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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 2020**

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 2020 together with the comparative figures for the six months ended 30 September 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the six months ended 30 September 2020 — unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 September	
	Note	2020 \$'000	2019 \$'000
Revenue	3	137,215	173,757
Other revenue	4	9,526	11,589
Other net (loss)/income	5	(3,148)	6,851
Cost of inventories sold		(2,538)	(8,309)
Property cleaning expenses		(25,836)	(22,728)
Staff costs	6(b)	(61,572)	(80,954)
Depreciation and amortisation	6(d)	(12,051)	(10,755)
Property rentals and related expenses		(1,855)	(7,513)
Impairment losses on goodwill	10	(7,261)	—
Impairment losses on property, plant and equipment	9(b)	(1,500)	—
Advertising and marketing expenses		(850)	(3,058)
Utilities expenses		(6,441)	(7,525)
Repair and maintenance expenses		(8,263)	(7,561)
Other operating expenses		(14,154)	(17,034)
Profit from operations		1,272	26,760
Finance costs	6(a)	(1,238)	(1,581)
Profit before taxation	6	34	25,179
Income tax	7	(7,063)	(6,754)
(Loss)/profit for the period		(7,029)	18,425
(Loss)/earnings per share	8		
Basic and diluted		(1.9) cents	4.9 cents

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

for the six months ended 30 September 2020 — unaudited

(Expressed in Hong Kong dollars)

	Six months ended	
	30 September	
	2020	2019
	\$'000	\$'000
(Loss)/profit for the period	(7,029)	18,425
Other comprehensive income for the period		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on translation of the financial statements of subsidiaries (nil tax effect)	<u>7,554</u>	<u>(13,908)</u>
Total comprehensive income for the period	<u>525</u>	<u>4,517</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*at 30 September 2020 — unaudited**(Expressed in Hong Kong dollars)*

		At 30 September 2020 \$'000	At 31 March 2020 \$'000
Non-current assets			
Property, plant and equipment	9	8,342	17,824
Intangible assets	10	48,662	50,261
Goodwill	10	55,389	60,432
Deferred tax assets		2,307	2,097
		<u>114,700</u>	<u>130,614</u>
Current assets			
Inventories		747	927
Trade and other receivables	11	100,726	92,332
Current tax recoverable		3,265	—
Restricted bank deposits		2,878	2,586
Cash at bank and in hand		190,689	206,735
		<u>298,305</u>	<u>302,580</u>
Current liabilities			
Trade and other payables	12	117,484	100,687
Contract liabilities		47,897	45,349
Amount due to the controlling shareholder		3,459	2,435
Lease liabilities		12,557	21,054
Current tax payable		6,393	8,239
		<u>187,790</u>	<u>177,764</u>
Net current assets		<u>110,515</u>	<u>124,816</u>
Total assets less current liabilities		<u>225,215</u>	<u>255,430</u>

		At 30 September 2020 \$'000	At 31 March 2020 \$'000
	<i>Note</i>		
Non-current liabilities			
Loan from the controlling shareholder	<i>13</i>	81,846	109,165
Lease liabilities		303	1,075
Deferred tax liabilities		14,167	16,816
		<u>96,316</u>	<u>127,056</u>
NET ASSETS		<u>128,899</u>	<u>128,374</u>
CAPITAL AND RESERVES			
	<i>14</i>		
Share capital		3,750	3,750
Reserves		125,149	124,624
TOTAL EQUITY		<u>128,899</u>	<u>128,374</u>

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 six months ended 30 September 2020 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 30 November 2020.

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 2020, except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the financial year ending 31 March 2021. Details of any changes in accounting policies are set out in note 2.

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*, issued by the HKICPA to the interim financial report for the current accounting period.

Other than the Amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impact of the adoption of the amended HKFRS 16 is discussed below:

Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“**COVID-19-related rent concessions**”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see note 9(a)). There is no impact on the opening balance of equity at 1 April 2020.

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 other 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	
	2020	2019
	\$'000	\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Revenue from club and restaurant operations		
— Hong Kong	8,804	36,594
Revenue from property management contracts		
— the PRC	128,411	137,163
	137,215	173,757

The Group's customer base is diversified and includes only one customer (six months ended 30 September 2019: nil) with whom transactions have exceeded 10% of the Group's revenue. During the six months ended 30 September 2020, revenue from property management contracts derived from this customer, including revenue from entities which are known to the Group to be under common control with this customer, amounted to approximately \$19 million.

