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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 2019

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 (together as the “**Group**”) for the six months ended 30 September 2019, 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 2019

		Six months ended 30 September	
		2019	2018
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	4(a)	124,006	138,836
Cost of sales		<u>(17,308)</u>	<u>(18,925)</u>
Gross profit		106,698	119,911
Other income	5(a)	663	364
Other net (losses)/gains	5(b)	(212)	30
Selling and distribution expenses		(80,965)	(90,638)
General and administrative expenses		<u>(14,581)</u>	<u>(14,378)</u>

		Six months ended 30 September	
		2019	2018
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Profit from operations		11,603	15,289
Finance costs	6	<u>(447)</u>	<u>—</u>
Profit before taxation	6	11,156	15,289
Income tax expense	7	<u>(2,234)</u>	<u>(3,047)</u>
Profit for the period attributable to owners of the Company		<u>8,922</u>	<u>12,242</u>
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of operations based outside Hong Kong		<u>(24)</u>	<u>—</u>
Other comprehensive expense for the period, net of tax		<u>(24)</u>	<u>—</u>
Total comprehensive income for the period attributable to owners of the Company		<u>8,898</u>	<u>12,242</u>
		HK Cents	HK Cents
Earnings per share attributable to owners of the Company — basic and diluted	9	<u>1.19</u>	<u>1.63</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

		30 September 2019 <i>Notes</i> HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		30,170	31,135
Right-of-use assets		24,684	—
Rental deposits		4,824	4,753
Deferred tax assets		751	707
		<u>60,429</u>	<u>36,595</u>
Current assets			
Inventories		21,551	19,835
Trade and other receivables	10	27,549	32,025
Cash and cash equivalents		131,030	119,775
		<u>180,130</u>	<u>171,635</u>
Current liabilities			
Trade and other payables	11	12,430	15,638
Lease liabilities		12,110	—
Dividend payable		22,502	3
Provisions		100	246
Income tax payable		6,086	3,808
		<u>53,228</u>	<u>19,695</u>
Net current assets		<u>126,902</u>	<u>151,940</u>
Total assets less current liabilities		<u>187,331</u>	<u>188,535</u>
Non-current liabilities			
Lease liabilities		13,020	—
Provisions		549	381
		<u>13,569</u>	<u>381</u>
NET ASSETS		<u>173,762</u>	<u>188,154</u>
CAPITAL AND RESERVES			
Share capital	12	7,500	7,500
Reserves		166,262	180,654
Total equity attributable to owners of the Company		<u>173,762</u>	<u>188,154</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	
Balance at 31 March 2019 (Audited) and 1 April 2019, as originally presented	7,500	86,608	(72)	1,546	92,572	188,154
Impact of initial application of HKFRS 16	—	—	—	—	(790)	(790)
Balance at 1 April 2019 (Unaudited)	7,500	86,608	(72)	1,546	91,782	187,364
Changes in equity for the six months ended 30 September 2019:						
Profit for the period	—	—	—	—	8,922	8,922
Other comprehensive expense	—	—	(24)	—	—	(24)
Total comprehensive income for the period	—	—	(24)	—	8,922	8,898
2019 Final dividend declared (Note 8)	—	—	—	—	(22,500)	(22,500)
Balance at 30 September 2019 (Unaudited)	<u>7,500</u>	<u>86,608</u>	<u>(96)</u>	<u>1,546</u>	<u>78,204</u>	<u>173,762</u>

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	
Balance at 31 March 2018 (Audited) and 1 April 2018 (Unaudited)	7,500	86,608	—	1,546	68,862	164,516
Changes in equity for the six months ended 30 September 2018:						
Total comprehensive income for the period	—	—	—	—	12,242	12,242
2018 Final dividend declared	—	—	—	—	(7,500)	(7,500)
Balance at 30 September 2018 (Unaudited)	<u>7,500</u>	<u>86,608</u>	<u>—</u>	<u>1,546</u>	<u>73,604</u>	<u>169,258</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 September 2019*

	Six months ended	
	30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	18,490	14,689
Net cash generated from investing activities	23	86
Net cash used in financing activities	<u>(7,258)</u>	<u>—</u>
Net increase in cash and cash equivalents	11,255	14,775
Cash and cash equivalents at the beginning of the period	<u>119,775</u>	<u>91,738</u>
Cash and cash equivalents at the end of the period	<u><u>131,030</u></u>	<u><u>106,513</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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, sales 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 2019 (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 have been prepared on the historical cost basis.

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 2019.

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 Board (the "**Audit Committee**").

3. PRINCIPAL ACCOUNTING POLICIES

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 2019, except as described below.

