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AUX INTERNATIONAL HOLDINGS LIMITED
奧克斯國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2080)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of AUX International Holdings Limited (the "**Company**") announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 September 2018 together with the comparative figures for the six months ended 30 September 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 September 2018 — unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 September	
	Note	**2018**	2017
		$'000	*$'000*
Revenue	*3*	**149,482**	127,345
Other revenue	*4*	**2,900**	1,370
Other net income	*5*	**10,288**	–
Cost of inventories sold	*6(d)*	**(8,896)**	(12,807)
Property cleaning expenses		**(19,541)**	(12,952)
Staff costs	*6(b)*	**(70,815)**	(45,983)
Depreciation and amortisation	*6(d)*	**(7,865)**	(7,832)
Property rentals and related expenses		**(14,105)**	(18,771)
Advertising and marketing expenses		**(6,412)**	(6,702)
Other operating expenses		**(29,294)**	(23,526)
Profit from operations		**5,742**	142
Finance costs	*6(a)*	**(1,196)**	(290)
Profit/(loss) before taxation	*6*	**4,546**	(148)
Income tax	*7*	**(1,962)**	(2,701)
Profit/(loss) for the period		**2,584**	(2,849)
Earnings/(loss) per share	*8*		
Basic and diluted		**0.7 cent**	(0.9) cent

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 September 2018 — unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2018	2017
	$'000	*$'000*
Profit/(loss) for the period	**2,584**	(2,849)
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of the financial statements of a subsidiary (nil tax effect)	**(16,896)**	283
Total comprehensive income for the period	**(14,312)**	(2,566)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 September 2018 — unaudited
(Expressed in Hong Kong dollars)

	Note	**At 30 September 2018**	At 31 March 2018 *(Note)*
		$'000	*$'000*
Non-current assets			
Property, plant and equipment		**11,605**	14,395
Intangible asset		**63,516**	73,120
Goodwill		**55,450**	60,321
Deferred tax assets		**1,175**	1,498
		131,746	149,334
Current assets			
Inventories		**3,552**	2,990
Trade and other receivables	*9*	**72,235**	68,272
Amount due from a related party		–	540
Restricted bank deposits		**3,791**	2,726
Pledged bank deposits		**1,000**	1,000
Cash at bank and in hand		**185,175**	206,788
		265,753	282,316
Current liabilities			
Trade and other payables	*10*	**85,557**	133,457
Contract liabilities		**41,071**	—
Amount due to the controlling shareholder		**1,181**	—
Obligations under finance lease		**165**	161
Current taxation		**2,084**	3,479
		130,058	137,097
Net current assets		**135,695**	145,219
Total assets less current liabilities		**267,441**	294,553

	Note	At 30 September 2018	At 31 March 2018 (Note)
		$'000	*$'000*
Non-current liabilities			
Loan from the controlling shareholder		**113,530**	123,845
Obligations under finance lease		**535**	618
Deferred tax liabilities		**15,878**	18,280
		129,943	142,743
NET ASSETS		**137,498**	151,810
CAPITAL AND RESERVES	*11*		
Share capital		**3,750**	3,750
Reserves		**133,748**	148,060
TOTAL EQUITY		**137,498**	151,810

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

NOTES

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

(a) General information

AUX International Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 14 January 2013 as an exempted company with limited liability under the Companies Law (2013 Revision) (as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") are principally engaged in operation of clubbing business and provision of property management services.

(b) Statement of compliance

The interim financial information set out in this announcement does not constitute the Group's interim financial report for the period ended 30 September 2018 but is extracted from such interim financial report.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). It was authorised for issue on 28 November 2018.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the consolidated financial statements for the financial year ended 31 March 2018, except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the financial year ending 31 March 2019. Details of any changes in accounting policies are set out in note 2.

The financial information relating to the financial year ended 31 March 2018 that is included in this announcement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2018 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 June 2018.