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

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 2020 is set out below.

	Lifestyle entertainment		Property management		Total	
	— Hong Kong		— the PRC			
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
For the six months ended 30 September						
Revenue from external customers and reportable segment revenue	<u>8,804</u>	<u>36,594</u>	<u>128,411</u>	<u>137,163</u>	<u>137,215</u>	<u>173,757</u>
Reportable segment (loss)/profit	<u>(5,655)</u>	<u>(3,489)</u>	<u>25,216</u>	<u>26,377</u>	<u>19,561</u>	<u>22,888</u>
	At	At	At	At	At	At
	30 September	31 March	30 September	31 March	30 September	31 March
	2020	2020	2020	2020	2020	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment assets	<u>15,602</u>	<u>31,805</u>	<u>374,447</u>	<u>395,616</u>	<u>390,049</u>	<u>427,421</u>
Reportable segment liabilities	<u>19,277</u>	<u>28,067</u>	<u>156,637</u>	<u>136,577</u>	<u>175,914</u>	<u>164,644</u>

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 and foreign exchange gain/(loss) and “depreciation” and “amortisation” are regarded as including impairment losses and gain/(loss) on disposals recognised on non-financial assets. To arrive at adjusted EBITDA the Group's earnings are further adjusted for government grants, rent concessions received from landlords and 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	
	2020	2019
	\$'000	\$'000
Reportable segment profit derived from the Group's external customers	19,561	22,888
Other revenue	9,526	11,589
Other net (loss)/income	(3,148)	6,851
Depreciation and amortisation	(12,051)	(10,755)
Finance costs	(1,238)	(1,581)
Impairment losses on goodwill	(7,261)	—
Impairment losses on property, plant and equipment	(1,500)	—
Unallocated head office and corporate expenses	(3,855)	(3,813)
	<u>34</u>	<u>25,179</u>

4 OTHER REVENUE

	Six months ended	
	30 September	
	2020	2019
	\$'000	\$'000
Bank interest income	2,055	3,235
Rent concessions received	2,417	—
Government grants (note)	4,132	1,771
Gain on disposal of a subsidiary	—	5,000
Others	922	1,583
	<u>9,526</u>	<u>11,589</u>

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

5 OTHER NET (LOSS)/INCOME

	Six months ended	
	30 September	
	2020	2019
	\$'000	\$'000
(Loss)/gain on disposal of property, plant and equipment	(58)	72
Net foreign exchange (loss)/gain	(3,090)	6,779
	<u>(3,148)</u>	<u>6,851</u>

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended	
	30 September	
	2020	2019
	\$'000	\$'000
(a) Finance costs		
Interest on loan from the controlling shareholder	1,024	1,128
Interest on lease liabilities	214	453
	<u>1,238</u>	<u>1,581</u>
(b) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plan	4,876	11,424
Salaries, wages and other benefits	56,696	69,530
	<u>61,572</u>	<u>80,954</u>
(c) Property rentals		
Lease payments in respect of short-term leases	<u>86</u>	<u>5,518</u>
(d) Other items		
Depreciation		
— owned property, plant and equipment	659	3,512
— right-of-use assets	7,796	3,567
Amortisation	3,596	3,676
Impairment losses on trade receivables	472	895
Impairment losses on other receivables	538	—
	<u>538</u>	<u>—</u>

7 INCOME TAX

	Six months ended	
	30 September	
	2020	2019
	\$'000	\$'000
Current tax — Hong Kong Profits Tax	—	(352)
Current tax — the People's Republic of China (“PRC”) Corporate Income Tax	7,123	8,090
Current tax — PRC withholding tax on dividend income	3,266	—
Deferred taxation	<u>(3,326)</u>	<u>(984)</u>
	<u>7,063</u>	<u>6,754</u>

(a) No provision for Hong Kong Profits Tax had been made for the six months ended 30 September 2020 and 2019, as the subsidiaries of the Group in Hong Kong sustained a loss for taxation purpose.

(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 2020.

(c) Dividends payable by subsidiaries of the Group in the PRC are subject to a 5% withholding tax.

(d) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, subsidiaries of the Group are 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)/profit attributable to ordinary equity shareholders of the Company of \$7,029,000 (six months ended 30 September 2019: profit of \$18,425,000) and the weighted average of 374,984,000 (six months ended 30 September 2019: 374,984,000) 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 six months ended 30 September 2020 and 2019.