In the current interim period, the Group has applied, for the first time, the following new and 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 beginning on or after 1 April 2019:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except for the impacts set out below, the application of other applicable new and amended standards and interpretations in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these Condensed Consolidated Interim Financial Statements.

Impacts and changes in accounting policies of application of HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases” (“**HKAS 17**”), and the related interpretations.

(i) Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which they are located or restoring the underlying assets to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from the commencement date to the end of the useful lives. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item in the condensed consolidated statement of financial position.

Leasehold land and buildings

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted for under HKFRS 9 “Financial Instruments” and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivables;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognized as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognized at initial recognition and over the lease terms due to application of the initial recognition exemption.

(ii) Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not to apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognized at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognized in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group has applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on a lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review;
- ii. accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short term lease;
- iii. the use of hindsight based on facts and circumstances as at the date of initial application in determining the lease term for the Company’s leases with extension and termination options; and

- iv. excluded initial direct costs for measurement of the right-of-use assets at the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 April 2019, the Group had recognized lease liabilities of HK\$27,469,000 and right-of-use assets of HK\$27,057,000.

When recognizing the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied was 3.5% per annum.

	At 1 April 2019 <i>HK\$'000</i> (Unaudited)
Operating lease commitments at 31 March 2019	28,661
Lease liabilities discounted at relevant incremental borrowing rates	<u>(1,192)</u>
Lease liabilities relating to operating leases recognized upon application of HKFRS 16 at 1 April 2019	<u><u>27,469</u></u>
Analysed as	
Current	13,012
Non-current	<u>14,457</u>
	<u><u>27,469</u></u>

The impacts arising from the application of HKFRS 16 as at 1 April 2019 are as follows:

	Increase/ (decrease) <i>HK\$'000</i> (Unaudited)
Assets	
Decrease in property, plant and equipment	(87)
Increase in right-of-use assets	27,057
Decrease in trade and other receivables, deposits and prepayments	<u>(223)</u>
Net increase in total assets	<u><u>26,747</u></u>
Liabilities	
Increase in lease liabilities	27,469
Increase in provisions	<u>68</u>
Net increase in total liabilities	<u><u>27,537</u></u>

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are retail and wholesale of health and personal care products during the period.

Revenue represents the sales value of goods supplied to customers. The amounts of each significant category of revenue during the period, all of which represented revenue recognized by the Group from contracts with customers, is as follows:

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Specialty stores	17,423	19,984
Consignment counters	99,082	113,174
E-commerce	3,467	3,324
Other sales channels	4,034	2,354
	<u>124,006</u>	<u>138,836</u>
	<u>124,006</u>	<u>138,836</u>
	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Health supplement products	114,291	127,502
Personal care products	7,948	9,452
Honey and pollen products	1,767	1,882
	<u>124,006</u>	<u>138,836</u>
	<u>124,006</u>	<u>138,836</u>

For the six months ended 30 September 2019 and 2018, all revenue was recognized at a point in the time.

The performance obligation is satisfied, and hence the revenue is recognized upon the delivery of the health and personal care products to the customers or, in case of consignment sales through consignees, upon collection of the products by end-customers, which is the point of time when customer has the ability to direct the use of products and obtains substantially all of the remaining benefits of the products. The payment terms are generally within 0 to 90 days from delivery date.

(b) Segment reporting

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. The chief operating decision maker reviews the financial performance and position of the Group as a whole and 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. OTHER INCOME AND OTHER NET (LOSSES)/GAINS

(a) Other income

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income on bank deposits	630	319
Others	33	45
	<u>663</u>	<u>364</u>

(b) Other net (losses)/gains

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss on disposal/write-off of property, plant and equipment	(55)	—
Gain on lease modification	2	—
Net foreign exchange (losses)/gains	(159)	30
	<u>(212)</u>	<u>30</u>

6. PROFIT BEFORE TAXATION

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

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	1,118	1,296
Depreciation of right-of-use assets	6,849	—
Minimum lease payments in respect of properties	22	8,511
Net foreign exchange losses/(gains)	159	(30)
Gain on lease modification	(2)	—
Loss on disposal/write-off of property, plant and equipment	55	—
Cost of inventories recognized as an expense	17,308	18,925
Consignment expense	45,922	53,628
Write-back of allowance for trade receivables	(510)	—
Finance costs:		
— Interest expense on lease liabilities	447	—
	<u>447</u>	<u>—</u>

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax — Hong Kong Profits Tax		
Provision for the period	1,833	2,637
Current tax — Overseas		
Provision for the period	445	424
Deferred tax		
Origination and reversal of temporary differences	(44)	(14)
Total	<u>2,234</u>	<u>3,047</u>

