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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 2020

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 2020, 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 2020

		Six months ended 30 September	
		2020	2019
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4(a)	41,190	124,006
Cost of sales		(7,477)	(17,308)
Gross profit		33,713	106,698
Other income	5(a)	9,193	663
Other net gains/(losses)	5(b)	1,898	(212)
Selling and distribution expenses		(30,758)	(80,965)
General and administrative expenses		(10,661)	(14,581)

		Six months ended 30 September	
		2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>	(Unaudited)	(Unaudited)
Profit from operations		3,385	11,603
Finance costs	6	<u>(314)</u>	<u>(447)</u>
Profit before taxation	6	3,071	11,156
Income tax expense	7	<u>(261)</u>	<u>(2,234)</u>
Profit for the period attributable to owners of the Company		<u>2,810</u>	<u>8,922</u>
Other comprehensive income/(expense):			
Item that will not be reclassified to profit or loss:			
Fair value changes of equity investment at fair value through other comprehensive income ("FVTOCI")			
		(505)	—
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of operations based outside Hong Kong			
		<u>17</u>	<u>(24)</u>
Other comprehensive expense for the period, net of tax		<u>(488)</u>	<u>(24)</u>
Total comprehensive income for the period attributable to owners of the Company		<u>2,322</u>	<u>8,898</u>
		<i>HK Cents</i>	<i>HK Cents</i>
Earnings per share attributable to owners of the Company			
— basic and diluted	9	<u>0.37</u>	<u>1.19</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		30 September 2020 <i>Notes</i> HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		28,162	29,243
Right-of-use assets		17,355	21,136
Rental deposits		4,434	4,119
Equity investment at FVTOCI		6,689	7,194
Deferred tax assets		776	714
		<u>57,416</u>	<u>62,406</u>
Current assets			
Inventories		17,602	17,000
Trade and other receivables	10	13,535	16,028
Income tax recoverable		4,949	5,156
Time deposits		59,836	59,161
Bank balances and cash		63,561	54,935
		<u>159,483</u>	<u>152,280</u>
Current liabilities			
Trade and other payables	11	12,874	8,883
Dividend payable		7,627	7
Lease liabilities		12,202	12,972
Provisions		333	334
Income tax payable		1,054	1,669
		<u>34,090</u>	<u>23,865</u>
Net current assets		<u>125,393</u>	<u>128,415</u>
Total assets less current liabilities		<u>182,809</u>	<u>190,821</u>

		30 September 2020	31 March 2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current liabilities			
Lease liabilities		5,962	8,778
Provisions		479	377
		<u>6,441</u>	<u>9,155</u>
NET ASSETS		<u>176,368</u>	<u>181,666</u>
CAPITAL AND RESERVES			
Share capital	12	7,620	7,620
Reserves		168,748	174,046
		<u>176,368</u>	<u>181,666</u>
Total equity attributable to owners of the Company		<u>176,368</u>	<u>181,666</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Attributable to owners of the Company						
	Share capital	Share premium	Financial assets at FVTOCI reserve	Exchange reserve	Capital reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 31 March 2020 (Audited) and 1 April 2020	7,620	91,288	—	(117)	1,546	81,329	181,666
Changes in equity for the six months ended 30 September 2020:							
Profit for the period	—	—	—	—	—	2,810	2,810
Other comprehensive income/(expense):							
— Fair value changes of equity investment at FVTOCI	—	—	(505)	—	—	—	(505)
— Exchange differences on translation of operations based outside Hong Kong	—	—	—	17	—	—	17
Total comprehensive income for the period	—	—	(505)	17	—	2,810	2,322
2020 Final dividend declared (Note 8)	—	—	—	—	—	(7,620)	(7,620)
Balance at 30 September 2020 (Unaudited)	<u>7,620</u>	<u>91,288</u>	<u>(505)</u>	<u>(100)</u>	<u>1,546</u>	<u>76,519</u>	<u>176,368</u>
	Attributable to owners of the Company						
	Share capital	Share premium	Financial assets at FVTOCI reserve	Exchange reserve	Capital reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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:							
— Exchange differences on translation of operations based outside Hong Kong	—	—	—	(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>—</u>	<u>(96)</u>	<u>1,546</u>	<u>78,204</u>	<u>173,762</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 September 2020*

