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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 2015**

The board (the “Board”) of directors (the “Directors”) of AUX International Holdings Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2015 together with the comparative figures for the six months ended 30 September 2014 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2015 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended	
		30 September	
		2015	2014
	<i>Note</i>	\$'000	\$'000
Revenue	3	70,670	79,266
Other revenue	4	32	917
Other net loss	5	(346)	(33)
Cost of inventories sold	6(c)	(16,277)	(17,508)
Staff costs	6(a)	(15,395)	(17,934)
Depreciation and amortisation		(6,296)	(3,106)
Property rentals and related expenses		(28,861)	(16,267)
Provision for onerous contracts	11	(6,479)	–
Advertising and marketing expenses		(3,291)	(3,064)
Other operating expenses		(13,031)	(9,015)
(Loss)/profit before taxation	6	(19,274)	13,256
Income tax	7	(147)	(2,006)
(Loss)/profit and total comprehensive income for the period		<u>(19,421)</u>	<u>11,250</u>
(Loss)/earnings per share	8		
Basic and diluted		<u>(6.2) cents</u>	<u>3.6 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2015 – unaudited

(Expressed in Hong Kong dollars)

		At 30 September 2015 \$'000	At 31 March 2015 \$'000
Non-current assets			
Property, plant and equipment	9	48,722	55,302
Deferred tax assets		<u>1,559</u>	<u>1,366</u>
		<u>50,281</u>	<u>56,668</u>
Current assets			
Inventories		3,291	3,339
Trade and other receivables	10	37,259	38,078
Amount due from related party		1,080	2,160
Tax recoverable		1,317	1,657
Pledged bank deposits		4,540	7,036
Cash at bank and in hand		<u>93,971</u>	<u>98,162</u>
		<u>141,458</u>	<u>150,432</u>
Current liability			
Trade and other payables	11	<u>43,643</u>	<u>40,556</u>
Net current assets		<u>97,815</u>	<u>109,876</u>
NET ASSETS		<u>148,096</u>	<u>166,544</u>
CAPITAL AND RESERVES			
Share capital	12	3,150	3,140
Reserves		<u>144,946</u>	<u>163,404</u>
TOTAL EQUITY		<u>148,096</u>	<u>166,544</u>

NOTES

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

(a) General information

AUX International Holdings Limited (formerly Magnum Entertainment Group 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”) is principally engaged in operation of clubbing business.

Pursuant to a special resolution passed at the annual general meeting held on 19 August 2015, the Company’s name was changed from Magnum Entertainment Group Holdings Limited to AUX International Holdings Limited.

(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 2015 but is extracted from such interim financial report.

The 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 26 November 2015.

The 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 2015, except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the financial year ending 31 March 2016. Details of any changes in accounting policies are set out in note 2.

The financial information relating to the financial year ended 31 March 2015 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 2015 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 19 June 2015.

(c) Segment reporting

Operating segments are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's business and geographical location.

Management has determined operating segment with reference to the reports reviewed by the chief operating decision maker of the Group that are used to assess the performance and allocate resources.

The chief operating decision maker of the Group assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the operation of clubbing business. Therefore, management considers there is only one operating segment under the requirements of HKFRS 8, *Operating Segments*. In this regard, no segment information is presented.

No geographic information is shown as the revenue and profit from operations of the Group are primarily derived from activities in Hong Kong.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company:

- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE

The principal activity of the Group is the operation of clubbing business.

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) and sponsorship income.

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 2015 and 2014.

4 OTHER REVENUE**Six months ended 30 September**

	2015	2014
	\$'000	\$'000
Bank interest income	<u>32</u>	<u>917</u>

5 OTHER NET LOSS**Six months ended 30 September**

	2015	2014
	\$'000	\$'000
Loss on disposal of property, plant and equipment	<u>(346)</u>	<u>(33)</u>

6 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

Six months ended 30 September

	2015	2014
	\$'000	\$'000
(a) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plan	595	667
Salaries, wages and other benefits	<u>14,800</u>	<u>17,267</u>
	<u>15,395</u>	<u>17,934</u>
(b) Property rentals		
Operating lease charges: minimum lease payments		
– property rentals	25,357	15,386
Less: Property rentals capitalised into property, plant and equipment	<u>–</u>	<u>(1,160)</u>
	<u>25,357</u>	<u>14,226</u>
(c) Other items		
Amortisation of intangible asset	–	121
Depreciation	6,296	2,985
Cost of inventories sold	<u>16,277</u>	<u>17,508</u>

7 INCOME TAX

	Six months ended 30 September	
	2015	2014
	\$'000	\$'000
Current tax		
Provision for the period	340	2,244
Deferred tax		
Origination and reversal of temporary differences	(193)	(238)
	<u>147</u>	<u>2,006</u>

- (a) The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (six months ended 30 September 2014: 16.5%) to the six months ended 30 September 2015.
- (b) 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 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of \$19,421,000 (six months ended 30 September 2014: profit of \$11,250,000) and the weighted average of 314,826,000 (six months ended 30 September 2014: 312,600,000) ordinary shares in issue during the interim period.

