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AUX

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 2019

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 2019 together with the comparative figures for the six months ended 30 September 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 September 2019 — unaudited
(Expressed in Hong Kong dollars)

	Note	**Six months ended 30 September 2019** **$'000**	2018 (Note) $'000
Revenue	*3*	**173,757**	149,482
Other revenue	*4*	**11,589**	2,900
Other net income	*5*	**6,851**	10,288
Cost of inventories sold	*6(d)*	**(8,309)**	(8,896)
Property cleaning expenses		**(22,728)**	(19,541)
Staff costs	*6(b)*	**(80,954)**	(70,815)
Depreciation and amortisation	*6(d)*	**(10,755)**	(7,865)
Property rentals and related expenses		**(7,513)**	(14,105)
Advertising and marketing expenses		**(3,058)**	(6,412)
Utilities expenses		**(7,525)**	(3,964)
Repair and maintenance expenses		**(7,561)**	(4,738)
Other operating expenses		**(17,034)**	(20,592)
Profit from operations		**26,760**	5,742
Finance costs	*6(a)*	**(1,581)**	(1,196)
Profit before taxation	*6*	**25,179**	4,546
Income tax	*7*	**(6,754)**	(1,962)
Profit for the period		**18,425**	2,584
Earnings per share	*8*		
Basic and diluted		**4.9 cent**	0.7 cent

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 September 2019 — unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2019	2018
		(Note)
	$'000	*$'000*
Profit for the period	**18,425**	2,584
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 subsidiaries (nil tax effect)	**(13,908)**	(16,896)
Total comprehensive income for the period	**4,517**	(14,312)

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2019 — unaudited
(Expressed in Hong Kong dollars)

	Note	**At 30 September 2019**	At 31 March 2019 *(Note)*
		$'000	*$'000*
Non-current assets			
Property, plant and equipment	*9*	**27,030**	8,913
Intangible asset	*10*	**54,183**	61,326
Goodwill	*10*	**60,802**	56,850
Prepayments	*11*	**—**	100
Deferred tax assets		**1,658**	1,694
		143,673	128,883
Current assets			
Inventories		**1,075**	3,520
Trade and other receivables	*11*	**91,387**	98,041
Restricted bank deposits		**2,429**	2,439
Cash at bank and in hand		**195,853**	194,855
		290,744	298,855
Current liabilities			
Trade and other payables	*12*	**97,239**	104,592
Contract liabilities		**47,407**	53,058
Lease liabilities		**17,949**	168
Amount due to the controlling shareholder		**1,320**	192
Current taxation		**7,367**	6,979
		171,282	164,989
Net current assets		**119,462**	133,866
Total assets less current liabilities		**263,135**	262,749

	Note	**At 30 September 2019**	At 31 March 2019 *(Note)*
		$'000	*$'000*
Non-current liabilities			
Loan from the controlling shareholder	*13*	**109,925**	116,720
Lease liabilities		**4,900**	450
Deferred tax liabilities		**13,545**	15,331
		128,370	132,501
NET ASSETS		**134,765**	130,248
CAPITAL AND RESERVES	*14*		
Share capital		**3,750**	3,750
Reserves		**131,015**	126,498
TOTAL EQUITY		**134,765**	130,248

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, 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 restaurant and bar outlets and provision of property management services.

(b) Statement of compliance

The unaudited consolidated interim financial information set out in this announcement does not constitute the Group's unaudited interim financial report for the period ended 30 September 2019 but is extracted from that unaudited 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 29 November 2019.

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 2019, except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the financial year ending 31 March 2020. Details of any changes in accounting policies are set out in note 2.

The financial information relating to the financial year ended 31 March 2019 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 2019 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 June 2019.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the 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 in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 and remain substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property leased for own use.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 6.5%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 March 2019 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	1 April 2019
	$'000
Operating lease commitments at 31 March 2019	**15,443**
Less: commitments relating to short-term leases and other leases with remaining lease term ending on or before 31 March 2020 exempt from capitalisation	**(14,171)**
	1,272
Less: total future interest expenses	**(128)**
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019	**1,144**
Add: finance lease liabilities recognised as at 31 March 2019	**618**
Total lease liabilities recognised at 1 April 2019	**1,762**