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards ("**HKFRSs**") and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

The Group has been impacted by HKFRS 9 in relation to measurement of credit losses, and HKFRS 15 in relation to presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 April 2018. Comparative information is not restated. The adoption of HKFRS 9 does not have a material impact to the opening balance as at 1 April 2018. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 15:

	At 31 March 2018	**Impact on initial application of HKFRS 15** *(Note 2(c))*	**At 1 April 2018**
	$'000	*$'000*	*$'000*
Contract liabilities	—	47,573	47,573
Trade and other payables	133,457	(47,573)	85,884
Total current liabilities	137,097	—	137,097

Further details of these changes are set out in sub-sections (b) and (c) of this note.

(b) HKFRS 9, *Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

Further details of the nature and effect of the changes to previous accounting policies are set out below:

Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit loss ("**ECL**") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is either 90 or 360 days past due depending on whether the financial asset is related to clubbing operations or property management services. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Impact on opening balance

The Group has assessed that the adoption of HKFRS 9 does not have a material impact to the opening balance as at 1 April 2018.

(c) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, "receipts in advance" amounting to $47,573,000, which was previously included in trade and other payables are now classified as contract liabilities and separately presented in the consolidated statement of financial position.

3 REVENUE AND SEGMENT REPORTING

The principal activities of the Group are the operation of clubbing business and provision of property management services.

Revenue represents the amount received or receivable from the sale of beverages and tobacco products, revenue from club operations (including entrance fees, cloakroom fees and event rental income), sponsorship income and income arising from provision of property management services.

The Group manages its businesses by divisions, which are organised by business line and geography. In a manner consistent with the way in which information is reported internally to the most senior executives of the Group for the purposes of resource allocation and performance assessment, the Group has identified two reportable segments. No operating segments have been aggregated to form the following reportable segments.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by service lines and geographical location of customers is as follows:

	Six months ended 30 September	
	2018	2017
		(Note)
	$'000	*$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Revenue from club operations — Hong Kong	**42,723**	54,697
Revenue from property management contracts — the PRC	**106,759**	72,648
	149,482	127,345

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated but continues to be prepared in accordance with HKAS 18 (see note 2(c)).

The Group's customer base is diversified and no individual customer had transactions which exceeded 10% of the Group's revenue during the six months ended 30 September 2018 and 2017.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b).

(b) Information about profit or loss, assets and liabilities

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, information regarding the Group's reportable segments as provided to the most senior executives of the Group for the purposes of resource allocation and assessment of segment performance for the six months ended 30 September 2018 is set out below.

	Operation of clubbing business — Hong Kong		Property management — the PRC		Total	
	2018	2017 *(Note)*	**2018**	2017 *(Note)*	**2018**	2017 *(Note)*
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
For the six months ended 30 September						
Disaggregated by timing of revenue recognition						
Point in time	**42,723**	54,697	**4,309**	2,887	**47,032**	57,584
Over time	**—**	—	**102,450**	69,761	**102,450**	69,761
Revenue from external customers and reportable segment revenue	**42,723**	54,697	**106,759**	72,648	**149,482**	127,345
Reportable segment (loss)/profit	**(2,662)**	(1,878)	**7,261**	14,728	**4,599**	12,850

	At 30 September 2018	At 31 March 2018 *(Note)*	**At 30 September 2018**	At 31 March 2018 *(Note)*	**At 30 September 2018**	At 31 March 2018 *(Note)*
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Reportable segment assets	**36,537**	38,487	**318,810**	336,078	**355,347**	374,565
Reportable segment liabilities	**18,168**	23,157	**108,155**	108,780	**126,323**	131,937

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated but continues to be prepared in accordance with HKAS 18 (see note 2(c)).

The measure used for reporting segment profit/(loss) is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income. To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration of head office and other head office or corporate administration costs.

