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 2016

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 2016 together with the comparative figures for the six months ended 30 September 2015 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2016 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2016	2015
	Note	***$'000***	*$'000*
Revenue	*3*	**54,431**	70,670
Other revenue	*4*	**8**	32
Other net loss	*5*	**(90)**	(346)
Cost of inventories sold	*6(c)*	**(12,174)**	(16,277)
Staff costs	*6(a)*	**(10,474)**	(15,395)
Depreciation	*6(c)*	**(5,956)**	(6,296)
Property rentals and related expenses		**(19,338)**	(28,861)
Provision for onerous contracts	*6(c)*	**–**	(6,479)
Impairment losses on property, plant and equipment	*6(c)*	**(5,130)**	–
Advertising and marketing expenses		**(4,948)**	(3,291)
Other operating expenses		**(6,746)**	(13,031)
Loss before taxation	*6*	**(10,417)**	(19,274)
Income tax	*7*	**(1,909)**	(147)
Loss and total comprehensive income for the period		**(12,326)**	(19,421)
Loss per share	*8*		
Basic and diluted		**(3.9) cents**	(6.2) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016 – unaudited

(Expressed in Hong Kong dollars)

	Note	**At 30 September 2016** **$'000**	At 31 March 2016 *$'000*
Non-current assets			
Property, plant and equipment		**30,647**	42,466
Deferred tax assets		**484**	2,393
		31,131	44,859
Current assets			
Inventories		**2,904**	3,340
Trade and other receivables	*9*	**21,492**	27,267
Amount due from related party		**3,240**	2,160
Tax recoverable		**1,867**	1,867
Pledged bank deposits		**1,000**	4,547
Cash at bank and in hand		**96,475**	89,604
		126,978	128,785
Current liability			
Trade and other payables	*10*	**28,900**	32,109
Net current assets		**98,078**	96,676
NET ASSETS		**129,209**	141,535
CAPITAL AND RESERVES	*11*		
Share capital		**3,150**	3,150
Reserves		**126,059**	138,385
TOTAL EQUITY		**129,209**	141,535

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**") is principally engaged in operation of clubbing business.

(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 2016 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 29 November 2016.

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 2016, except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the financial year ending 31 March 2017. Details of any changes in accounting policies are set out in note 2.

The financial information relating to the financial year ended 31 March 2016 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 2016 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 24 June 2016.

(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 loss 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 2012-2014 Cycle*
- Amendments to HKAS 1, *Presentation of financial statements: Disclosure initiative*

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 2016 and 2015.

4 OTHER REVENUE

	Six months ended 30 September	
	2016	2015
	$'000	*$'000*
Bank interest income	**8**	32

5 OTHER NET LOSS

	Six months ended 30 September	
	2016	2015
	$'000	*$'000*
Loss on disposal of property, plant and equipment	**(90)**	(346)

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 September	
	2016	2015
	$'000	*$'000*
(a) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plan	**352**	595
Salaries, wages and other benefits	**10,122**	14,800
	10,474	15,395
(b) Property rentals		
Operating lease charges: minimum lease payments – property rentals	**17,083**	25,357
(c) Other items		
Depreciation	**5,956**	6,296
Cost of inventories sold	**12,174**	16,277
Impairment losses on property, plant and equipment	**5,130**	–
Provision for onerous contracts*	**–**	6,479

* In light of the unsatisfactory performance, Beijing Club and DIZZI were closed down on 15 September 2015 and 30 October 2015 respectively. A provision of $6,479,000 was made for the onerous lease contracts of these two clubs and was fully utilised during the year ended 31 March 2016.

7 INCOME TAX

	Six months ended 30 September	
	2016	2015
	$'000	*$'000*
Current tax		
Provision for the period	**–**	340
Deferred tax		
Origination and reversal of temporary differences	**1,909**	(193)
	1,909	147

(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 2015: 16.5%) to the six months ended 30 September 2016.

(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 PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of $12,326,000 (six months ended 30 September 2015: $19,421,000) and the weighted average of 314,984,000 (six months ended 30 September 2015: 314,826,000) ordinary shares in issue during the interim period.

(b) Diluted loss per share

The diluted loss per share is the same as basic loss per share as there were no dilutive potential ordinary shares in existence during the six months ended 30 September 2016 and 2015.

9 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 2016	At 31 March 2016
	$'000	*$'000*
Trade receivables		
– within 1 month	**916**	286
Deposits, prepayments and other receivables	**20,576**	26,981
	21,492	27,267

The Group's trade receivables mainly represent the credit card sales receivables 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 $12,341,000 (31 March 2016: $12,107,000), which mainly represents rental deposits for clubs of the Group. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

10 TRADE AND OTHER PAYABLES

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

	At 30 September 2016	At 31 March 2016
	$'000	*$'000*
Trade creditors		
– within 3 months	**1,775**	2,407
Other payables and accrued charges	**20,772**	23,064
Receipts in advance	**6,353**	6,638
	28,900	32,109

11 CAPITAL, RESERVES AND DIVIDENDS

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

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2016 and 2015.