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	15,734	18,490
Net cash (used in)/generated from investing activities	(21)	23
Net cash used in financing activities	<u>(7,103)</u>	<u>(7,258)</u>
Net increase in cash and cash equivalents	8,610	11,255
Effect of foreign exchange rate changes, net	16	—
Cash and cash equivalents at the beginning of the period	<u>54,935</u>	<u>119,775</u>
Cash and cash equivalents at the end of the period	<u>63,561</u>	<u>131,030</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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 2020 (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 2020.

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 2020, except as described below.

In the current interim period, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards (the "HKFRSs") and the following amendments to 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 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current 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.

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

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, are as follows:

	Six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Specialty stores	14,882	17,423
Consignment counters	17,220	99,082
E-commerce	7,304	3,467
Other sales channels	1,784	4,034
	<u>41,190</u>	<u>124,006</u>

	Six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Health supplement products	39,228	114,291
Personal care products	1,081	7,948
Honey and pollen products	881	1,767
	<u>41,190</u>	<u>124,006</u>

For the six months ended 30 September 2020 and 2019, all revenue was recognized on a point in time basis.

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 60 days.

(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 GAINS/(LOSSES)

(a) **Other income**

	Six months ended 30 September	
	2020	2019
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Bank interest income on bank deposits	698	630
Government grants (<i>Note i</i>)	6,951	—
Rent concession income (<i>Note ii</i>)	1,491	—
Others	53	33
	9,193	663

Notes:

- (i) Government grants are cash subsidies granted by the government of the Hong Kong Special Administrative Region (the “SAR”) under the Anti-epidemic Fund amounting to HK\$960,000 from the Retail Sector Subsidy Scheme granted to 12 eligible retail stores of the Group, approximately HK\$5,596,000 from the Employment Support Scheme which subsidized 50% of the wages paid to each staff, subject to maximum of HK\$9,000 per month for each staff and HK\$20,000 from One-off Subsidy (Goods Vehicles) for 2 eligible goods vehicles. The Group has complied with all attached conditions during the six months ended 30 September 2020 and recognized the amounts in profit or loss under “other income”.

The remaining grants of approximately HK\$375,000 were granted from other subsidy schemes launched by the governments of the Macau SAR and the Republic of Singapore (“Singapore”). The Group has complied with all attached conditions during the six months ended 30 September 2020 and recognized the amounts in profit or loss under “other income”.

- (ii) The rent concession income is mainly related to the outbreak of the novel coronavirus disease 2019 (the “COVID-19”). Certain landlords have offered different extents of rent concession.

(b) Other net gains/(losses)

	Six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss on write-off of property, plant and equipment	—	(55)
Gain on lease modification	—	2
Net foreign exchange gains/(losses)	<u>1,898</u>	<u>(159)</u>
	<u>1,898</u>	<u>(212)</u>

6. PROFIT BEFORE TAXATION

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

	Six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	1,125	1,118
Depreciation of right-of-use assets	7,085	6,849
Minimum lease payments in respect of properties	51	22
Net foreign exchange (gains)/losses	(1,898)	159
Gain on lease modification	—	(2)
Loss on write-off of property, plant and equipment	—	55
Cost of inventories recognized as an expense	7,477	17,308
Increase in provision for obsolete inventories	959	—
Consignment expense	6,807	45,922
Write-back of allowance for trade receivables	—	(510)
Finance costs:		
— Interest expense on lease liabilities	<u>314</u>	<u>447</u>

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax — Hong Kong Profits Tax		
Provision for the period	208	1,833
Current tax — Overseas		
Provision for the period	114	445
Deferred tax		
Origination and reversal of temporary differences	(61)	(44)
Total	<u>261</u>	<u>2,234</u>

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No.7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of the qualifying group entity will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the provision for Hong Kong Profits Tax are calculated at 16.5% of the estimated assessable profits, except for one subsidiary of the Company which is a qualifying corporation under the two-tiered profits tax rates regime. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in relevant tax jurisdictions.

8. DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2020 (2019: Nil).

A final dividend in respect of the year ended 31 March 2020 of HK1 cent (2019: HK3 cents) per ordinary share, amounting to HK\$7,620,000 (2019: HK\$22,500,000) in aggregate, was declared pursuant to the resolution passed by the Board on 26 June 2020 and the approval of the shareholders of the Company (the “**Shareholder(s)**”) at the annual general meeting of the Company held on 18 September 2020. This final dividend was paid on 16 October 2020.

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	
	2020 (Unaudited)	2019 (Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company (HK\$'000)	<u>2,810</u>	<u>8,922</u>
Number of shares:		
Weighted average number of ordinary shares in issue	<u>762,000,000</u>	<u>750,000,000</u>
Basic and diluted earnings per share (HK cents)	<u>0.37</u>	<u>1.19</u>

The Company did not have any potential ordinary shares outstanding during the six months ended 30 September 2020 and 2019, and hence, diluted earnings per share is the same as basic earnings per share.

10. TRADE AND OTHER RECEIVABLES

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Trade receivables	5,701	7,229
Other receivables	695	881
Deposits and prepayments	<u>7,139</u>	<u>7,918</u>
	<u>13,535</u>	<u>16,028</u>

The Group usually allows a credit period ranging from 0 to 60 days to its trade customers. The ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date, is as follows:

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Within 30 days	2,754	2,163
31–60 days	1,843	1,705
61–90 days	734	1,767
Over 90 days	370	1,594
	<u>5,701</u>	<u>7,229</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.

Based on the historical experience of the Group, trade receivables that are past due but not impaired are generally recoverable.

11. TRADE AND OTHER PAYABLES

	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
Trade payables (<i>Note a</i>)	1,530	1,513
Contract liabilities (<i>Note b</i>)	591	426
Accrued staff costs	4,677	4,695
Other accruals and payables	6,076	2,249
	<u>12,874</u>	<u>8,883</u>

Notes:

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

	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
Within 30 days	976	—
31–90 days	554	1,513
	<u>1,530</u>	<u>1,513</u>

(b) Details of contract liabilities are as follows:

	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
Receipt in advance from customers	<u>591</u>	<u>426</u>

Contract liabilities are receipt in advance from customers to deliver health and personal care products. All the balance as at 31 March 2020 was recognized to revenue during the current interim period.

12. SHARE CAPITAL

	30 September 2020 (Unaudited)		31 March 2020 (Audited)	
	Number of Shares	Share capital HK\$'000	Number of Shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each in the share capital of the Company ("Share(s)")				
Authorized:				
At beginning of period/year and at end of period/year	<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	<u>762,000,000</u>	<u>7,620</u>	750,000,000	7,500
Issuance of new shares (<i>Note</i>)	<u>—</u>	<u>—</u>	<u>12,000,000</u>	<u>120</u>
At end of period/year	<u>762,000,000</u>	<u>7,620</u>	<u>762,000,000</u>	<u>7,620</u>

Note: On 26 February 2020, 12,000,000 ordinary shares of HK\$0.01 each were allotted and issued at a subscription price of HK\$0.4 per Share to several subscribers for cash consideration, before expenses, of HK\$4,800,000.

13. MATERIAL RELATED PARTY TRANSACTIONS

For the purposes of these Condensed Consolidated Interim Financial Statements, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant Shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The Directors are of the view that the following company was related party that had transactions or balances with the Group as it is controlled by certain Directors:

— Prof Kiu International Limited ("Prof Kiu")

- (i) The Group had the following transactions with related parties during the six months ended 30 September 2020 and 2019 which the Directors consider to be material:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Payment of lease liabilities	<u>300</u>	<u>300</u>

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

(ii) Lease liabilities payable to Prof Kiu:

	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
Within 1 year	445	585
After 1 year but within 5 years	<u>—</u>	<u>150</u>
	<u>445</u>	<u>735</u>

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 2020 (the “**Period**”), the Group’s revenue amounted to HK\$41,190,000, representing a decrease of 66.8% from HK\$124,006,000 for the six months ended 30 September 2019 (the “**Last Period**”). Meanwhile, the profit attributable to owners of the Company for the Period amounted to HK\$2,810,000, which represented a decrease of 68.5% from HK\$8,922,000 for the Last Period.