Hong Kong Profits Tax has been provided in accordance with two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of a qualifying corporation of the Group is taxed at 8.25% and the assessable profits above HK\$2,000,000 are taxed at 16.5%. Taxation for the overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

8. DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2019 (2018: Nil).

A final dividend in respect of the year ended 31 March 2019 of HK3 cents per ordinary share (2018: HK1 cent), amounting to HK\$22,500,000 (2018: HK\$7,500,000) in aggregate, was declared pursuant to a recommendation made by the Board on 27 June 2019 and the approval of the shareholders of the Company (the “**Shareholder(s)**”) at the annual general meeting of the Company held on 20 September 2019, this final dividend was paid on 18 October 2019.

9. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company (HK\$'000)	<u>8,922</u>	<u>12,242</u>
Number of shares:		
Weighted average number of ordinary shares in issue	<u>750,000,000</u>	<u>750,000,000</u>
Basic and diluted earnings per share (HK cents)	<u>1.19</u>	<u>1.63</u>

The Company did not have any potential ordinary shares outstanding during the six months ended 30 September 2019 and 2018.

10. TRADE AND OTHER RECEIVABLES

	30 September	31 March
	2019	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables	21,551	24,527
Less: Allowance for trade receivables	<u>(301)</u>	<u>(812)</u>
Trade receivables, net of loss allowance	21,250	23,715
Other receivables	485	897
Deposits and prepayments	<u>5,814</u>	<u>7,413</u>
	<u>27,549</u>	<u>32,025</u>

The Group usually allows a credit period ranging from 0 to 90 days to its trade customers. The ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Within 30 days	7,639	12,090
31–60 days	7,367	11,615
61–90 days	4,006	3
Over 90 days	2,238	7
	<u>21,250</u>	<u>23,715</u>

The management of the Group closely monitors the credit quality of trade receivables and considers the debtors that are neither past due nor impaired to be of a good credit quality. Before accepting any new customer, the Group's management will assess the potential customer's credit quality and determine the credit limits of each customer. Credit limits attributable to customers are reviewed periodically.

The Group has a policy for allowance of impairment loss which is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement including the creditworthiness and the past collection history of each customer.

11. TRADE AND OTHER PAYABLES

	30 September 2019 <i>HK\$'000</i> (Unaudited)	31 March 2019 <i>HK\$'000</i> (Audited)
Trade payables (<i>Note a</i>)	2,992	4,800
Contract liabilities (<i>Note b</i>)	—	620
Accrued staff costs	7,011	7,482
Other accruals and payables	2,427	2,736
	<u>12,430</u>	<u>15,638</u>

Notes:

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

	30 September 2019 <i>HK\$'000</i> (Unaudited)	31 March 2019 <i>HK\$'000</i> (Audited)
Within 30 days	1,566	1,123
31–90 days	1,426	3,677
	<u>2,992</u>	<u>4,800</u>

(b) Details of contract liabilities are as follows:

	30 September 2019 <i>HK\$'000</i> (Unaudited)	31 March 2019 <i>HK\$'000</i> (Audited)
Receipt in advance from customers	—	620

Contract liabilities are receipt in advance from customers to deliver health and personal care products.

All the balance as at 31 March 2019 was recognized to revenue during the current interim period.

12. SHARE CAPITAL

	30 September 2019 (Unaudited)		31 March 2019 (Audited)	
	Number of Shares	Share capital <i>HK\$'000</i>	Number of Shares	Share capital <i>HK\$'000</i>
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	<u>2,000,000,000</u>	<u>20,000</u>	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:				
At beginning of period/year and at end of period/year	<u>750,000,000</u>	<u>7,500</u>	<u>750,000,000</u>	<u>7,500</u>

13. MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 September 2019, 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 of the Company
Mr. Au Chun Kit	Executive Director of the Company
Prof Kiu International Limited (“Prof Kiu”)	Beneficially owned and controlled by the controlling shareholders

Leasing

	Six months ended 30 September	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Repayment of lease liabilities / Rental expenses	<u>300</u>	<u>300</u>

Repayment of lease liabilities / 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally a Hong Kong-based brand builder, retailer and wholesaler of health and personal care products focusing on the development, marketing, sales and distribution of the branded products. For the six months ended 30 September 2019 (the “**Period**”), the Group’s revenue amounted to HK\$124,006,000, representing a decrease of 10.7% from HK\$138,836,000 for the six months ended 30 September 2018 (the “**Last Period**”). Meanwhile, the profit attributable to owners of the Company for the Period amounted to HK\$8,922,000, which represented a decrease of 27.1% from HK\$12,242,000 for the Last Period.

