Profit for the period and total comprehensive income for the period | — | — | — | **12,242** | **12,242** |
| Dividend declared *(Note 9)* | — | — | — | **(7,500)** | **(7,500)** |
| **Balance at 30 September 2018 (Unaudited)** | **7,500** | **86,608** | **1,546** | **73,604** | **169,258** |

| | 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: | | | | | |
| Profit for the period and total comprehensive income for the period | — | — | — | 906 | 906 |
| Balance at 30 September 2017 (Unaudited) | 7,500 | 86,608 | 1,546 | 57,238 | 152,892 |

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**
*For the six months ended 30 September 2018*

| | Six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Net cash generated from/(used in) operating activities | **14,689** | (1,505) |
| Net cash generated from/(used in) investing activities | **86** | (31,948) |
| Net increase/(decrease) in cash and cash equivalents | **14,775** | (33,453) |
| Cash and cash equivalents at the beginning of the period | **91,738** | 112,303 |
| **Cash and cash equivalents at the end of the period** | **106,513** | 78,850 |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 September 2018*

## 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 address of 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, retailer and wholesaler of health and personal care products focusing on the development, marketing, sale and distribution of the branded products managed by the Group.

The issued ordinary 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 2018 (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 2018.

The Condensed Consolidated Interim Financial Statements 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 2018, except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised 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:

| | |
|---|---|
| Annual Improvements Project HKFRS 1 and HKAS 28 (Amendment) | Annual Improvements to HKFRSs 2014-2016 Cycle |
| HKFRS 2 (Amendment) | Classification and Measurement of Share-based Payment Transactions |
| HKFRS 4 (Amendment) | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers |
| HKFRS 15 (Amendment) | Clarifications to HKFRS 15 |
| HKAS 40 (Amendment) | Transfers of Investment Property |
| HK(IFRIC)-Int 22 | Foreign Currency Transactions and Advance Consideration |

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

The nature and the impact of the new and revised HKFRSs which are relevant to the Group's operations are described below:

**(a) HKFRS 9 Financial Instruments**

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The new guidance does not have a significant impact on the classification and measurement of the Group's financial assets because a fair value through other comprehensive income ("**FVOCI**") election is available for the equity instrument which was previously classified as available-for-sale and the Group does not have the following financial assets:

— Debt instrument that is classified as available-for-sale financial asset;

— Debt instrument classified as held-to-maturity and measured at amortized cost; and

— Equity investment measured at fair value through profit or loss.

It has no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for non-derivative financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts.

The adoption of HKFRS 9 has no material impact on the results and financial position of the Group for the current and prior periods.

**(b) HKFRS 15 Revenue from Contracts with Customers**

The core principle of HKFRS 15 is that an entity should recognize 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. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognize revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 has superseded the revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

Management considered that there has no material change to the existing revenue recognition policy for the adoption of this new standard.

**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 has only 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 | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Health supplement products | **127,502** | 100,030 |
| Personal care products | **9,452** | 6,453 |
| Honey and pollen products | **1,882** | 2,172 |
| | **138,836** | 108,655 |

## 6. OTHER REVENUE AND OTHER NET GAINS/(LOSSES)

### (a) Other revenue

| | Six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Bank interest income on bank deposits | **319** | 251 |
| Others | **45** | 103 |
| | **364** | 354 |

### (b) Other net gains/(losses)

| | Six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Loss on disposal/write-off of property, plant and equipment | **—** | (90) |
| Net foreign exchange gains/(losses) | **30** | (139) |
| | **30** | (229) |

## 7. PROFIT BEFORE TAXATION

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

| | Six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Depreciation | **1,296** | 1,015 |
| Minimum lease payments in respect of properties | **8,511** | 8,801 |
| Net foreign exchange (gains)/losses | **(30)** | 139 |
| Loss on disposal/write-off of property, plant and equipment | **—** | 90 |
| Cost of inventories recognized as an expense | **18,925** | 16,347 |

## 8. INCOME TAX EXPENSE

| | Six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Current tax — Hong Kong Profits Tax | | |
| Provision for the period | **2,637** | 68 |
| Current tax — Overseas | | |
| Provision for the period | **424** | 307 |
| Deferred tax | | |
| Origination and reversal of temporary differences | **(14)** | 549 |
| Total | **3,047** | 924 |

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

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2018 (2017: Nil).