(b) Share capital

	At 30 September 2016		At 31 March 2016	
	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 2016/1 April 2015	**314,984**	**3,150**	314,002	3,140
Shares issued under share option scheme	**–**	**–**	982	10
At 30 September 2016/31 March 2016	**314,984**	**3,150**	314,984	3,150

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

AUX International Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") is principally engaged in clubbing business in Hong Kong and is one of the prominent brands in the clubbing and entertainment industry in Hong Kong. The Group currently owns and operates two clubs, namely Zentral and Magnum Club, which are characterized by their contemporary and elegant style with a span of over 20,000 square feet in the heart of Lan Kwai Fong area. The Group offers two vibrant venues that functions not only as clubs, but also have successfully built a niche for hosting private parties, corporate events, live entertainment, fashion and jewelry shows, filming location, and film premiere among others.

Being a leading entertainment service and venue provider, each club has a distinct theme expressed through its style and design for targeting the clubbers in the age of 18-45. Moreover, all venues deployed state-of-the-art facilities for ensuring high-quality clubbing enjoyment to the customers, as well as to the event organizers looking for innovative venues on any given occasions. 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 recorded approximately HK$54.4 million for the six months ended 30 September 2016, representing a decrease of 23.1% as compared with approximately HK$70.7 million for the six months ended 30 September 2015. The decrease in revenue was mainly due to volatile economic condition and intense competition in the clubbing industry as well as the closure of Beijing Club and Dizzi in September and October 2015 respectively.

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 31.8% or HK$4.9 million to approximately HK$10.5 million for the six months ended 30 September 2016 from approximately HK$15.4 million for the six months ended 30 September 2015. Such decrease was mainly due to decrease in manpower as a result of the closure of Beijing Club and Dizzi.

Property Rentals and Related Expenses

The property rentals and related expenses consist 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 33.2% or HK$9.6 million to approximately HK$19.3 million for the six months ended 30 September 2016 from approximately HK$28.9 million for the six months ended 30 September 2015. Such decrease was mainly due to the closure of Beijing Club and Dizzi.

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 48.5% or HK$1.6 million to approximately HK$4.9 million for the six months ended 30 September 2016 from approximately HK$3.3 million for the six months ended 30 September 2015. Such increase was mainly due to increase in brand building and promotion activities for Zentral.

Results for the Period

The Group's loss for the six months ended 30 September 2016 was HK$12.3 million, representing a decrease of 36.6% from approximately HK$19.4 million for the six months ended 30 September 2015. Such decrease was mainly due to decrease in property rentals and related expenses, staff cost and other operating expenses.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 30 September 2016, the Group's total current assets and current liabilities were approximately HK$127.0 million (31 March 2016: approximately HK$128.8 million) and approximately HK$28.9 million (31 March 2016: approximately HK$32.1 million) respectively, while the current ratio was about 4.4 times (31 March 2016: 4.0 times).

As at 30 September 2016, the Group maintained cash at bank and in hand of approximately HK$96.5 million (31 March 2016: approximately HK$89.6 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 2016, the Group had no borrowings (31 March 2016: nil). The gearing ratio, which is calculated by dividing total borrowings by total equity, as at 30 September 2016 was zero (31 March 2016: zero).

CAPITAL STRUCTURE

As at 30 September 2016, the total equity of the Group was approximately HK$129.2 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 2016. 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 2016.

CHARGE ON ASSETS

As at 30 September 2016, the Group's pledged bank deposits was approximately HK$1.0 million (31 March 2016: approximately HK$4.5 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On 7 November 2016, a wholly owned subsidiary of the Company, Starry Chance Limited, entered into an equity transfer agreement (the "**Transfer Agreement**") with Ningbo AUX Real Estate Co., Ltd., a connected person to the Company. Starry Chance Limited is to acquire the entire issued shares of Ningbo AUX Property Management Service Co., Ltd. at a consideration of RMB153,000,000 (the "**Consideration**"). The Consideration will be financed by the Company's internal resources and an loan from the Company's controlling shareholder. Details of this acquisition transaction has been disclosed in the Company's announcement dated 7 November 2016.

Up to the date of issue of this announcement, the acquisition has not completed and the completion is subject to (i) the satisfaction of conditions precedent as stated in the Transfer Agreement; and (ii) the Company's independent shareholders' approval in the forthcoming extraordinary general meeting.

FOREIGN EXCHANGE EXPOSURE

The directors of the Company (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 2016, the Group did not have any material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 30 September 2016, the Group had approximately 106 employees (31 March 2016: 153 employees). The Group offers competitive remuneration packages to its staff, including share option scheme, mandatory provident fund schemes and discretionary bonus.

PROSPECTS

The Group is adjusting its operational portfolio and taking active measures in introducing investments that will broaden its income source so as to reduce the negative impact of the continually weakening sentiment in Hong Kong's consumer market and to bring a turnaround to the Group. As described in the section headed "Future Plans for Material Investments or Capital Assets" above, the Group has entered into an equity transfer agreement for the acquisition of a property management company, that is principally engaged in property management business in the PRC. Leveraging on the Groups' resources and controlling shareholder's business connection, the Group expects the property management business will deliver substantial return for shareholders of the Company.

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 2016.

USE OF NET PROCEEDS FROM THE IPO

The net proceeds from the IPO 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 2016, the Group had used approximately HK$28.3 million for the decoration and other opening costs for Zentral, additional working capital and other general corporate 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. 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 2016.

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

During the six months ended 30 September 2016, 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 2016.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim 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 2016 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, 29 November 2016

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.