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 March 2019.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and presents lease liabilities separately in the consolidated statement of financial position.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 March 2019	**Capitalisation of operating lease contracts**	**Carrying amount at 1 April 2019**
	$'000	*$'000*	*$'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	8,913	1,144	10,057
Total non-current assets	128,883	1,144	130,027
Lease liabilities (current)	168	846	1,014
Current liabilities	164,989	846	165,835
Net current assets	133,866	(846)	133,020
Total assets less current liabilities	262,749	298	263,047
Lease liabilities (non-current)	450	298	748
Total non-current liabilities	132,501	298	132,799
Net assets	130,248	—	130,248

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 September 2019	At 1 April 2019
	$'000	*$'000*
Included in "Property, plant and equipment":		
Properties and motor vehicle leased for own use, carried at depreciated cost	**22,074**	1,708
Plant, machinery and equipment, carried at depreciated cost	**4,956**	8,349
	27,030	10,057

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 September 2019		At 1 April 2019	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	$'000	*$'000*	*$'000*	*$'000*
Within 1 year	17,949	18,853	1,014	1,151
After 1 year but within 2 years	4,900	4,981	473	499
After 2 years but within 5 years	—	—	275	282
	4,900	4,981	748	781
	22,849	23,834	1,762	1,932
Less: total future interest expenses		(985)		(170)
Present value of lease liabilities		22,849		1,762

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

3 REVENUE AND SEGMENT REPORTING

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

Revenue represents the amount received or receivable from the sale of food and beverages and tobacco products, revenue from club and restaurant and bar 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	
	2019	2018
	$'000	*$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Revenue from club and restaurant operations — Hong Kong	**36,594**	42,723
Revenue from property management contracts — the PRC	**137,163**	106,759
	173,757	149,482

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 2019 and 2018.

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

Disaggregation of revenue from contracts with customers by 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 2019 is set out below.

	Operation of clubbing business and restaurant and bar outlets — Hong Kong		Property management — the PRC		Total	
	2019	2018	**2019**	2018	**2019**	2018
	$'000	$'000	***$'000***	$'000	***$'000***	$'000
For the six months ended 30 September						
Revenue from external customers and reportable segment revenue	**36,594**	42,723	**137,163**	106,759	**173,757**	149,482
Reportable segment (loss)/profit	**(3,489)**	(2,662)	**26,377**	7,261	**22,888**	4,599
	At 30 September 2019	**At 31 March 2019**	**At 30 September 2019**	**At 31 March 2019**	**At 30 September 2019**	**At 31 March 2019**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Reportable segment assets	38,631	27,113	376,525	365,480	415,156	392,593
Reportable segment liabilities	29,348	26,157	135,297	129,551	164,645	155,708

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 2019 $'000	2018 $'000
Reportable segment profit derived from the Group's external customers	**22,888**	4,599
Other revenue	**11,589**	2,900
Other net income	**6,851**	10,288
Depreciation and amortisation	**(10,755)**	(7,865)
Finance costs	**(1,581)**	(1,196)
Unallocated head office and corporate expenses	**(3,813)**	(4,180)
Consolidated profit before taxation	**25,179**	4,546

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

4 OTHER REVENUE

	Six months ended 30 September 2019 $'000	2018 $'000
Bank interest income	**3,235**	1,911
Government grants *(note)*	**1,771**	667
Gain on disposal of a subsidiary	**5,000**	—
Others	**1,583**	322
	11,589	2,900

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

5 OTHER NET INCOME

	Six months ended 30 September 2019 $'000	2018 $'000
Gain/(loss) on disposal of property, plant and equipment	**72**	(26)
Net foreign exchange gain	**6,779**	10,314
	6,851	10,288

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2019	2018
	$'000	*$'000*
(a) Finance costs		
Interest on loan from the controlling shareholder	**1,128**	1,181
Interest on lease liabilities	**453**	15
	1,581	1,196
(b) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plan	**11,424**	9,409
Salaries, wages and other benefits	**69,530**	61,406
	80,954	70,815
(c) Property rentals		
Operating lease charges: minimum lease payments – property rentals	**—**	12,121
Lease payments in respect of short-term leases	**5,518**	—
(d) Other items		
Depreciation		
– owned property, plant and equipment*	**3,512**	3,868
– right-of-use assets*	**3,567**	125
Amortisation	**3,676**	3,872
Cost of inventories sold	**8,309**	8,896
Impairment losses on trade receivables	**895**	1,452

* The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 April 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2.

7 INCOME TAX

	Six months ended 30 September 2019	2018
	$'000	*$'000*
Current tax — Hong Kong Profits Tax	**(352)**	590
Current tax — the People's Republic of China ("PRC")	**8,090**	2,113
Deferred taxation	**(984)**	(741)
	6,754	1,962

(a) No provision for Hong Kong Profits Tax had been made for the periods ended 30 September 2019 and 2018, 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 ("**Ningbo AUX**"), 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 2019.