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 September 2018 $'000	2017 $'000
Reportable segment profit derived from the Group's external customers	**4,599**	12,850
Other revenue	**2,900**	1,370
Other net income	**10,288**	—
Depreciation and amortisation	**(7,865)**	(7,832)
Finance costs	**(1,196)**	(290)
Unallocated head office and corporate expenses	**(4,180)**	(6,246)
Consolidated profit/(loss) before taxation	**4,546**	(148)

4 OTHER REVENUE

	Six months ended 30 September 2018 $'000	2017 $'000
Bank interest income	**1,911**	329
Income from available-for-sale financial assets	**—**	751
Government grants *(note)*	**667**	—
Others	**322**	290
	2,900	1,370

Note: Government grants mainly represent unconditional discretionary financial support from local municipal government authorities.

5 OTHER NET INCOME

	Six months ended 30 September 2018 $'000	2017 $'000
Loss on disposal of property, plant and equipment	**(26)**	—
Net foreign exchange gain	**10,314**	—
	10,288	—

6 PROFIT/(LOSS) BEFORE TAXATION

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

	Six months ended 30 September	
	2018	2017
	$'000	*$'000*
(a) Finance costs		
Interest expenses on loan from the controlling shareholder	**1,181**	290
Finance charges on obligations under finance lease	**15**	—
	1,196	290
(b) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plan	**9,409**	5,746
Salaries, wages and other benefits	**61,406**	40,237
	70,815	45,983
(c) Property rentals		
Operating lease charges: minimum lease payments – property rentals	**12,121**	16,821
(d) Other items		
Depreciation	**3,993**	4,694
Amortisation	**3,872**	3,138
Cost of inventories sold	**8,896**	12,807
Impairment losses on trade receivables	**1,452**	579

7 INCOME TAX

	Six months ended 30 September	
	2018	2017
	$'000	*$'000*
Current tax — Hong Kong Profits Tax	**590**	—
Current tax — the People's Republic of China ("PRC")	**2,113**	3,591
Deferred taxation	**(741)**	(890)
	1,962	2,701

(a) The provision for Hong Kong Profits Tax of the Group's subsidiaries with estimated assessable profits is calculated by applying the estimated annual effective tax rate of 16.5% to the six months ended 30 September 2018.

No provision for Hong Kong Profits Tax had been made for the six months ended 30 September 2017, as the subsidiaries of the Group either sustained a loss for taxation purpose or their unused tax losses were sufficient to cover their estimated assessable profits.

(b) According to the PRC Corporate Income Tax Law, the PRC's statutory income tax rate is 25%.

Among the branches of Ningbo AUX Property Management Services Co., Ltd, a subsidiary in the PRC, the Chengdu Branch was entitled to a preferential tax rate of 15% under the Corporate Income Tax Preference Policies for the Western Development in the previous years. The directors are of the view that it is highly probable that the Chengdu Branch will continue to be entitled to the same preferential tax rate and 15% is adopted in estimating the tax provision for the six months ended 30 September 2018.

(c) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in these jurisdictions.

8 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings (six months ended 30 September 2017: loss) per share is based on the profit attributable to ordinary equity shareholders of the Company of $2,584,000 (six months ended 30 September 2017: loss attributable to ordinary equity shareholders of the Company of $2,849,000) and the weighted average of 374,984,000 (six months ended 30 September 2017: 334,656,000) ordinary shares in issue during the interim period.

(b) Diluted earnings/(loss) per share

The diluted earnings/(loss) per share is the same as basic earnings/(loss) per share as there were no dilutive potential ordinary shares in existence during the six months ended 30 September 2018 and 2017.

9 TRADE AND OTHER RECEIVABLES

	At 30 September 2018	At 31 March 2018
	$'000	*$'000*
Trade receivables *(note)*, net of loss allowance	**44,397**	42,043
Deposits, prepayments and other receivables	**27,838**	26,229
	72,235	68,272

Note: At 30 September 2018, trade receivables of the Group included amounts due from related parties of $1,849,000 (31 March 2018: $9,197,000). The amount represents property management fee receivable arisen in the ordinary course of business.