9 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 September 2020, the Group received rent concessions for its premises for club and restaurant and bar outlets amounting to \$2,417,000 in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19.

As disclosed in note 2, the Group has early adopted the Amendment to HKFRS 16, *Leases, Covid-19-Related Rent Concessions*, and has applied the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the period.

(b) Impairment losses

During the six months ended 30 September 2020, the operation of clubbing business and restaurant and bar outlets continued to be loss-making which indicated the relevant property, plant and equipment may not be recoverable. The Group has assessed the recoverable amount of the relevant property, plant and equipment. As a result, impairment losses of \$1,500,000 were recognised in profit or loss to reduce the carrying amount of these property, plant and equipment to their recoverable amounts.

10 INTANGIBLE ASSETS AND GOODWILL

These balances mainly arose from the acquisitions of Ningbo AUX in May 2017 and Mini Club Hong Kong Limited (“**Mini Club**”) in April 2019.

The intangible asset represents property management contracts and customer relationships.

The goodwill is attributable to (1) the workforce of Ningbo AUX and the potential growth of the property management industry in the PRC and (2) the benefit of expected synergies, revenue growth and the assembled workforce of Mini Club.

Goodwill is allocated to the Group’s cash-generated units (“**CGU**”) identified as follows:

	At 30 September 2020 \$'000	At 31 March 2020 \$'000
Property management business	55,389	53,171
Operation of restaurant and bar outlets	—	7,261
	<u>55,389</u>	<u>60,432</u>

During the six months ended 30 September 2020, the operation of the property management business continued to be profit-making and thus no impairment indicator for the respective goodwill has been identified.

During the six months ended 30 September 2020, the operation of restaurant and bar outlets continued to be loss-making which indicated the respective goodwill may not be recoverable. Based on the results of the impairment testing of goodwill, in the opinion of the directors, impairment losses of \$7,261,000 were required and have been recognised in profit or loss during the period.

11 TRADE AND OTHER RECEIVABLES

	At 30 September 2020 \$'000	At 31 March 2020 \$'000
Trade receivables, net of loss allowance (<i>note</i>)	77,006	67,819
Deposits, prepayments and other receivables	23,720	24,513
	<u>100,726</u>	<u>92,332</u>

Note: At 30 September 2020, trade receivables of the Group included amounts due from entities controlled by Mr. Zheng Jian Jiang, the Company's controlling shareholder, of \$2,239,000 (31 March 2020: \$4,371,000) and entities over which Mr. Zheng Jian Jiang has significant influence, of \$3,434,000 (31 March 2020: \$4,035,000). The amount represents property management fees 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 2020 \$'000	At 31 March 2020 \$'000
Within 1 month	31,023	29,954
Over 1 month to 3 months	9,671	8,821
Over 3 months to 6 months	8,818	6,249
Over 6 months to 1 year	15,296	11,422
Over 1 year	12,198	11,373
	<u>77,006</u>	<u>67,819</u>

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 \$21,000 (31 March 2020: \$4,226,000), which mainly represents rental deposits for storage room of the Group (31 March 2020: rental deposits for office premises 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

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 2020 \$'000	At 31 March 2020 \$'000
Trade creditors		
— within 3 months	13,905	12,469
— over 3 months to 6 months	9,374	6,269
— over 6 months to 1 year	2,539	2,307
— over 1 year	1,462	1,290
	<u>27,280</u>	<u>22,335</u>
Deposits received from property occupants/owners	22,088	19,104
Receipts on behalf of utilities companies	16,897	15,930
Amounts due to related parties (<i>note</i>)	4,217	2,137
Other payables and accrued charges	47,002	41,181
	<u>117,484</u>	<u>100,687</u>

Note: The amounts due to related parties represent balances due to entities controlled by Mr. Zheng Jian Jiang, the Company's controlling shareholder, which 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 2020 and 2019.

(b) Share capital

	At 30 September 2020		At 31 March 2020	
	No. of shares '000	Amount \$'000	No. of shares '000	Amount \$'000
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 2019, 31 March 2020, 1 April 2020 and 30 September 2020	<u>374,984</u>	<u>3,750</u>	<u>374,984</u>	<u>3,750</u>

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 outlets business in Hong Kong (the “**lifestyle entertainment segment**”) and provision of property management services in the People’s Republic of China (the “**PRC**”) (the “**property management segment**”).