(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 PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $18,425,000 (six months ended 30 September 2018: $2,584,000) and the weighted average of 374,984,000 (six months ended 30 September 2018: 374,984,000) ordinary shares in issue during the interim period.

(b) Diluted earnings per share

The diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares in existence during the six months ended 30 September 2019 and 2018.

9 PROPERTY, PLANT AND EQUIPMENT

Right-of-use assets

As discussed in note 2, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. In addition, the depreciated carrying amount of the finance leased assets which were previously included in property, plant and equipment is also identified as right-of-use assets.

During the six months ended 30 September 2019, the Group entered into a number of lease agreements for use of properties, and therefore recognised the additions to right-of-use assets of $17,410,000.

During the six months ended 30 September 2019, the Group recognised, through acquisition of Mini Club Hong Kong Limited ("**Mini Club**") (see note 15), the additions to right-of-use assets in respect of premises for bars and restaurants of $7,339,000.

10 INTANGIBLE ASSET AND GOODWILL

These balances mainly arose from the acquisition of Ningbo AUX in May 2017. The intangible asset represents property management contracts and customer relationships. The goodwill balance is attributable to the workforce of Ningbo AUX and the potential growth of the property management industry in the PRC.

11 TRADE AND OTHER RECEIVABLES

	At 30 September 2019 *$'000*	At 31 March 2019 *$'000*
Trade receivables *(note)*, net of loss allowance	**63,343**	70,734
Deposits, prepayments and other receivables	**28,044**	27,407
	91,387	98,141
Less: Non-current portion of prepayments	**—**	(100)
	91,387	98,041

Note: At 30 September 2019, trade receivables of the Group included amounts due from related parties of $3,900,000 (31 March 2019: $4,141,000). 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 2019	At 31 March 2019
	$'000	*$'000*
Within 1 month	**12,089**	24,897
Over 1 month to 3 months	**10,674**	11,978
Over 3 months to 6 months	**7,791**	8,666
Over 6 months to 1 year	**20,816**	11,949
Over 1 year	**11,973**	13,244
	63,343	70,734

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 $9,049,000 (31 March 2019: $1,157,000), which mainly represents rental deposits for clubs and restaurants of the Group. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

12 TRADE AND OTHER PAYABLES

	At 30 September 2019	At 31 March 2019
	$'000	*$'000*
Trade creditors	**25,727**	28,918
Deposits received from property occupants/owners	**18,705**	14,933
Receipts on behalf of utilities companies	**14,751**	13,664
Amounts due to related parties *(note)*	**2,343**	1,486
Provision for onerous contract	**—**	3,924
Other payables and accrued charges	**35,713**	41,667
	97,239	104,592

Note: The amounts are unsecured, interest-free and repayable within one year.

13 LOAN FROM THE CONTROLLING SHAREHOLDER

The loan is unsecured, interest-bearing at 2% per annum and repayable in August 2022.

14 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 2019 and 2018.

(b) Share capital

	At 30 September 2019		At 31 March 2019	
	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, 31 March 2019, 1 April 2019 and 30 September 2019	**374,984**	**3,750**	374,984	3,750

15 ACQUISITION OF A SUBSIDIARY

On 30 April 2019, Po Tai Holdings Limited, a wholly-owned subsidiary of the Company, acquired the entire equity interest in Mini Club at a consideration of $6.5 million. The purchase consideration is settled in cash. Acquisition of Mini Club would enable the Group to diversify the revenue stream in food and beverage industry and its investment portfolio.

The fair value of net identifiable liabilities assumed and the goodwill arising from the transaction are as follows:

	Fair value at date of acquisition
	$'000
Property, plant and equipment	7,339
Inventories	157
Trade and other receivables	1,184
Bank overdrafts	(501)
Trade and other payables	(1,592)
Lease liabilities	(7,348)
Net identifiable liabilities assumed	(761)
Goodwill	7,261
	6,500

The above goodwill is attributable to the benefit of expected synergies, revenue growth and the assembled workforce of Mini Club.

16 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The principal business activities of AUX International Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") are operation of clubbing, restaurant and bar business in Hong Kong (the "**entertainment segment**") and provision of property management services in the People's Republic of China (the "**PRC**") (the "**property management segment**").