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the date of revenue recognition and net of loss allowance, is as follows:

	At 30 September 2018	At 31 March 2018
	$'000	*$'000*
Within 1 month	**18,675**	10,974
Over 1 month to 3 months	**7,167**	10,775
Over 3 months to 6 months	**6,313**	6,779
Over 6 months to 1 year	**6,720**	7,373
Over 1 year	**5,522**	6,142
	44,397	42,043

The amount of the Group's deposits, prepayments and other receivables expected to be recovered or recognised as expense after more than one year is $5,120,000 (31 March 2018: $11,591,000), which mainly represents rental deposits for clubs of the Group. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

10 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 September 2018	At 31 March 2018
	$'000	*$'000*
Trade creditors		
– within 1 year	**19,036**	17,006
– over 1 year	**34**	449
	19,070	17,455
Receipts in advance *(note (i))*	**—**	47,573
Deposits received from property occupants/owners	**15,110**	16,035
Receipts on behalf of utilities companies	**13,444**	14,375
Amounts due to related parties *(note (ii))*	**3,379**	2,114
Other payables and accrued charges	**34,554**	35,905
	85,557	133,457

Notes:

(i) Upon the adoption of HKFRS 15, receipts in advance have been classified as contract liabilities and separately presented in the consolidated statement of financial position.

(ii) The amounts are unsecured, interest-free and repayable within one year.

11 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends payable to equity shareholders attributable to the interim period

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2018 and 2017.

(b) Share capital

	At 30 September 2018		At 31 March 2018	
	No. of shares	**Amount**	No. of shares	Amount
	'000	***$'000***	*'000*	*$'000*
Authorised:				
Ordinary shares of $0.01 each	**10,000,000**	**100,000**	10,000,000	100,000
Ordinary shares, issued and fully paid:				
At 1 April 2018/1 April 2017	**374,984**	**3,750**	314,984	3,150
Placing of new shares	**—**	**—**	60,000	600
At 30 September 2018/31 March 2018	**374,984**	**3,750**	374,984	3,750

On 2 August 2017, 60,000,000 new shares were issued to the placees at the placing price of $0.91 per share pursuant to the placing agreement dated 10 July 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The principal business activities of the Company and its subsidiaries (the "**Group**") are operation of clubbing business in Hong Kong (the "**clubbing business segment**") and provision of property management services in the PRC (the "**property management segment**").

Following the acquisition of Ningbo AUX Property Management Services Co., Ltd ("**Ningbo AUX Property**") during the last financial year, the Group's performance in the property management business has been strong and it further enhanced the Company's earning profile. With the Group's financial performance being supported by the property management business, the Group has commenced renovation of Magnum Club in January 2018 to enhance its hardware and uplift its attractiveness to the Group's customers. The Group's revenue and net result achieved during the six months ended 30 September 2018 have been encouraging and improved considerably as compared with the six months ended 30 September 2017.

Business review — clubbing business segment

During the period under review, the Group owned two clubs, namely Zentral and Magnum Club, which are characterised by their contemporary and elegant style with a span of over 20,000 square feet in the heart of Lan Kwai Fong area.

The Group offers different vibrant venues that function not only as a club, but also, has successfully built a niche for hosting private parties, corporate events, live entertainment, fashion shows, filming activities and film premiere among others.

Striving to be a leading entertainment service and venue provider in Hong Kong, the Group has temporary closed Magnum Club from 14 January 2018 for renovation. While Magnum Club is under renovation, Zentral continues its focus on providing high-quality service to its target customers, which are aged between 18–45. Moreover, Zentral continues to develop its relationship with event organisers to forge Zentral into one of the glamourous venues in Hong Kong.

Business review — property management segment

As a complex property management service provider, the Group provides complete services to various types of properties, which mainly focuses on residential properties and also covers non-residential properties such as A-class office buildings, commercial complexes, medium to high-end residential areas, hospitals and industrial parks.

As at 30 September 2018, Ningbo AUX Property had 11 branches providing property management services in 12 cities namely, Shanghai, Ningbo, Tianjin, Nanjing, Hangzhou, Nanchang, Changsha, Jiujiang, Jinhua, Chengdu, Huzhou and Qingdao.