The Group’s lifestyle entertainment segment has been taking a heavy blow from the COVID-19 outbreak which contributes to the economic downturn in Hong Kong. While the Group has been cautiously managing the cashflow resources of the lifestyle entertainment segment, the Group is dedicated to devoting resources for the continuous improvement of COVID-19 related hygiene measures and fulfilment of HKSAR Government’s COVID-19 prevention policies.

The Group’s performance in the property management segment has decreased slightly by 6.4% compared to the same period last year due to the termination of two property management contracts during the period.

With the weak performance in the Group’s lifestyle entertainment segment, the Group’s revenue during the six months ended 30 September 2020 have decreased by approximately HK\$36.5 million as compared with the six months ended 30 September 2019 and resulted in a net loss of HK\$7.0 million in the current period.

Business review — lifestyle entertainment segment

While the whole industry in Hong Kong is taking serious hit from the COVID-19 outbreak, the Group has reshaped the brand of Zentral through provision of various music style and creation of different atmosphere in the venue to its customers. The Group aims to maintain its status as a leading nightlife entertainment service and venue provider in Hong Kong remains despite the current economic upset in the industry.

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 2020, the Group managed over 63 projects with a gross floor area of approximately 7.08 million square metres.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of approximately HK\$137.2 million for the six months ended 30 September 2020, representing a decrease of 21.0% as compared with approximately HK\$173.8 million for the six months ended 30 September 2019. The decrease in revenue was mainly due to decrease in revenue from the lifestyle entertainment segment, which had decreased by approximately HK\$27.8 million to HK\$8.8 million for the six months ended 30 September 2020 from HK\$36.6 million for the six months ended 30 September 2019. Such decrease was mainly resulted from the undesirable market and operating conditions of the Group's clubbing and restaurant business in Hong Kong caused by the outbreak of COVID-19.

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 decreased by approximately 23.9% or HK\$19.4 million to approximately HK\$61.6 million for the six months ended 30 September 2020 from approximately HK\$81.0 million for the six months ended 30 September 2019. The decrease was mainly due to decrease in the Group's number of staff in the lifestyle entertainment segment to cope with decrease in operation scale.

Property Rentals and Related Expenses

The property rentals and related expenses primarily consisted of lease payments and building management fees for premises for the club and restaurants of the Group and the Group's headquarters. The property rentals and related expenses decreased by approximately 75.3% or HK\$5.6 million to approximately HK\$1.9 million for the six months ended 30 September 2020 from approximately HK\$7.5 million for the six months ended 30 September 2019. Such decrease was mainly due to capitalisation of lease payments for Zentral, which is depreciated over the remaining lease term, upon the renewal of tenancy agreement in August 2019 under HKFRS 16.

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 approximately 72.2% or HK\$2.2 million to HK\$0.9 million for the six months ended 30 September 2020 from approximately HK\$3.1 million for the six months ended 30 September 2019. The decrease in advertising and marketing expenses was mainly due to the temporary scale-down of the Group's marketing activities under the COVID-19 pandemic.

Utilities Expenses and Repair and Maintenance Expenses

The utilities expenses decreased by approximately HK\$1.1 million or 14.4% and repair and maintenance expenses increased by approximately HK\$0.7 million or 9.2% for the six months ended 30 September 2020. The increase in repair and maintenance expenses was mainly due to new hygiene measures provided to cope with the outbreak of COVID-19 for the customers of the Group's property management service segment.

Other Operating Expenses

Other operating expenses includes gardening costs, security costs and other miscellaneous expenses. The other operating expenses decreased by approximately 16.9% or HK\$2.8 million to approximately HK\$14.2 million for the six months ended 30 September 2020 from approximately HK\$17.0 million for the six months ended 30 September 2019. The decrease was mainly attributable to the decrease in number of property management projects managed and cost saving exercise conducted by the Group in the property management segment.

Results for the period

The Group recorded net loss for the six months ended 30 September 2020 of approximately HK\$7.0 million as compared to net profit for the six months ended 30 September 2019 of HK\$18.4 million. This was mainly due to the decrease in revenue from the lifestyle entertainment segment, impairment losses on goodwill of HK\$7.3 million recognised as a result of the negative impact caused by the COVID-19 towards the restaurant and bar outlets and exchange loss of HK\$3.1 million incurred in respect of the Renminbi ("RMB") denominated loan from controlling shareholder as a result of the appreciation of RMB against Hong Kong dollars during the review period (as compared with a net exchange gain of HK\$6.8 million for the six months ended 30 September 2019).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 30 September 2020, the Group's total current assets and current liabilities were approximately HK\$298.3 million (31 March 2020: HK\$302.6 million) and HK\$187.8 million (31 March 2020: HK\$177.8 million) respectively, while the current ratio was 1.6 times (31 March 2020: 1.7 times).