The Group's entertainment segment has been clouded by the continuance in trade dispute between China and US which contributes to the weakening luxury retail market in Hong Kong. As a result, the Group has been closely monitoring its strategy for the entertainment segment and still evaluating the suitability of introducing new clubbing brands after the closure of Magnum Club on 19 August 2019.

While the Group's entertainment segment is susceptible to economic fluctuations in Hong Kong, the Group's performance in the property management segment has remained strong and its performance has shown healthy growth.

With the strong performance in the Group's property management segment, the Group's revenue and net profit achieved during the six months ended 30 September 2019 have increased by HK$24.3 million and HK$15.8 million respectively as compared with the six months ended 30 September 2018.

Business review — entertainment segment

The Group is dedicated to upholding its status as a leading entertainment service and venue provider in Hong Kong. Not only has the Group renewed the tenancy agreement of the Group's flagship club, Zentral, in Lan Kwai Fung area, the Group also expands its product to include three restaurant and bar outlets across Causeway Bay, Tsim Sha Tsui and Mong Kok. The Group is confident that the introduction of the three restaurant and bar outlets can enhance the Group's capacity in offering its customers different vibrant venues for night time entertainment and hosting private parties, corporate events, live entertainment, fashion shows, filming activities and film premieres among others.

Business review — property management segment

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

As at 30 September 2019, the Group managed over 58 projects with a gross floor area of approximately 7.03 million square meters.

FINANCIAL REVIEW

Revenue

The Group's revenue recorded approximately HK$173.8 million for the six months ended 30 September 2019, representing an increase of 16.3% as compared with approximately HK$149.5 million for the six months ended 30 September 2018. The increase in revenue was mainly due to increase in revenue from the property management segment, which had increased by approximately HK$30.4 million to HK$137.2 million for the six months ended 30 September 2019 from HK$106.8 million for the six months ended 30 September 2018. Such increase was mainly due to the increase in number of projects and gross floor area serviced, which outweighed the decrease in revenue from the entertainment segment by approximately HK$6.1 million to HK$36.6 million for the six months ended 30 September 2019 from HK$42.7 million for the six months ended 30 September 2018. The decrease in revenue from the entertainment segment was mainly due to market slow down in Hong Kong since August 2019.

Staff Costs

The staff costs comprise 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 14.4% or HK$10.2 million to approximately HK$81.0 million for the six months ended 30 September 2019 from approximately HK$70.8 million for the six months ended 30 September 2018. The increase was mainly due to increase in staff costs incurred for the property management segment of approximately HK$8.1 million. The Group increased its number of staff in the property management segment to cope with increase in operation scale.

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 46.8% or HK$6.6 million to approximately HK$7.5 million for the six months ended 30 September 2019 from approximately HK$14.1 million for the six months ended 30 September 2018. Such decrease was mainly due to closure of Magnum Club and also adoption of HKFRS 16 where right-of-use assets are capitalised for rental payments for leased properties and depreciated over the lease terms.

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 decreased by 51.6% or HK$3.3 million to approximately HK$3.1 million for the six months ended 30 September 2019 from approximately HK$6.4 million for the six months ended 30 September 2018. The decrease in advertising and marketing expenses was mainly due to the Group has temporarily scaled down its marketing activities due to the market uncertainty in Hong Kong in recent months.

Utilities expenses and repair and maintenance expenses

The utilities expenses and repair and maintenance expenses increased by approximately HK$3.5 million or 87.5% and HK$2.9 million or 61.7% respectively for the six months period ended 30 September 2019. The increase was mainly due to increase in the operation scale of the property management segment.

Other operating expenses

Other operating expenses includes gardening costs, security costs and other miscellaneous expenses. The other operating expenses decreased by approximately 17.5% or HK$3.6 million to approximately HK$17.0 million for the six months ended 30 September 2019 from approximately HK$20.6 million for the six months ended 30 September 2018. The decrease was mainly attributable to the close down of Magnum Club and cost saving exercise conducted by the Group in the property management segment.

Results for the period

The Group's profit for the six months ended 30 September 2019 increased by approximately 607.7% or HK$15.8 million to approximately HK$18.4 million for the six months ended 30 September 2019 from HK$2.6 million for the six months ended 30 September 2018. Such increase was mainly due to the increase in revenue from the property management segment and the gain on disposal of a subsidiary of HK$5 million.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 30 September 2019, the Group's total current assets and current liabilities were approximately HK$290.7 million (31 March 2019: HK$298.9 million) and approximately HK$171.3 million (31 March 2019: HK$165.0 million) respectively, while the current ratio was 1.7 times (31 March 2019: 1.8 times).

