

澳至尊 AUSupreme



INTERIM REPORT  
2018

澳至尊  
AUSupreme

澳至尊國際控股有限公司  
AUSUPREME INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

HKEx Stock Code : 2031.HK



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Choy Chi Fai (*Chairman and Managing Director*)

Ms. Ho Ka Man

Mr. Ho Chun Kit, Saxony

Mr. Au Chun Kit

### Independent Non-executive Directors

Dr. Luk Ting Kwong

Mr. Ko Ming Kin

Mr. Wan Cho Yee

## AUDIT COMMITTEE

Mr. Ko Ming Kin (*Chairman*)

Mr. Wan Cho Yee

Dr. Luk Ting Kwong

## NOMINATION COMMITTEE

Dr. Luk Ting Kwong (*Chairman*)

Mr. Wan Cho Yee

Mr. Choy Chi Fai

## REMUNERATION COMMITTEE

Mr. Wan Cho Yee (*Chairman*)

Mr. Ko Ming Kin

Mr. Choy Chi Fai

## COMPANY SECRETARY

Ms. Tang Wing Shan

## AUTHORISED REPRESENTATIVES

Mr. Choy Chi Fai

Ms. Tang Wing Shan

## INDEPENDENT AUDITOR

Wellink CPA Limited

*Certified Public Accountants*

## SOLICITOR

Sidley Austin

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation Limited

Wing Lung Bank Limited

## REGISTERED OFFICE

Clifton House

75 Fort Street

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office E, 28/F., EGL Tower

83 Hung To Road

Kwun Tong, Kowloon

Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited

Clifton House

75 Fort Street

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited

Room 2103B, 21/F.

148 Electric Road

North Point

Hong Kong

## LISTING INFORMATION

Place of Listing: The Main Board of The Stock Exchange  
of Hong Kong Limited

Stock Code: 2031

Board Lot: 5,000 shares

## COMPANY WEBSITE

[www.ausupreme.com](http://www.ausupreme.com)



AUSupreme Website



AUSupreme TMALL.HK



AUSupreme WeChat



AUSupreme facebook

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

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:

	Notes	Six months ended 30 September	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>Revenue</b>	5	<b>138,836</b>	108,655
Cost of sales		<b>(18,925)</b>	(16,347)
<b>Gross profit</b>		<b>119,911</b>	92,308
Other revenue	6(a)	<b>364</b>	354
Other net gains/(losses)	6(b)	<b>30</b>	(229)
Selling and distribution expenses		<b>(90,638)</b>	(77,481)
General and administrative expenses		<b>(14,378)</b>	(13,122)
<b>Profit from operations and profit before taxation</b>	7	<b>15,289</b>	1,830
Income tax expense	8	<b>(3,047)</b>	(924)
<b>Profit for the period and total comprehensive income for the period attributable to equity owners of the Company</b>		<b>12,242</b>	906
Earnings per share attributable to equity owners of the Company — basic and diluted	10	<b>HK Cents 1.63</b>	HK Cents 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)
<b>Non-current assets</b>			
Property, plant and equipment	11	32,358	33,421
Rental deposits		2,599	2,877
Deferred tax assets		653	640
		<b>35,610</b>	36,938
<b>Current assets</b>			
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
		<b>162,154</b>	142,739
<b>Current liabilities</b>			
Trade and other payables	13	17,723	14,487
Dividend payable		7,500	—
Tax payable		2,656	—
Provisions		415	403
		<b>28,294</b>	14,890
<b>Net current assets</b>		<b>133,860</b>	127,849
<b>Total assets less current liabilities</b>		<b>169,470</b>	164,787
<b>Non-current liabilities</b>			
Provisions		212	271
		<b>212</b>	271
<b>NET ASSETS</b>		<b>169,258</b>	164,516
<b>CAPITAL AND RESERVES</b>			
Share capital	14	7,500	7,500
Reserves		161,758	157,016
<b>Total equity attributable to equity owners of the Company</b>		<b>169,258</b>	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 HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
<b>Balance at 31 March 2018 (Audited) and 1 April 2018</b>	<b>7,500</b>	<b>86,608</b>	<b>1,546</b>	<b>68,862</b>	<b>164,516</b>
<b>Changes in equity for the six months ended 30 September 2018:</b>					
Profit for the period and total comprehensive income for the period	—	—	—	12,242	12,242
Dividend declared (Note 9)	—	—	—	(7,500)	(7,500)
<b>Balance at 30 September 2018 (Unaudited)</b>	<b>7,500</b>	<b>86,608</b>	<b>1,546</b>	<b>73,604</b>	<b>169,258</b>

	Attributable to equity owners of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 31 March 2017 (Audited) and 1 April 2017	7,500	86,608	1,546	56,332	151,986
<b>Changes in equity for the six months ended 30 September 2017:</b>					
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 HK\$'000 (Unaudited)	2017 HK\$'000 (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
<b>Cash and cash equivalents at the end of the period</b>	<b>106,513</b>	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.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018

## 3. PRINCIPAL ACCOUNTING POLICIES — continued

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.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018

## 3. PRINCIPAL ACCOUNTING POLICIES — continued

### (a) HKFRS 9 Financial Instruments — continued

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.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018

## 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 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Health supplement products	127,502	100,030
Personal care products	9,452	6,453
Honey and pollen products	1,882	2,172
	<b>138,836</b>	<b>108,655</b>