The overall retail market in Hong Kong is adversely suffered from the outbreak of the COVID-19 and has recorded a steep fall in total retail sales during the Period. Meanwhile, the stringent travel restrictions caused by the COVID-19 epidemic have greatly reduced the number of tourists visiting Hong Kong and adversely weakened the overall retail conditions. Based on the statistics from the Hong Kong Tourism Board, the total visitor arrivals during the Period marked a drastic decline of 99.7% year-on-year.

To prevent the spread of the COVID-19, the governments of the Hong Kong and Macau SAR imposed border control measures and the individual visit scheme for the visitors from Mainland China has also been suspended. Chinese and foreign tourists in Hong Kong and Macau were almost extinct during the Period. This measure is a heavy blow to the retail industry. The main business of the Group is the operation of physical stores and consignment counters in these two regions. The sharp decrease of tourists had inevitably posed an adverse impact on the business results of the Group.

The Group’s revenue for the Period decreased by 66.8% as compared to the Last Period. The decline in the Group’s sales was mainly due to the drastic decrease in tourists’ consumption and weakened local consumer sentiments as well as the fluctuating retail market conditions caused by the COVID-19 pandemic. The Group has been monitoring closely the economic conditions and will adopt flexible approaches to cope with the challenging business environment.

As at 30 September 2020, the Group had 15 specialty stores and 81 consignment counters (31 March 2020: 15 specialty stores and 75 consignment counters) in Hong Kong, Macau and Singapore, among which 14 consignment counters have still been closed temporarily due to the COVID-19 epidemic and the closure of Hong Kong’s borders by the government. 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 recorded an obvious decline. The decrease in the Group's results for the Period was mainly due to the decline in sales as a result of the continuing COVID-19 pandemic adversely weakening the overall retail conditions. For the six months ended 30 September 2020, the Group's revenue decreased by 66.8% to HK\$41,190,000 (2019: HK\$124,006,000) and the consolidated profit attributable to owners of the Company for the Period decreased by 68.5% to HK\$2,810,000 (2019: HK\$8,922,000).

The following table sets forth the breakdown of the Group's revenue by categories of products for the six months ended 30 September 2020 and 2019:

	For the six months ended 30 September			
	2020		2019	
	HK\$'000	% of total revenue	HK\$'000	% of total revenue
Health supplement products	39,228	95.2%	114,291	92.2%
Personal care products	1,081	2.6%	7,948	6.4%
Honey and pollen products	881	2.2%	1,767	1.4%
Total	<u>41,190</u>	<u>100.0%</u>	<u>124,006</u>	<u>100.0%</u>

During the Period, the Group's revenue attributable to (i) health supplement products decreased by 65.7% to HK\$39,228,000 (2019: HK\$114,291,000); (ii) personal care products decreased by 86.4% to HK\$1,081,000 (2019: HK\$7,948,000); and (iii) honey and pollen products dropped by 50.1% to HK\$881,000 (2019: HK\$1,767,000). The adverse sales performance was greatly impacted by COVID-19 which had weakened the consumer sentiments. Besides, the abrupt closure of business for stores and counters in some locations and the travel restrictions 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 2020 and 2019:

	For the six months ended 30 September			
	2020		2019	
	HK\$'000	% of total revenue	HK\$'000	% of total revenue
Specialty stores	14,882	36.1%	17,423	14.0%
Consignment counters	17,220	41.8%	99,082	79.9%
E-commerce	7,304	17.8%	3,467	2.8%
Other sales channels	1,784	4.3%	4,034	3.3%
Total	<u>41,190</u>	<u>100.0%</u>	<u>124,006</u>	<u>100.0%</u>