As at 30 September 2018, the Group managed over 39 projects with a gross floor area of approximately 4.57 million square meters.

FINANCIAL REVIEW

Revenue

The Group's revenue recorded approximately HK$149.5 million for the six months ended 30 September 2018, representing an increase of 17.4% as compared with approximately HK$127.3 million for the six months ended 30 September 2017. The increase in revenue was mainly due to increase in revenue from the property management services business, which had increased by approximately HK$34.2 million to approximately HK$106.8 million for the six months ended 30 September 2018 from HK$72.6 million for the six months ended 30 September 2017. Such increase was mainly due to the increase in number of projects and gross floor area serviced, which outweighted the decrease in revenue from clubbing business segment by approximately HK$12.0 million to HK$42.7 million for the six months ended 30 September 2018 from HK$54.7 million for the six months ended 30 September 2017 as Magnum Club has been temporarily closed during the entire period under review.

Staff Costs

The staff costs comprised salaries, wages, discretionary bonus, membership, commission, tips from customers allocated to staff and other benefits including retirement benefit costs and other allowances and benefits payable to the permanent staff and part time staff. The staff costs increased by approximately 53.9% or HK$24.8 million to approximately HK$70.8 million for the six months ended 30 September 2018 from approximately HK$46.0 million for the six months ended 30 September 2017. The increase was mainly due to increase in staff costs incurred for the property management services business of HK$25.5 million. The Group increased its number of management staff in property management services business to provide better back office support and enlarged front-line service team to uplift its service quality and cater for the anticipated increase in number of projects.

Property Rentals and Related Expenses

The property rentals and related expenses primarily consisted of lease payments under operating leases for the clubs of the Group and the Group's headquarters. The property rentals and related expenses decreased by approximately 25.0% or HK$4.7 million to approximately HK$14.1 million for the six months ended 30 September 2018 from approximately HK$18.8 million for the six months ended 30 September 2017. Such decrease was mainly due to decrease in rental expenses of Zentral.

Advertising and Marketing Expenses

The advertising and marketing expenses primarily consisted of advertising and promotional expenses, such as the cost of inviting international disc jockeys for clubbing operations. The advertising and marketing expenses for the six months ended 30 September 2018 were approximately HK$6.4 million, which remained stable as compared to approximately HK$6.7 million for the six months ended 30 September 2017.

Other operating expenses

The other operating expenses increased by approximately 24.7% or HK$5.8 million to approximately HK$29.3 million for the six months ended 30 September 2018 from approximately HK$23.5 million for the six months ended 30 September 2017. The increase was mainly attributable to the expenses incurred for the property management business acquired in May 2017 for the entire period under review, including property maintenance, gardening costs, security costs, utilities and other miscellaneous expenses.

Results for the period

The Group's profit for the six months ended 30 September 2018 was approximately HK$2.6 million, representing a turnaround from loss of approximately HK$2.8 million for the six months ended 30 September 2017. Such turnaround was mainly due to the net foreign exchange gain in respect of Renminbi ("**RMB**") denominated loan from the controlling shareholder as a result of the depreciation of RMB against Hong Kong dollars.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 30 September 2018, the Group's total current assets and current liabilities were approximately HK$265.8 million (31 March 2018: HK$282.3 million) and approximately HK$130.1 million (31 March 2018: HK$137.1 million) respectively, while the current ratio was 2.0 times (31 March 2018: 2.1 times).

As at 30 September 2018, the Group maintained cash at bank and in hand of approximately HK$185.2 million (31 March 2018: approximately HK$206.8 million). In the foreseeable future, the Group expects to fund its capital expenditures, working capital and other capital requirement from the cash generated from its operation and the net proceeds from initial public offering ("**IPO**") and placing of new shares under general mandate.