A final dividend in respect of the year ended 31 March 2018 of HK1 cent per ordinary share totalling HK$7,500,000 (2017: Nil) was declared pursuant to a resolution passed by the Board on 28 June 2018 and approval by the shareholders at the annual general meeting of the Company held on 14 September 2018. This final dividend was paid on 22 October 2018.

## 10. EARNINGS PER SHARE

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

| | Six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | **(Unaudited)** | (Unaudited) |
| Earnings | | |
| Profit for the period attributable to equity owners of the Company *(HK$'000)* | **12,242** | 906 |
| Number of shares: | | |
| Number of ordinary shares in issue | **750,000,000** | 750,000,000 |
| Basic and diluted earnings per share *(HK cents)* | **1.63** | 0.12 |

The Company did not have any dilutive potential ordinary shares during the six months ended 30 September 2018 and 2017.

## 11. PROPERTY, PLANT AND EQUIPMENT

| | **30 September 2018** | 31 March 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| **Cost** | | |
| At the beginning of the period/year | **40,537** | 8,169 |
| Additions | **233** | 32,711 |
| Disposals | **—** | (279) |
| Write-off | **(310)** | (64) |
| At the end of the period/year | **40,460** | 40,537 |
| **Accumulated depreciation** | | |
| At the beginning of the period/year | **7,116** | 4,956 |
| Charge | **1,296** | 2,409 |
| Written back on disposals | **—** | (190) |
| Written back on write-off | **(310)** | (59) |
| At the end of the period/year | **8,102** | 7,116 |
| **Carrying amount:** | | |
| At the end of the period/year | **32,358** | 33,421 |
| At the beginning of the period/year | **33,421** | 3,213 |

## 12. TRADE AND OTHER RECEIVABLES

| | **30 September 2018** | 31 March 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Trade receivables | **24,153** | 22,659 |
| Other receivables | **734** | 766 |
| Deposits and prepayments | **9,281** | 7,918 |
| | **34,168** | 31,343 |

### (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 2018** | 31 March 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Within 30 days | **10,527** | 10,993 |
| 31–60 days | **10,071** | 11,067 |
| 61–90 days | **2,830** | 59 |
| Over 90 days | **725** | 540 |
| | **24,153** | 22,659 |

Trade receivables are normally due within 30 to 120 days.

### (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 2018 and 31 March 2018, none of trade receivables was individually determined to be impaired.

**(c) Trade receivables that are not impaired**

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

| | **30 September 2018** | 31 March 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Neither past due nor impaired | **12,855** | 15,775 |
| Less than 30 days past due | **10,077** | 6,360 |
| 31–90 days past due | **662** | 102 |
| Over 90 days past due | **559** | 422 |
| | **11,298** | 6,884 |
| | **24,153** | 22,659 |

Receivables that were neither past due nor impaired relate to a range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

**13. TRADE AND OTHER PAYABLES**

| | **30 September 2018** | 31 March 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Trade payables | **7,134** | 5,181 |
| Accrued staff costs | **6,200** | 6,233 |
| Other accruals and payables | **4,389** | 3,073 |
| | **17,723** | 14,487 |

**Ageing analysis of trade payables**

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

| | **30 September 2018** *HK$'000* **(Unaudited)** | 31 March 2018 *HK$'000* (Audited) |
|---|---|---|
| Within 30 days | **3,245** | 3,047 |
| 31–90 days | **3,889** | 2,134 |
| | **7,134** | 5,181 |

## 14. SHARE CAPITAL

| | **30 September 2018 (Unaudited)** | | 31 March 2018 (Audited) | |
|---|---|---|---|---|
| | **Number of Shares** | **Share capital** *HK$'000* | Number of Shares | Share capital *HK$'000* |
| Ordinary shares of HK$0.01 each in the share capital of the Company ("**Share(s)**") | | | | |
| Authorized: | | | | |
| At beginning of period/year and at end of period/year | **2,000,000,000** | **20,000** | 2,000,000,000 | 20,000 |
| Issued and fully paid: | | | | |
| At beginning of period/year and at end of period/year | **750,000,000** | **7,500** | 750,000,000 | 7,500 |

## 15. OPERATING LEASES COMMITMENTS

**The Group as lessee**

As at 30 September 2018 and 31 March 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | **30 September 2018** *HK$'000* **(Unaudited)** | 31 March 2018 *HK$'000* (Audited) |
|---|---|---|
| Within 1 year | **11,531** | 12,341 |
| After 1 year but within 5 years | **8,079** | 2,582 |
| | **19,610** | 14,923 |