During the Period, revenue for sales channels of specialty stores and consignment counters dropped by 14.6% to HK\$14,882,000 (2019: HK\$17,423,000) and 82.6% to HK\$17,220,000 (2019: HK\$99,082,000), respectively. For the six months ended 30 September 2020, revenue derived from e-commerce had an impressive increase by 110.7% to HK\$7,304,000 (2019: HK\$3,467,000) as compared with other sales channels. Due to the impact of COVID-19 epidemic, the physical stores and consignment counters had encountered decreased customer footfall and the performances of these two channels have been severely affected. Therefore, the Group reallocated more resources, including human resources and promotion resources, to e-commerce channel during the Period. Some experienced nutritionists and sales staff have been trained to be professional Key Opinion Leaders (KOLs) webcast on Tmall and Facebook live-streaming platforms, sharing our high-quality products and nutrients' tips to foster online sales and nurture long-term relationship with customers through real-time interactions through the screen. Such measures received good responses and greatly increased the revenue of e-commerce channel. The remaining sales were generated from other sales channels which included wholesale and sales at trade fairs and exhibitions. Because of the impact of COVID-19, a lot of trade fairs and exhibitions were cancelled. The revenue derived from other sales channels decreased by 55.8% to HK\$1,784,000 for the Period (2019: HK\$4,034,000).

The cost of sales decreased by HK\$9,831,000 or 56.8% to HK\$7,477,000 for the Period as compared to that of HK\$17,308,000 for the Last Period. The decrease was mainly attributable to the decline in revenue for the Period. The gross profit ratio decreased by 4.2% to 81.8% for the six months ended 30 September 2020 (2019: 86.0%). The decrease was mainly attributable to the additional provision for obsolete inventories and more sales promotions and discounts offered during the Period as a result of the COVID-19 pandemic.

The selling and distribution expenses of the Group reduced by 62.0% to HK\$30,758,000 for the six months ended 30 September 2020 (2019: HK\$80,965,000). This decrease was mainly attributable to the decrease in consignment commission and the sales staff cost as a result of the diminution in revenue and the strengthening of the cost control, respectively.

The general and administrative expenses of the Group dropped by 26.9% to HK\$10,661,000 for the Period (2019: HK\$14,581,000). The decrease was mainly attributable to the diminution in salaries and allowance expense and Director remuneration.

No finance costs for bank borrowings were incurred for the six months ended 30 September 2020 and 2019 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\$314,000 for the Period (2019: 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 2020, income tax expense decreased by 88.3% to HK\$261,000 (2019: HK\$2,234,000) mainly due to the shrinking in the profit before taxation of the Group. The provision for 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%. The assessable profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 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 2020 of HK\$2,810,000 as compared to a profit of HK\$8,922,000 for the Last Period. The profit attributable to owners of the Company represented a decline of HK\$6,112,000 or 68.5% for the Period.

For the six months ended 30 September 2020, the basic earnings per share was HK0.37 cent (2019: HK1.19 cents), the calculation of which is based on the profit for the period attributable to owners of the Company of HK\$2,810,000 (2019: HK\$8,922,000) and the number of 762,000,000 Shares in issue during the Period (2019: 750,000,000 Shares). 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 2020 and 2019.

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 2020, the Group had net current assets and net assets of HK\$125,393,000 (31 March 2020: HK\$128,415,000) and HK\$176,368,000 (31 March 2020: HK\$181,666,000), respectively. As at 30 September 2020, the current ratio calculated based on current assets divided by current liabilities of the Group was 4.7 (31 March 2020: 6.4).

Bank balances and cash and time deposits held by the Group amounted to HK\$123,397,000 as at 30 September 2020 (31 March 2020: HK\$114,096,000), of which HK\$63,561,000 (31 March 2020: HK\$54,935,000) was bank balances and cash and HK\$59,836,000 (31 March 2020: HK\$59,161,000) was non-pledged time deposits with original maturity of over three months. They were mainly denominated in Hong Kong dollars, Japanese yen, Australian dollars and Renminbi.

OTHER FINANCIAL RESOURCES AND GEARING

As at 30 September 2020 and 31 March 2020, the Group did not have any bank borrowings and therefore, a gearing ratio (calculated based on the interest-bearing liabilities, which excluded lease 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 2020 and 31 March 2020.

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. The management will continue to monitor the foreign exchange exposure and will take appropriate measures to reduce currency risk.