(b) Diluted (loss)/earnings per share

The diluted (loss)/earnings per share is the same as basic (loss)/earnings per share as there were no dilutive potential ordinary shares in existence during the periods ended 30 September 2015 and 2014.

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2015, the Group acquired items of property, plant and equipment with a cost of \$62,000 (six months ended 30 September 2014: \$4,874,000). Items of furniture, fixtures and equipment with a net book value of \$346,000 (six months ended 30 September 2014: \$33,000) were disposed of during the six months ended 30 September 2015.

10 TRADE AND OTHER RECEIVABLES

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 invoice date, is as follows:

	At 30 September	At 31 March
	2015	2015
	\$'000	\$'000
Within 1 month	885	919
Over 2 months	<u>–</u>	<u>69</u>
Total trade receivables	885	988
Deposits, prepayments and other receivables	<u>36,374</u>	<u>37,090</u>
	<u>37,259</u>	<u>38,078</u>

The Group's trade receivables mainly represent the credit card sales receivable from financial institutions, which are neither past due nor impaired.

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 \$11,787,000 (31 March 2015: \$7,448,000), 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.

11 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	At 31 March
	2015	2015
	\$'000	\$'000
Trade creditors		
– within 3 months	1,931	2,255
Other payables and accrued charges	26,668	27,158
Receipts in advance	9,065	11,143
Provision for onerous contracts*	5,979	–
	<u>43,643</u>	<u>40,556</u>

* In light of the unsatisfactory performance, Beijing Club and DIZZI were closed down on 15 September 2015 and 30 October 2015 respectively. During the six months ended 30 September 2015, a provision of \$6,479,000 was made for the onerous lease contracts of these two clubs, among which \$500,000 was utilised during the period.

12 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 2015 (six months ended 30 September 2014: \$Nil).

(b) Share capital

	At 30 September 2015		At 31 March 2015	
	<i>No. of shares</i>	<i>Amount</i>	<i>No. of shares</i>	<i>Amount</i>
	<i>'000</i>	<i>\$'000</i>	<i>'000</i>	<i>\$'000</i>
Authorised:				
Ordinary shares of \$0.01 each	<u>10,000,000</u>	<u>100,000</u>	<u>10,000,000</u>	<u>100,000</u>
Ordinary shares, issued and fully paid:				
At 1 April 2015/1 April 2014	314,002	3,140	312,600	3,126
Shares issued under share option scheme	<u>982</u>	<u>10</u>	<u>1,402</u>	<u>14</u>
At 30 September 2015/ 31 March 2015	<u>314,984</u>	<u>3,150</u>	<u>314,002</u>	<u>3,140</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group currently owns two clubs, namely Zentral and Magnum Club. Zentral, in the Lan Kwai Fong area, was opened for business in December 2014. Zentral and Magnum Club target high income group with their lavish and extravagant decoration.

In light of the unsatisfactory performance of Beijing Club and DIZZI, Beijing Club and DIZZI were closed down on 15 September 2015 and 30 October 2015 respectively. The closure of these two clubs was to streamline and optimize the clubbing business of the Group with a view to enhancing the overall business performance of the Group. Zentral and Magnum Club have been and are expected to continue to be the main pillars of the Group's clubbing business. The Group will continue its drive to fortify its pioneer position in the clubbing and entertainment industry in Hong Kong and will remain vigilant in pursuing growth opportunities.

FINANCIAL REVIEW

Revenue

The Group's revenue was approximately HK\$70.7 million for the six months ended 30 September 2015, representing a decrease of approximately 10.8% as compared with approximately HK\$79.3 million for the six months ended 30 September 2014. The decrease in revenue was mainly due to volatile economic condition and intense competition in the clubbing industry. The clubbing industry in Hong Kong, in particular in the Lan Kwai Fong area, is highly competitive, so the Clubs face keen competition from others in this area.

Staff Costs

The staff costs comprise salaries, wages, discretionary bonuses, 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 decreased by approximately 14.0% or HK\$2.5 million to approximately HK\$15.4 million for the six months ended 30 September 2015 from approximately HK\$17.9 million for the six months ended 30 September 2014. Such decrease was mainly due to decrease in part-time staff.

Property Rentals and Related Expenses

The property rentals and related expenses consist of lease payments under operating leases for the clubs of the Group (including the clubs closed during the period under review) and the Group's headquarters. The property rentals and related expenses increased by approximately 77.3% or HK\$12.6 million to approximately HK\$28.9 million for the six months ended 30 September 2015 from approximately HK\$16.3 million for the six months ended 30 September 2014. Such increase was mainly due to the opening of Zentral.