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

### (a) Other revenue

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Bank interest income on bank deposits	319	251
Others	45	103
	<b>364</b>	<b>354</b>

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018

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

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

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

## 7. PROFIT BEFORE TAXATION

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

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (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

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018

## 8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (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
<b>Total</b>	<b>3,047</b>	<b>924</b>

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 recommendation made 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.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 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 (Unaudited)	2017 (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.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018

## 11. PROPERTY, PLANT AND EQUIPMENT

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
<b>Cost</b>		
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
<b>Accumulated depreciation</b>		
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
<b>Carrying amount:</b>		
At the end of the period/year	32,358	33,421
At the beginning of the period/year	33,421	3,213

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018

## 12. TRADE AND OTHER RECEIVABLES

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Trade receivables	24,153	22,659
Other receivables	734	766
Deposits and prepayments	9,281	7,918
	<b>34,168</b>	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 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (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
	<b>24,153</b>	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.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018

## 12. TRADE AND OTHER RECEIVABLES — continued

### (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 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (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 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (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

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018

## 13. TRADE AND OTHER PAYABLES — continued

### Ageing analysis of trade payables

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

	<b>30 September 2018 HK\$'000 (Unaudited)</b>	31 March 2018 HK\$'000 (Audited)
Within 30 days	3,245	3,047
31–90 days	3,889	2,134
	<b>7,134</b>	5,181

## 14. SHARE CAPITAL

	<b>30 September 2018 (Unaudited)</b>		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 (" <b>Share(s)</b> ")				
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

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018

## 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
	<b>19,610</b>	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

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018

## 16. MATERIAL RELATED PARTY TRANSACTIONS — continued

### 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.

# Management Discussion and Analysis

## 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%
<b>Total</b>	<b>138,836</b>	<b>100%</b>	<b>108,655</b>	<b>100%</b>

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".

## Management Discussion and Analysis

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%
<b>Total</b>	<b>138,836</b>	<b>100%</b>	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.

# Management Discussion and Analysis

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.

# Management Discussion and Analysis

## 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	Balance as at
		as at 30 September 2018 HK\$'000	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.

# Management Discussion and Analysis

## 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

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 September 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

### (i) Long positions in the Shares

Name of Directors	Capacity/Nature of interests	Number of Shares held	Percentage of the total issued Shares
Mr. Choy Chi Fai	Interest in a controlled corporation (Note)	562,500,000	75%
Ms. Ho Ka Man	Interest in a controlled corporation (Note)	562,500,000	75%

Note: Each of Mr. Choy Chi Fai, the chairman of the Board (the "Chairman"), the managing Director and an executive Director and Ms. Ho Ka Man, an executive Director (together as a group of the controlling shareholders) owns 50% of the issued share capital of Beatitudes International Limited ("Beatitudes"), a company incorporated in the British Virgin Islands (the "BVI") and is considered as the immediate parent and ultimate parent company of the Company. As at 30 September 2018, Beatitudes was the beneficial owner holding a 75% shareholding interest in the Company and thus, each of Mr. Choy Chi Fai and Ms. Ho Ka Man was deemed or taken to be interested in all the Shares which were beneficially owned by Beatitudes for the purpose of the SFO.

### (ii) Long positions in the ordinary shares of Beatitudes — an associated corporation of the Company

Name of Directors	Capacity/Nature of interests	Number of ordinary shares held	Percentage of the total issued ordinary shares of Beatitudes
Mr. Choy Chi Fai	Beneficial owner	50	50%
Ms. Ho Ka Man	Beneficial owner	50	50%

Save as disclosed above, as at 30 September 2018, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations, which had to be notified to the Company and the Stock Exchange under the SFO or pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

# Corporate Governance and Other Information

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2018, so far as it is known by or otherwise notified to any Director or the chief executive of the Company, the corporation named below (other than a Director or the chief executive of the Company) had a long position in the following Shares, which were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name of Shareholder	Capacity/Nature of interests	Number of Shares held	Percentage of the total issued Shares
Beatitudes	Beneficial owner (Note)	562,500,000	75%

Note: Beatitudes is a company incorporated in the BVI and owned a 75% shareholding interest in the Company as at 30 September 2018.

Save as disclosed above, as at 30 September 2018, the Directors were not aware of any corporation which/person (other than a Director or the chief executive of the Company) who had interest or short position in the Shares or underlying Shares, which would be required to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO.

## UPDATE ON DIRECTORS' INFORMATION

Pursuant to rule 13.51B(1) of the Listing Rules, the changes to the information on the Directors are as follows:

During the Period, Mr. Choy Chi Fai has been appointed as the Assistant Liaison Officer II of the Hong Kong Special Administrative Region (the "HKSAR") Auxiliary Medical Service, Advisor of the HKSAR Auxiliary Medical Service Officers' Club, Divisional Vice President of Hong Kong & Kowloon Youth Command of the Hong Kong St. John Ambulance Brigade, and Honorary President (Shau Kei Wan District) of the Scout Association of Hong Kong.

During the Period, Ms. Ho Ka Man has also been appointed as Assistant Liaison Officer II of the HKSAR Auxiliary Medical Service as well as Advisor of the HKSAR Auxiliary Medical Service Officers' Club.

## 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 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 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 and Other Information

## 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.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 report, 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 report.

## 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

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