CAPITAL COMMITMENTS

As at 30 September 2020, the Group did not have any capital commitments (31 March 2020: Nil).

USE OF PROCEEDS

In February 2020, the Company entered into a subscription agreement with each of the three independent investors who subscribed for certain new shares of the Company (the “**Subscription**”). The aggregate gross proceeds from the Subscription were HK\$4,800,000 and the aggregate net proceeds from the Subscription (the “**Net Proceeds**”), after deducting related expenses, were HK\$4,675,000. For details, please refer to the Company’s announcements dated 18 and 26 February 2020, respectively.

As at 31 March 2020, the Net Proceeds intended for general working capital of the Group had not been utilized. During the Period, the Net Proceeds amounting to HK\$2,805,000 had been utilized for general working capital. As at 30 September 2020, the balance of the unutilized Net Proceeds amounting to HK\$1,870,000 were securely placed as deposits in licensed banks in Hong Kong and is expected to be fully utilized for general working capital by February 2021.

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 2020.

CONTINGENT LIABILITIES

As at 30 September 2020, the Group had no material contingent liabilities (31 March 2020: Nil).

EMPLOYEE INFORMATION

As at 30 September 2020, the Group had 203 (31 March 2020: 201) 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 2020 (2019: Nil).

PROSPECTS

The COVID-19 pandemic has undoubtedly posed the hardest adverse impact on the global economy in 2020. Recently, the COVID-19 cases have still been surging daily in many parts of the world and recovery of the global economy is still a long way to go. In Hong Kong, the Census and Statistics Department of Hong Kong reported in November 2020 that the gross domestic product (GDP) contracted by a worse than expected 3.5 per

cent in the third quarter of 2020 as compared with a year ago as the COVID-19 pandemic continued to hammer key economic drivers such as tourism and consumption. Though the government of the Hong Kong SAR has rolled out various relieve programs to stimulate the dampened economy, there is no sign that the epidemic will come to an end in the coming few months and a large-scale loosening of the travel restrictions will be made. The employment support scheme of the government of the Hong Kong SAR will end by the end of November 2020. Rent concessions provided by some of the landlords are diminishing over times. The downward pressure of the economy and especially the local retail conditions is foreseen to be lingered for some times.

In the midst of the headwind, the Group has focused on and will continue to develop the e-commerce business to foster online sales and more resources will be deployed in sales and marketing on various e-commerce platforms and social media to expand customer bases in all operating regions. Physical sales channels are being reallocated and expanded into areas with most footfall to attract more local customers. The online-to-offline (O2O) sales and marketing strategies will be optimized to enhance sales in both channels and enrich customers' shopping experiences.

The Group is of the view that the economy will resume in the long-run; yet there are still uncertainties of the overall market conditions for the next few months. Amid such a volatile business environment, the Group will continue to work on prudence and closely review and adopt flexible business strategies to attain a sustainable growth of the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION

EVENTS AFTER THE REPORTING PERIOD

The economy of Hong Kong and the sentiment of the retail business in Hong Kong have been negatively affected by the PRC-US conflicts since the second quarter of 2018 and the outbreak of the COVID-19 globally in 2020. Many countries have required entities to limit or suspend business operations and implemented travel restrictions and quarantine measures. These measures and policies have significantly disrupted the activities of the Group.

As the COVID-19 outbreak continues to progress and evolve globally, it is challenging at this juncture to predict the full extent and duration of the business of the Group and financial impact as the pandemic may persist for quite some time before it subsides, even though part of the impact has been reflected in the Period. Up to the date on which this announcement was authorized for issue, the impacts of the COVID-19 outbreak on the financial position of customers in Hong Kong and the Mainland China and macro-economic conditions as a whole are still uncertain and the Group is unable to quantify the related financial effects.

The Group will pay close attention to the development of the COVID-19 outbreak and perform further assessment of its impact and take relevant measures.

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 2020 and 2019, 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 or at the end of the Period was the Company, or its holding company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements 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, business partners and customers 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 2020

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 Prof. Luk Ting Kwong, Mr. Ko Ming Kin and Dr. 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.