The overall retail market in Hong Kong has shown a downward trend during the Period. 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 decreased by approximately 10.7% over the Last Period. Meanwhile, the Group’s revenue for the Period decreased by 10.7% as compared to the Last Period. The decline in the Group’s sales was closely aligned with the overall Hong Kong retail market and this was mainly due to the weak consumer sentiments and fluctuating retail market conditions in Hong Kong. The Group has been monitoring closely the economic conditions and will adopt flexible approaches to cope with the volatile business environment.

As at 30 September 2019, the Group had 14 specialty stores and 83 consignment counters in Hong Kong, Macau and Singapore (31 March 2019: 13 specialty stores and 83 consignment counters in Hong Kong and Macau). 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.

FINANCIAL REVIEW

During the Period, the Group’s revenue and consolidated profit attributable to owners of the Company also recorded a noticeable decline. The decrease in the Group’s results for the Period was mainly due to the decline in sales as a result of the weak consumer sentiments and retail market conditions in Hong Kong. For the six months ended 30 September 2019, the Group’s revenue decreased by 10.7% to HK\$124,006,000 (2018: HK\$138,836,000) and the consolidated profit attributable to owners of the Company for the Period decreased by 27.1% to HK\$8,922,000 (2018: HK\$12,242,000).

The following table sets forth the breakdown of the Group's revenue by categories of products for the six months ended 30 September 2019 and 2018:

	For the six months ended 30 September			
	2019		2018	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Health supplement products	114,291	92.2%	127,502	91.8%
Personal care products	7,948	6.4%	9,452	6.8%
Honey and pollen products	1,767	1.4%	1,882	1.4%
Total	124,006	100.0%	138,836	100.0%

During the Period, the Group's revenue attributable to health supplement products decreased by 10.4% to HK\$114,291,000 (2018: HK\$127,502,000). For the six months ended 30 September 2019, revenue attributable to personal care products decreased by 15.9% to HK\$7,948,000 (2018: HK\$9,452,000) and the revenue of honey and pollen products dropped 6.1% to HK\$1,767,000 (2018: HK\$1,882,000). The unfavourable sales performance was caused by a sharp downturn in Hong Kong market conditions after June 2019 and the weak consumer sentiments. Besides, the shortening of business hours and abrupt closure of business for some stores and counters and the diminishing number of customers to stores, especially during weekends, also led to weak sales performance.

The table below sets forth the breakdown of the Group's revenue by sales channels for the six months ended 30 September 2019 and 2018:

	For the six months ended 30 September			
	2019		2018	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Specialty stores	17,423	14.0%	19,984	14.4%
Consignment counters	99,082	79.9%	113,174	81.5%
E-commerce	3,467	2.8%	3,324	2.4%
Other sales channels	4,034	3.3%	2,354	1.7%
Total	124,006	100.0%	138,836	100.0%

During the Period, revenue for sales channels of specialty stores and consignment counters decreased by 12.8% to HK\$17,423,000 (2018: HK\$19,984,000) and 12.5% to HK\$99,082,000 (2018: HK\$113,174,000), respectively. The decrease was resulted from weak consumer sentiments and retail market conditions in Hong Kong. For the six months ended 30 September 2019, revenue derived from e-commerce increased slightly by 4.3% to HK\$3,467,000 (2018: HK\$3,324,000). The remaining sales were generated from other sales channels which included wholesale and distribution business in Singapore by an exclusive distributor and sales at trade fairs and exhibitions. Because of the growth in wholesale revenue, the revenue derived from other sales channels increased by 71.4% to HK\$4,034,000 for the Period (2018: HK\$2,354,000).

The cost of sales decreased by HK\$1,617,000 or 8.5% to HK\$17,308,000 for the Period as compared to that of HK\$18,925,000 for the Last Period. The decrease was mainly attributable to the diminution in revenue for the Period.

The selling and distribution expenses of the Group reduced by 10.7% to HK\$80,965,000 for the six months ended 30 September 2019 (2018: HK\$90,638,000). This decrease was mainly attributable to the decline in consignment commission as a result of the diminution in revenue for the Period.

The general and administrative expenses of the Group increased slightly by 1.4% to HK\$14,581,000 for the Period (2018: HK\$14,378,000). The increase was mainly attributable to the increase in staff costs as a result of a yearly salary revision; but this effect was partially offset by other lower expenses incurred by the Group during the Period.

No finance costs for bank borrowings were incurred for the six months ended 30 September 2019 and 2018 as the Group did not have any bank borrowings for the periods. The Group's finance cost of interest expense on lease liabilities amounted to HK\$447,000 was incurred as a result of the application of HKFRS 16.