Advertising and Marketing Expenses

The advertising and marketing expenses primarily consist of advertising and promotional expense, such as the cost of inviting international disc jockeys to Zentral and Magnum Club. The advertising and marketing expenses increased by approximately 6.5% or HK\$0.2 million to approximately HK\$3.3 million for the six months ended 30 September 2015 from approximately HK\$3.1 million for the six months ended 30 September 2014. Such increase was mainly due to increase in promotion activities in connection with the grand opening of Zentral.

Results for the period

The Group's loss for the six months ended 30 September 2015 was approximately HK\$19.4 million, as compared with the Group's profit of approximately HK\$11.3 million for the six months ended 30 September 2014. Such deterioration was mainly due to decrease in revenue, increase in property rentals and related expenses and provision of HK\$6.5 million made for onerous lease contracts.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 30 September 2015, the Group's total current assets and current liabilities were approximately HK\$141.5 million (31 March 2015: approximately HK\$150.4 million) and approximately HK\$43.6 million (31 March 2015: approximately HK\$40.6 million) respectively, while the current ratio was about 3.2 times (31 March 2015: 3.7 times).

As at 30 September 2015, the Group maintained cash at bank and in hand of approximately HK\$94.0 million (31 March 2015: approximately HK\$98.2 million). In the foreseeable future, the Group expects to fund its capital expenditures, working capital and other capital requirements from the net proceeds from initial public offering (the "IPO") and cash generated from its operations.

As at 30 September, 2015, the Group had no borrowings (31 March 2015: nil). The gearing ratio, which is calculated by dividing total borrowings by total equity, as at 30 September 2015 was zero (31 March 2015: zero).

CAPITAL STRUCTURE

As at 30 September 2015, the total equity of the Group was approximately HK\$148.1 million which was attributable to equity shareholders of the Company. The Group had no borrowings, debt securities or other capital instruments as at 30 September 2015. The Group manages its capital to safeguard the Group's ability to continue as a going concern while maximizing the return to shareholders through maintaining the equity and debt in a balanced position.

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 2015.

CHARGE ON ASSETS

As at 30 September 2015, the Group's pledged bank deposits was approximately HK\$4.5 million (31 March 2015: approximately HK\$7.0 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS 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 such as aesthetic medical business, 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 Directors believe that the Group's exposure to foreign currency risk is minimal as the monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars.

CONTINGENT LIABILITIES

As at 30 September 2015, the Group did not have any material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 30 September 2015, the Group had approximately 180 employees (31 March 2015: 167 employees). The Group offers competitive remuneration packages to its staff, including share option scheme, mandatory provident fund schemes and discretionary bonus.

PROSPECTS

In view of the volatile economic condition and expected decrease in the number of tourists from mainland China to Hong Kong, the rest of the year will remaining challenging for the Group. To cope with the challenging market condition, the Group will continue its efforts to strictly control its costs, enrich customer experience to attract more club patrons and adjust its product portfolio to enhance its gross profit margin.

With the Beijing Club and DIZZI closed down in the 2nd half of 2015, the Group will focus its resources on Zentral and Magnum Club with a view to further enhance its brand name as elite members-only clubs. The Group believes that its persistent endeavour in staying ahead of the trend and commitment in providing quality services aimed to exceed customers expectation will enable the Group to stay successful in a highly competitive and ever changing industry.

The Group will continue its core strategy of fortifying its pioneer position in the clubbing and entertainment industry in Hong Kong and prudently exploring different business and investment opportunities so as to expand its income source and achieve growth.

CHANGE OF COMPANY NAME

Following the passing of the special resolution at the annual general meeting of the Company held on 19 August 2015, the English name of the Company has been changed from “Magnum Entertainment Group Holdings Limited” to “AUX International Holdings Limited” and the Company has adopted the Chinese name “奧克斯國際控股有限公司” as its dual foreign name.

The Certificate of Incorporation on Change of Name of the Company was issued by the Registrar of Companies in the Cayman Islands on 27 August 2015 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 22 September 2015.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2015 (for the six months ended 30 September 2014: 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 Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) 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 2015.

USE OF NET PROCEEDS FROM IPO

The net proceeds from the initial public offering of the Company’s Shares (after the exercise of the Over-allotment Option (as defined in the prospectus of the Company dated 13 January 2014)), excluding listing related expenses, amounted to approximately HK\$105.6 million. As at 30 September 2015, the Group had used approximately HK\$17.0 million for the decoration and other opening costs for Zentral and approximately HK\$10.0 million for additional working capital and other general corporation purposes. The remaining of the net proceeds is expected to be utilised in accordance with the proposed applications set out in the section headed “Future Plans, Reasons for Listing and Use of Proceeds” in the prospectus of the Company dated 13 January 2014. The Group held the unutilised net proceeds in deposits with licensed financial institutions in Hong Kong.

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 has complied with the CG Code during the six months ended 30 September 2015.

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

During the six months ended 30 September 2015, neither the Company nor any of its subsidiaries have 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, together with the external auditor of the Group, KPMG, 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 2015.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This 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 2015 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, 26 November 2015

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.