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 the 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 2018, 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 2018 *HK$'000* (Unaudited) | 2017 *HK$'000* (Unaudited) |
|---|---|---|
| Rental expenses | **300** | 300 |

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 2018** ***HK$'000*** **(Unaudited)** | 31 March 2018 *HK$'000* (Audited) |
|---|---|---|
| Within 1 year | **600** | 150 |
| After 1 year but within 5 years | **1,050** | — |
| | **1,650** | 150 |

The lease related to Prof Kiu runs for a period of 3 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, retailer and wholesaler of health and personal care products, had attained a record high in both revenue and profit attributable to equity owners of the Company for the six months ended 30 September 2018 (the "**Period**") since the Listing on 12 September 2016. For the Period, the Group's revenue amounted to HK$138,836,000, representing an increase of approximately 27.8% from HK$108,655,000 for the six months ended 30 September 2017 (the "**Last Period**"). Meanwhile, the profit attributable to equity owners of the Company amounted to HK$12,242,000, which represented a remarkable increase of more than 12 times as compared to HK$906,000 for the Last Period.

The overall retail market in Hong Kong has shown an ongoing trend 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 Period increased by approximately 9.4% over the Last Period. Meanwhile, the Group's revenue increased by approximately 27.8% as compared to the Last Period. The increase in the Group's sales had outperformed the overall Hong Kong retail market and this was the result of the Group's effective sales and marketing strategy and reallocation of some sales counters in Hong Kong to locations with a larger potential customer base generating higher sales.

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) personal care products; and (iii) honey and pollen products.

(i) Health supplement products continued to be the major category of the Group's products during the Period, which constituted approximately 91.8% of the total revenue and amounted to HK$127,502,000 (2017: HK$100,030,000). This represented an increase of approximately 27.5% as compared to the Last Period as a result of the Group's strategy to optimize its retail network.

(ii) Personal care products continued to be the second category with revenue of HK$9,452,000 (2017: HK$6,453,000), which contributed to approximately 6.8% of the total revenue. The sales of this particular category of products had increased by approximately 46.5% from the Last Period.

(iii) Honey and pollen products were the third category of the Group's products which made up of approximately 1.4% of the total revenue and amounted to HK$1,882,000 (2017: HK$2,172,000).

As at 30 September 2018, the Group had 13 specialty stores and 83 consignment counters in Hong Kong and Macau (31 March 2018: 14 specialty stores and 82 consignment counters). The Group will continue to identify carefully suitable locations for the specialty stores and other sales channels to maximize its exposure to the target customers to attain the continued growth in sales.

For the e-commerce sector, revenue of HK$3,324,000 (2017: HK$2,893,000) was derived during the Period. This represented an approximately 14.9% increase of revenue derived from e-commerce channels as compared to the Last Period.

Early this year, the Group had successfully invited Ms. Sammi Cheng, a famous celebrity in Asia, as the spokesperson of the Group. Her healthy and professional image had positively magnified the effects of the promotion plans and had enhanced the overall brand awareness of the Group.

## FINANCIAL REVIEW

During the Period, the Group's revenue rose notably by approximately 27.8% to HK$138,836,000 as compared to HK$108,655,000 for the Last Period. This was due to the recovery of the retail market in Hong Kong and the success of the Group's strategy in optimizing its retail network.

The following table sets forth the breakdown of the Group's revenue by categories of product for the six months ended 30 September 2018 and 2017:

| | **For the six months ended 30 September** | | | |
|---|---|---|---|---|
| | **2018** | | 2017 | |
| | ***HK$'000*** | ***% of total revenue*** | *HK$'000* | *% of total revenue* |
| Health supplement products | **127,502** | **91.8%** | 100,030 | 92.1% |
| Personal care products | **9,452** | **6.8%** | 6,453 | 5.9% |
| Honey and pollen products | **1,882** | **1.4%** | 2,172 | 2.0% |
| Total | **138,836** | **100%** | 108,655 | 100% |