The Group's revenue was mainly derived in Hong Kong, Macau and Singapore during the Period. For the six months ended 30 September 2019, income tax expense decreased by 26.7% to HK\$2,234,000 (2018: HK\$3,047,000) mainly due to the shrinking in the profit before taxation of the Group. The provision of Hong Kong Profits Tax has been provided in accordance with two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of a qualifying corporation of the Group is taxed at 8.25% and the assessable profits above HK\$2,000,000 are taxed at 16.5%. 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 owners of the Company for the six months ended 30 September 2019 of HK\$8,922,000 as compared to a profit of HK\$12,242,000 for the Last Period. The profit attributable to owners of the Company represented a decrease of HK\$3,320,000 or 27.1% for the Period.

For the six months ended 30 September 2019, the basic earnings per share was HK1.19 cents (2018: HK1.63 cents), the calculation of which is based on the profit for the period attributable to owners of the Company of HK\$8,922,000 (2018: HK\$12,242,000) and the number of 750,000,000 Shares in issue during the Period (2018: 750,000,000). 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 2019 and 2018.

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 2019, the Group had net current assets and net assets of HK\$126,902,000 (31 March 2019: HK\$151,940,000) and HK\$173,762,000 (31 March 2019: HK\$188,154,000), respectively. As at 30 September 2019, the current ratio calculated based on current assets divided by current liabilities of the Group was 3.4 (31 March 2019: 8.7).

Cash and cash equivalents held by the Group amounted to HK\$131,030,000 as at 30 September 2019 (31 March 2019: HK\$119,775,000) and were mainly denominated in Hong Kong dollars, Japanese yen, Australian dollars, Singapore dollars and Renminbi.

OTHER FINANCIAL RESOURCES AND GEARING

As at 30 September 2019 and 31 March 2019, 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 2019 and 31 March 2019.

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, Singapore 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 2019, the Group did not have any capital commitments (31 March 2019: Nil).

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 2019.

CONTINGENT LIABILITIES

As at 30 September 2019, the Group had no material contingent liabilities (31 March 2019: Nil).

EMPLOYEE INFORMATION

As at 30 September 2019, the Group had 225 (31 March 2019: 228) employees, including part-time staff. The Group remunerates employees based on their performance and experience, the Group's results 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 2019 (2018: Nil).

PROSPECTS

2019 is a challenging year with international and domestic instabilities. The Sino-US trade war has lingered for more than a year and its tensions have affected the global macro-economic outlook as well as the economic growth of the People's Republic of China (the "PRC"). Meanwhile, the social unrest in Hong Kong of more than five months has posed a negative impact on tourism and retail industries. According to the Hong Kong Tourism Board, the overall number of tourists visiting Hong Kong had dropped 34.2% in September 2019 as compared to the same month of last year. The dramatic decrease of tourists together with the abatement of consumer sentiments as well as the above trade war factor have posed huge challenges to the retail sector of Hong Kong.

Though the sluggish economic condition may continue in the near future, the Group will continue to monitor the market and adjust its strategies to cope with the volatile economic environment. Stringent cost control has been applied to ensure financial resources are utilized strategically. Physical sales network has been optimized by strengthening operation efficiency as well as reallocating store locations and manpower due to the changing retail conditions. Meanwhile, online sales development will be emphasized with co-operation of more online shopping platforms and implementation of various marketing strategies in Hong Kong, the PRC and other regions. Overseas business development in other regions in Asia will be in full momentum to foster a constant and sustainable growth of the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION

EVENTS AFTER THE REPORTING PERIOD

As disclosed in the announcement of the Company dated 11 October 2019, the Company first became aware that a Shareholder is holding 75,095,000 Shares, representing approximately 10.01% of the total issued share capital of the Company and is considered as a substantial Shareholder (as defined under the Listing Rules). As a result of the above, the public float of the Company dropped from 25% to approximately 14.99%, which is below the minimum percentage of public shareholdings of 25% as prescribed by Rule 8.08 of the Listing Rules.

On 14 October 2019, the Company made another announcement that at the request of the Company, the trading in the Shares on the Stock Exchange had been halted with effect from 9:00 a.m. on 14 October 2019 until the minimum public float is restored.

The Company undertakes that appropriate steps will be taken to restore at least 25% of the Shares to be held by the public Shareholders as soon as reasonably practicable in accordance with the Listing Rules.

Further announcement(s) will be made by the Company to update the Shareholders in relation to the public float as and when appropriate.

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 “**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 2019 and 2018, and no share options were exercised or 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 subsidiaries 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.

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, 28 November 2019

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.