Total interest-bearing borrowing of the Group as at 30 September 2018 was approximately HK$114.2 million (31 March 2018: HK$124.6 million), which mainly represented the loan of RMB100,000,000 with a term of five years and an interest rate of 2% per annum granted by the controlling shareholder of the Company to Starry Chance Limited for the purpose of financing its acquisition of the entire equity interests in Ningbo AUX Property. The gearing ratio calculated by dividing total interest-bearing borrowings by total equity, as at 30 September 2018 was 0.83 (31 March 2018: 0.82).

CAPITAL STRUCTURE

On 10 July 2017, the Company entered into a placing agreement with Chung Sun Securities Limited (the "**Placing Agent**") pursuant to which the Company had conditionally agreed to place, through the Placing Agent, on a best effort basis, a maximum of 60,000,000 new shares of the Company under the general mandate granted by the shareholders of the Company on 19 August 2016 to not less than six placees who are professional, institutional or other investors and who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")) at a placing price of HK$0.91 per share (the "**Placing**"). The Placing was completed on 2 August 2017 in accordance with the terms and conditions of the placing agreement. The gross and net proceeds raised from the Placing were approximately HK$54.6 million and HK$54.1 million respectively, which were intended to be applied for supplementing the Group's working capital and for financing potential investments or acquisitions should the suitable opportunities arise. The net price to the Company of each subscription share was approximately HK$0.90. As at the date of this announcement, approximately HK$18.2 million of the net proceeds raised from the Placing had been used to supplement the Group's working capital. The remaining balance was deposited to licensed financial institutions in Hong Kong.

The Group manages its capital to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders through maintaining the equity and debt in a balanced position. The capital structure of the Group consisted of equity of approximately HK$137.5 million (31 March 2018: approximately HK$151.8 million) and loan from the controlling shareholder of HK$113.5 million as at 30 September 2018 (31 March 2018: approximately HK$123.8 million). Except for the loan from the controlling shareholder and obligations under finance lease, the Group had no other bank borrowings, debt securities or other capital instruments as at 30 September 2018.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not have any material acquisitions or disposals of subsidiaries or associated companies during the six months ended 30 September 2018.

CHARGE ON ASSETS

As at 30 September 2018, the Group's pledged bank deposits were approximately HK$1.0 million (31 March 2018: approximately HK$1.0 million).

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Group intends to conduct more in-depth reviews on the suitable development strategies for the Group, including the feasibility of diversifying the income stream of the Group by exploring different business and investment opportunities in different business areas, which may or may not include any assets and/or business acquisitions or disposals by the Group, and will consider all options. Any such plans will be subject to review and approval by the Board and compliance with the applicable requirements under the Listing Rules where appropriate.

FOREIGN EXCHANGE EXPOSURE

The Group operates in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from Renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities in operations in Mainland China. The Group did not use any forward contracts to hedge its foreign currency exposure during the reporting period. The Group will from time to time review and adjust the Group's hedging and financial strategies based on the RMB and Hong Kong dollars exchange rate movement.

CONTINGENT LIABILITIES

As at 30 September 2018, the Group did not have any material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 30 September 2018, the Group had approximately 1,129 employees (31 March 2018: 1,083 employees). The Group offers competitive remuneration packages to its staff, including share option scheme, mandatory provident fund schemes and discretionary bonus.

PROSPECTS

The Group expects that the adverse impact on the overall economic condition in Hong Kong and China resulting from the recent trade dispute between China and USA will gradually emerge in the coming months. While the Group's clubbing business might be more susceptible to economic fluctuation due to its luxury consumable tendency, the Group is confident that combined with its property management service, which is a necessity in nature, the Group will be well-positioned to endure future economic turbulence.

While the Group enjoys its balanced earning portfolio, the Group will continue to seek healthy development of the clubbing business segment, review the business performance on a regular basis and identify favourable market changes in order to pursue suitable investment opportunity and broaden income sources.

Clubbing business segment

The Group understands the importance and the necessity to improve its ability to continue exciting existing customers and alluring potential customers. As a result, the Group has spent considerable time and resources to upgrade Magnum Club's hardware since January 2018. With the renovation work close to its completion, the Group expects Mangum Club will be reopened before Christmas in 2018.