As at 30 September 2019, the Group maintained cash at bank and in hand of approximately HK$195.9 million (31 March 2019: approximately HK$194.9 million). In the foreseeable future, the Group expects to fund its capital expenditures, working capital and other capital requirement from the net proceeds from initial public offering ("**IPO**") and the net proceeds from placing of new shares under general mandate according to their designated uses and cash generated from its operation and other financing means which the Company may from time to time consider appropriate.

Total interest-bearing borrowing of the Group as at 30 September 2019 was approximately HK$109.9 million (31 March 2019: HK$116.7 million), which mainly represented the unsecured 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 Management Service Co., Ltd. (寧波奧克斯物業服務有限公司) ("**Ningbo AUX Property**"). The gearing ratio, which is calculated by dividing total interest-bearing borrowings by total equity, as at 30 September 2019 was 0.82 (31 March 2019: 0.90).

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$52.2 million of the net proceeds raised from the Placing had been used to supplement the Group's working capital and acquisition of Mini Club. The remaining balance was deposited into 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$134.8 million (31 March 2019: approximately HK$130.2 million) and loan from the controlling shareholder of HK$109.9 million as at 30 September 2019 (31 March 2019: approximately HK$116.7 million). Except for the loan from the controlling shareholder, the Group had no other bank borrowings, debt securities or other capital instruments as at 30 September 2019.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES OR JOINT VENTURES

As disclosed in the announcement of the Company dated 30 April 2019, Po Tai Holdings Limited, an indirect wholly-owned subsidiary of the Company, acquired the entire issued share capital in Mini Club Hong Kong Limited ("**Mini Club**") for a total consideration of HK$6.5 million. Mini Club and its subsidiaries are principally engaged in the operation of three restaurants and bar outlets under the brand of "Mini Club" in Causeway Bay, Tsim Sha Tsui and Mongkok respectively.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries, associated companies or joint ventures during the six months ended 30 September 2019.

CHARGE ON ASSETS

As at 30 September 2019, the Group did not have any pledged assets (31 March 2019: Nil).

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 ("**RMB**"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities denominated in RMB for the entities with a functional currency in Hong Kong dollars ("**HKD**"). 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 HKD exchange rate movement.

CONTINGENT LIABILITIES

As at 30 September 2019, the Group did not have any material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 30 September 2019, the Group had approximately 1,408 employees (31 March 2019: 1,205 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 turbulence on the overall economic conditions in Hong Kong will continue in the second half of 2019. While the Group's entertainment segment is subject to a larger impact from negative development in consumer spending confidence due to its non-necessity goods characteristic, 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 entertainment segment, review the business performance on a regular basis and identify favourable market changes in order to pursue suitable investment opportunities and broaden income sources.

Entertainment segment

The Group is looking forward to integrating its newly acquired restaurant and bar outlets with Zentral and to provide a unique experience package to its customers as the Group understands the importance and the necessity to improve its ability to continue exciting existing customers and alluring potential customers.

The Group will also implement a new service enhancement program to the staff to uplift its service quality and to enhance Zentral's position as one of the top venue choices for Hong Kong's party goers.

Property management segment

The Group's property management segment continues its healthy growth and proved to be the Group's key performance contributor. The Group will continue to expand its market presence in residential and commercial premises, hospital premises and industry parks management.

In the future, the Group is looking forward to expanding its service portfolio to cover government agencies' office buildings and recreational facilities such as sport complexes and exhibition halls.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2019 (for the six months ended 30 September 2018: 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 2019.

USE OF NET PROCEEDS FROM FUND RAISING

The net proceeds from the IPO amounted to approximately HK$105.6 million, among which approximately HK$98.1 million had been utilised as at 30 September 2019. 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 2019, 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 *HK$' million*	Utilised net proceeds as at 30 September 2019 *HK$' million*	Unutilised net proceeds as at 30 September 2019 *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**	**3.2**	**7.5**
(iii) capital expenditures, working capital, other capital requirements and other general corporate purposes.	**8**	**8**	**0**
	75.7	**68.2**	**7.5**

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 2019, the Group had utilised approximately HK$52.2 million of such net proceeds for working capital and acquisition of Mini Club. 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 2019.

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

During the six months ended 30 September 2019, 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 2019.

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 2019 will be dispatched to the shareholders and published on the above websites in due course.

By order of the Board
AUX International Holdings Limited
Zhang Jingguo
Chairman

Hong Kong, 29 November 2019

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