During the Period, the Group's revenue attributable to health supplement products and personal care products increased by approximately 27.5% to HK$127,502,000 (2017: HK$100,030,000) and approximately 46.5% to HK$9,452,000 (2017: HK$6,453,000), respectively. The revenue attributable to honey and pollen products decreased by approximately 13.4% to HK$1,882,000 for the six months ended 30 September 2018 (2017: HK$2,172,000). The increase in revenue was mainly due to (i) the growth in the number of visitor arrivals and the recovery of the Hong Kong retail market, which had increased consumer sentiment; (ii) the Group's strategy for reallocation of some sales counters in Hong Kong to locations with a larger potential customer base generating higher sales; and (iii) the Group's brand promotion and marketing strategies, such as the invitation of Ms. Sammi Cheng, a superstar in Asia, to become the spokesperson of the Group, which had successfully enhanced the brand image and visibility of "Ausupreme".

The table below sets forth the breakdown of the Group's revenue by sales channels for the six months ended 30 September 2018 and 2017:

| | **For the six months ended 30 September** | | | |
|---|---|---|---|---|
| | **2018** | | 2017 | |
| | ***HK$'000*** | ***% of total revenue*** | *HK$'000* | *% of total revenue* |
| Specialty stores | **19,984** | **14.4%** | 17,178 | 15.8% |
| Consignment counters | **113,174** | **81.5%** | 86,170 | 79.3% |
| E-commerce | **3,324** | **2.4%** | 2,893 | 2.7% |
| Other sales channels | **2,354** | **1.7%** | 2,414 | 2.2% |
| Total | **138,836** | **100%** | 108,655 | 100% |

As a result of the Group's strategy of reallocating some sales counters in Hong Kong to locations with a larger potential customer base, revenue for sales channels of consignment counters recorded a remarkable increase by approximately 31.3% to HK$113,174,000 during the Period (2017: HK$86,170,000). For the six months ended 30 September 2018, revenue derived from specialty stores and e-commerce maintained a steady growth by approximately 16.3% to HK$19,984,000 (2017: HK$17,178,000) and 14.9% to HK$3,324,000 (2017: HK$2,893,000), respectively. The remaining sales was generated from other sales channels which included wholesale and distribution business in Singapore by an exclusive distributor and sales at trade fair and exhibitions. The revenue derived from other sales channels decreased slightly by approximately 2.5% to HK$2,354,000 for the six months ended 30 September 2018 (2017: HK$2,414,000).

The cost of sales increased by HK$2,578,000 or approximately 15.8% to HK$18,925,000 for the Period as compared to that of HK$16,347,000 for the Last Period. The increase was mainly attributable to the sales growth for the Period.

The selling and distribution expenses of the Group increased by approximately 17% to HK$90,638,000 for the six months ended 30 September 2018 (2017: HK$77,481,000). This increase was mainly attributable to the increase in consignment commission as a result of a growth in revenue.

The general and administrative expenses of the Group increased by approximately 9.6% to HK$14,378,000 for the six months ended 30 September 2018 (2017: HK$13,122,000). The increase was mainly attributable to the increase in staff costs as a result of a yearly salary revision.

No finance costs were incurred for the six months ended 30 September 2018 and 2017 as the Group did not have any bank borrowings for the periods.

The Group's revenue was mainly derived in Hong Kong and Macau during the Period. For the six months ended 30 September 2018, income tax expense increased by approximately 229.8% to HK$3,047,000 (2017: HK$924,000) mainly due to an increase in the profit before taxation of the Group. The provision of Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 September 2018 and 2017. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant tax 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 2018 of HK$12,242,000 as compared to a profit of HK$906,000 for the Last Period. The increase was mainly due to (i) the increases in sales of both health supplement products and personal care products; (ii) the reallocation of some sales counters in Hong Kong to locations with a larger potential customer base generating higher sales; and (iii) the prudent strategy of the Group in strengthening cost control.

For the six months ended 30 September 2018, the basic earnings per share was HK1.63 cents (2017: HK0.12 cent), the calculation of which is based on the profit for the period attributable to equity owners of the Company of HK$12,242,000 (2017: HK$906,000) and the number of 750,000,000 (2017: 750,000,000) ordinary shares in issue during the Period. Diluted earnings per share is the same as the basic earnings per share because the Company had no dilutive potential ordinary shares during the six months ended 30 September 2018 and 2017.

**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 2018, the Group had net current assets and net assets of HK$133,860,000 (31 March 2018: HK$127,849,000) and HK$169,258,000 (31 March 2018: HK$164,516,000), respectively. As at 30 September 2018, the current ratio calculated based on current assets divided by current liabilities of the Group was 5.7 (31 March 2018: 9.6).