The Group expects the soon-to-be reopened Magnum Club will enhance the Group's brand name as a leading entertainment provider in Lan Kwai Fong and to generate organic growth momentum to the Group's clubbing business segment. Apart from that, the Group will continue its search for opportunities to improve clubbing business's performance in the future.

Property management services segment

The Group values long term growth and will not be hesitating to allocate its resources on areas that can enhance its future sustainability, especially when the Group anticipates that the competition in the property management service industry of China will only become more and more intense in the future. As the result, the Group will continue its enhancement in its operation and management, perfecting its scope of service and uplift its brand image as the Group sees service quality and brand image as essential qualities to equip the Group for future challenges.

In the future, the Group will continue its effort in creating its brand advantages along with the vision to provide our customer a "beautiful living environment for caring and comfortable life".

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2018 (for the six months ended 30 September 2017: nil).

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code. All the Directors confirmed that they have fully complied with the required standard set out in the Model Code during the six months ended 30 September 2018.

USE OF NET PROCEEDS FROM FUND RAISING

The net proceeds from the IPO amounted to approximately HK$105.6 million, among which approximately HK$97.4 million had been utilised as at 30 September 2018. As mentioned in the announcement of the Company dated 22 June 2017, as at 31 March 2017, the Group had used approximately HK$19.5 million and approximately HK$10.4 million respectively for the decoration and other opening costs for Zentral and for additional working capital and other general corporate purposes, which were designated uses as disclosed in the prospectus of the Company dated 13 January 2014, and the unutilised net proceeds amounted to approximately HK$75.7 million. As at 30 September 2018, parts of such remaining net proceeds from the IPO had been utilised as follows in accordance with the revised allocation plan as set out in the announcement of the Company dated 22 June 2017, and the unutilised portion has been deposited to licensed financial institutions in Hong Kong.

Uses of Proceeds	Proposed use of unutilised net proceeds from the IPO as set out in the announcement dated 22 June 2017	Utilised Proceeds as at 30 September 2018	Unutilised Proceeds as at 30 September 2018
	HK$' million	*HK$' million*	*HK$' million*
(i) settlement of consideration payable for acquisition of Ningbo AUX Property;	**57**	**57**	**0**
(ii) research of business expansion including but not limited to clubbing business and property management business;	**10.7**	**2.5**	**8.2**
(iii) capital expenditures, working capital, other capital requirements and other general corporate purposes.	**8**	**8**	**0**
	75.7	**67.5**	**8.2**

The net proceeds from the Placing of new shares of the Company were approximately HK$54.1 million, which had been used in the manner as disclosed in the announcement of the Company dated 10 July 2017. As at 30 September 2018, the Group had utilised approximately HK$18.2 million of such net proceeds for working capital. It is expected that the unutilised proceeds will be applied for the intended uses as set out in the announcement of the Company dated 10 July 2017.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set forth in Appendix 14 to the Listing Rules as its corporate governance code of practices. The Board is of opinion that the Company had complied with the CG Code during the six months ended 30 September 2018.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The primary duties of the audit committee of the Company (the "**Audit Committee**") are to review and supervise the financial reporting process and internal control procedures of the Company. The Audit Committee had reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters concerning the unaudited consolidated results of the Group for the six months ended 30 September 2018.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.auxint.com. The interim report for the six months ended 30 September 2018 will be dispatched to the shareholders and published on the above websites in due course.

By order of the Board
AUX international Holdings Limited
Zheng Jiang
Chairman

Hong Kong, 28 November 2018

As at the date of this announcement, the executive Directors are Mr. Zheng Jiang, Mr. Chan Hon Ki, Ms. Chen Huajuan and Ms. Shen Guoying and the independent non-executive Directors are Mr. Poon Chiu Kwok, Mr. Bau Siu Fung and Ms. Lou Aidong.