As at 30 September 2020, the Group maintained cash at bank and in hand of approximately HK\$190.7 million (31 March 2020: approximately HK\$206.7 million). In the foreseeable future, the Group expects to fund its capital expenditures, working capital and other capital requirement from the net proceeds from placing of new shares under general mandate according to their designated uses and cash generated from its operations 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 2020 was approximately HK\$94.7 million (31 March 2020: HK\$131.3 million), which mainly represented the unsecured loan of RMB72,000,000 (31 March 2020: 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 2020 was approximately 0.73 (31 March 2020: 1.02).

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 places 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.

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\$128.9 million (31 March 2020: HK\$128.4 million) and loan from the controlling shareholder of approximately HK\$81.8 million as at 30 September 2020 (31 March 2020: HK\$109.2 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 2020.

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

The Group did not have any material acquisitions or disposals of subsidiaries or associated companies during the six months ended 30 September 2020.

CHARGE ON ASSETS

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

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Group continues 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 2020, the Group did not have any material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 30 September 2020, the Group had 1,244 employees (31 March 2020: 1,304 employees). The Group offers competitive remuneration packages to its staff, including share option scheme, mandatory provident fund schemes and discretionary bonus.

PROSPECTS

Lifestyle Entertainment Segment

The Group will continue its rebranding of Zentral and Mini Club to enhance its service portfolio to its customers. While the Group looks forward to expanding its scope of operations and reaching out to customers who were not usually in the Group’s radar, the Group’s top priority in the coming months is the safety of the Group’s customers.

While the outbreak at COVID-19 expects to continue, the Group remains cautious and patient in the coming months. The Group strongly believes that the suppressed potential in the industry will be released explosively as the impact of the COVID-19 outbreak diminishes.

Property Management Segment

The Group's property management segment has experienced a temporary setback in its performance, however, it does not change the Group's strategic focus on its property management segment as the Group believes that the property management segment is a stable income source and could provide its shareholders with considerable return in the future. The Group will continue to seek opportunities to expand its service portfolio to include different customers and geographical regions.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2020 (for the six months ended 30 September 2019: 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 2020.

USE OF NET PROCEEDS FROM FUND RAISING

The net proceeds from the initial public offering of the shares in the Company (the "**IPO**") amounted to approximately HK\$105.6 million, all had been utilised as at 30 September 2020.

As disclosed in the Company's interim report for the six months ended 30 September 2019, the unutilised net proceeds as at 30 September 2019 amounted to approximately HK\$7.5 million (the "**Unutilised Net Proceeds**"), which has been designated for the research of business expansion, including but not limited to clubbing business and property management business, while all of the remaining net proceeds from the IPO had been utilised in accordance with the revised allocation plan as set out in the announcement of the Company dated 22 June 2017.

As disclosed in the announcement of the Company dated 31 March 2020 (the “**Announcement**”), the Board had further changed the use of the Unutilised Net Proceeds, such that they may also be used for general corporate purposes, in addition to supporting research on business expansion when suitable opportunities arise. As at 30 September 2020, all of the Unutilised Net Proceeds had been utilised as follows in accordance with the revised allocation plan as set out in the Announcement:

Use of proceeds	Designated amount of net proceeds under the revised allocation plan as set out in the Announcement <i>HK\$ million</i>	Amount of net proceeds utilised				Amount of net proceeds unutilised as at 30 September 2020 <i>HK\$ million</i>
		As at 1 April 2020 <i>HK\$ million</i>	During the six months ended 30 September 2020 <i>HK\$ million</i>	As at 30 September 2020 <i>HK\$ million</i>	As at 30 September 2020 <i>HK\$ million</i>	
Research of business expansion including but not limited to clubbing business and property management business, and general corporate purposes	10.7	8.8	1.9	10.7	—	

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 2020, the Group had utilised all HK\$54.1 million of such net proceeds for working capital and acquisition of Mini Club.

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 the opinion that the Company had complied with the CG Code during the six months ended 30 September 2020.

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

During the six months ended 30 September 2020, 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 2020.

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 2020 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, 30 November 2020

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