Cash and cash equivalents held by the Group amounted to HK$106,513,000 as at 30 September 2018 (31 March 2018: HK$91,738,000) and were mainly denominated in Hong Kong dollars, Japanese yen, Australian dollars and Renminbi.

**Other Financial Resources and Gearing**

As at 30 September 2018 and 31 March 2018, the Group did not have any bank borrowings and therefore a gearing ratio (calculated based on the interest-bearing liabilities divided by the total equity as at the respective end of period/year and multiplied by 100%) was not applicable as at 30 September 2018 and 31 March 2018.

**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 2018, the Group did not have any capital commitments (31 March 2018: Nil).

**Use of Proceeds**

The net proceeds from the Listing by way of a public offering in Hong Kong completed in mid-September 2016 were approximately HK$71,676,000 (after deducting underwriting fees and related listing expenses), of which approximately HK$61,106,000 had been utilized as at 30 September 2018.

| **Intended applications** | **Net actual proceeds** *HK$'000* | **Amount utilized as at 30 September 2018** *HK$'000* | **Balance as at 30 September 2018** *HK$'000* |
|---|---|---|---|
| Developing and strengthening the Group's brand | 25,086 | 20,151 | 4,935 |
| Maintaining, expanding and improving sales network | 17,919 | 15,828 | 2,091 |
| Exploring business collaboration and expanding customer base | 12,185 | 11,423 | 762 |
| Diversifying and expanding product portfolio | 9,318 | 8,324 | 994 |
| General working capital | 7,168 | 5,380 | 1,788 |
| | 71,676 | 61,106 | 10,570 |

The balance of the unutilized net proceeds has been placed as deposits in licensed banks in Hong Kong.

**Major Investments, Acquisitions and Disposals**

The Group had no material investments, acquisitions or disposals of subsidiaries, associates or joint ventures during the six months ended 30 September 2018.

**Contingent Liabilities**

As at 30 September 2018, the Group had no material contingent liabilities (31 March 2018: Nil).

## EMPLOYEE INFORMATION

As at 30 September 2018, the Group had 222 (31 March 2018: 208) 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, 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 2018 (2017: Nil).

## PROSPECTS

The overall retail market in Hong Kong had experienced a promising recovery from 2017 and the Group had recorded a significant increase in revenue and profit during the Period.

With the completion and opening of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge in the second half of 2018, the number of tourists from the People's Republic of China (the "**PRC**") is expected to increase and add further stimulant to the retail market in Hong Kong.

However, the recent tension of the trade war between the United States (the "**US**") and the PRC has escalated the market sentiment to an anxious mood in the global economy. Instigated by the US, the bitter trade dispute has posted a negative impact on international trade. Hong Kong, being an externally oriented economy, is inevitable to be influenced by the macro trends. The stock and the property markets have begun to experience a downward momentum. The retail market in Hong Kong possibly will follow the trend as both consumer and business sentiments have become conservative with tightening cost controls. The continuing devaluation of the Renminbi may also dampen the consumption power of the customers from the PRC.

Despite the changing local and global economic environments, the Group remains cautiously optimistic and is determined to focus on developing the business in a proactive way. The Group will continue to strengthen cost control, improve the operating efficiency, constantly review and improve the vast sales network in the online and offline markets, further enhance the brand recognition and corporate image through various marketing strategies and diversify existing business portfolios, so as to achieve sustainable growth as a way to return for the consistent support from the shareholders of the Company (the "**Shareholders**").

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### SHARE OPTION SCHEME

Pursuant to the written resolution of the sole Shareholder on 20 July 2016, the Company adopted a share option scheme (the "**Scheme**") conditional upon the Listing. The Scheme became effective on 12 September 2016. As no share options have been granted under the Scheme since the Listing Date, there were no outstanding share options as at 30 September 2018 and 2017, and no share options were exercised, cancelled or lapsed during the Period.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Throughout the Period, the Company did not redeem its listed securities; nor did the Company or any of its subsidiaries purchase or sell such securities.

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Period 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 of the Board (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.

### 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. Having been made specific enquiries 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 Period and this announcement.

## APPRECIATION

On behalf of the Board, I would like to express our gratitude to the 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, 27 November 2018

*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.*