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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 ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2016**

The board (the “**Board**”) of directors (the “**Directors**”) of AUX International Holdings Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2016 together with the comparative figures for the year ended 31 March 2015 as follows:

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

For the year ended 31 March 2016

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	3	128,964	154,864
Other revenue		46	1,227
Other net loss		(346)	(33)
Cost of inventories sold	4(b)	(29,662)	(35,380)
Staff costs	4(a)	(27,943)	(35,117)
Depreciation and amortisation		(12,581)	(7,226)
Property rentals and related expenses		(50,290)	(42,199)
Provision for onerous contracts	4(b)	(6,479)	–
Advertising and marketing expenses		(6,784)	(7,032)
Other operating expenses		(21,954)	(26,272)
(Loss)/profit before taxation	4	(27,029)	2,832
Income tax credit/(expense)	5	1,047	(2,936)
Loss and total comprehensive income for the year		(25,982)	(104)
Loss per share	6		
Basic and diluted		(8.3) cents	(0.1) cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	7	42,466	55,302
Intangible asset		–	–
Deferred tax assets		2,393	1,366
		<u>44,859</u>	<u>56,668</u>
Current assets			
Inventories		3,340	3,339
Trade and other receivables	8	27,267	38,078
Amounts due from related parties		2,160	2,160
Tax recoverable		1,867	1,657
Pledged bank deposits		4,547	7,036
Cash at bank and in hand		89,604	98,162
		<u>128,785</u>	<u>150,432</u>
Current liabilities			
Trade and other payables	9	32,109	40,556
Net current assets		<u>96,676</u>	<u>109,876</u>
NET ASSETS		<u>141,535</u>	<u>166,544</u>
CAPITAL AND RESERVES			
Share capital	10	3,150	3,140
Reserves		138,385	163,404
TOTAL EQUITY		<u>141,535</u>	<u>166,544</u>

NOTES

1 GENERAL INFORMATION

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 Group is principally engaged in operation of clubbing business.

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

2 STATEMENT OF COMPLIANCE

The consolidated annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 March 2016 but are extracted from those financial statements.

The Group's consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The Group's consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. There have been no significant changes to the accounting policies applied in the Group's consolidated financial statements for the years presented as a result of these developments. The Group has not applied any new or revised 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 years ended 31 March 2016 and 2015.

4 (LOSS)/PROFIT BEFORE TAXATION

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
(a) Staff costs		
Contributions to defined contribution retirement plan	1,036	1,356
Equity settled share-based payment expenses	–	679
Salaries, wages and other benefits	26,907	33,082
	27,943	35,117
(b) Other items		
Amortisation of intangible asset	–	121
Depreciation	12,581	7,105
Impairment losses on other receivables	517	605
Equity settled share-based payment expenses [#]	–	788
Auditors' remuneration		
– audit services	1,418	1,325
– non-audit services	52	388
Operating lease charges: minimum lease payments – property rentals	44,516	36,893
Cost of inventories sold	29,662	35,380
Provision for onerous contracts [*]	6,479	–

[#] Equity settled share-based payment expenses for the year ended 31 March 2015 included HK\$679,000 relating to staff costs, which is also included in the amount disclosed separately in note 4(a).

^{*} 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 HK\$6,479,000 was made for the onerous lease contracts of these two clubs and was fully utilised during the year.

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax		
Provision for the year	–	2,488
Over-provision in respect of prior years	<u>(20)</u>	<u>(169)</u>
	(20)	2,319
Deferred tax		
Origination and reversal of temporary differences	<u>(1,027)</u>	<u>617</u>
	<u>(1,047)</u>	<u>2,936</u>

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group sustained a loss for taxation purpose for the year. The provision for Hong Kong Profits Tax for 2015 was calculated at 16.5% of the estimated assessable profits for the prior year.

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

6 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 HK\$25,982,000 (2015: HK\$104,000) and the weighted average number of 314,905,000 (2015: 312,667,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2016 <i>HK'000</i>	2015 <i>HK'000</i>
Issued ordinary shares at the beginning of the year	314,002	312,600
Effect of share options exercised	<u>903</u>	<u>67</u>
Weighted average number of ordinary shares at the end of the year	<u>314,905</u>	<u>312,667</u>

(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 years ended 31 March 2016 and 2015.

7 **PROPERTY, PLANT AND EQUIPMENT**

	Furniture, fixtures and equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:			
At 1 April 2015	27,889	48,912	76,801
Additions	91	–	91
Disposals	(3,080)	(5,264)	(8,344)
At 31 March 2016	24,900	43,648	68,548
Accumulated depreciation:			
At 1 April 2015	11,602	9,897	21,499
Charge for the year	5,130	7,451	12,581
Written back on disposals	(2,734)	(5,264)	(7,998)
At 31 March 2016	13,998	12,084	26,082
Net book value:			
At 31 March 2016	10,902	31,564	42,466
Cost:			
At 1 April 2014	15,690	13,963	29,653
Additions	12,224	34,981	47,205
Disposals	(25)	(32)	(57)
At 31 March 2015	27,889	48,912	76,801
Accumulated depreciation:			
At 1 April 2014	8,169	6,249	14,418
Charge for the year	3,441	3,664	7,105
Written back on disposals	(8)	(16)	(24)
At 31 March 2015	11,602	9,897	21,499
Net book value:			
At 31 March 2015	16,287	39,015	55,302

8 TRADE AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	286	988
Deposits, prepayments and other receivables	26,981	37,090
	27,267	38,078

At 31 March 2016 and 2015, none of the Group's trade receivables was individually or collectively considered to be impaired. The Group does not hold any collateral over these balances.

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 HK\$12,107,000 (2015: HK\$7,448,000), which mainly represents rental deposits for clubs of the Group. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

Ageing analysis

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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 1 month	286	919
Over 2 months	–	69
	286	988

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

9 TRADE AND OTHER PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade creditors	2,407	2,255
Other payables and accrued charges	23,064	27,158
Receipts in advance	<u>6,638</u>	<u>11,143</u>
	<u>32,109</u>	<u>40,556</u>

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

Receipts in advance represent the prepayments from customers in respect of the membership schemes operated by the Group.

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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 3 months	<u>2,407</u>	<u>2,255</u>

10 SHARE CAPITAL

	2016		2015	
	No. of shares '000	Amount <i>HK\$'000</i>	No. of shares '000	Amount <i>HK\$'000</i>
Authorised:				
Ordinary shares of \$0.01 each	<u>10,000,000</u>	<u>100,000</u>	<u>10,000,000</u>	<u>100,000</u>
Ordinary shares, issued and fully paid:				
At the beginning of the year	314,002	3,140	312,600	3,126
Shares issued under share option scheme (<i>note (i)</i>)	<u>982</u>	<u>10</u>	<u>1,402</u>	<u>14</u>
At the end of the year	<u>314,984</u>	<u>3,150</u>	<u>314,002</u>	<u>3,140</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Notes:

(i) Shares issued under share option scheme

During the year ended 31 March 2016, options were exercised to subscribe for 982,000 (2015: 1,402,000) ordinary shares in the Company at a consideration of HK\$973,000 (2015: HK\$1,388,000) of which HK\$10,000 (2015: HK\$14,000) was credited to share capital and the balance of HK\$963,000 (2015: HK\$1,374,000) was credited to the share premium account. HK\$317,000 (2015: HK\$355,000) has been transferred from the share-based compensation reserve to the share premium account.

(ii) Terms of unexpired and unexercised share options at the end of the reporting period

Exercise period	Exercise price	Number	
		2016	2015
28 November 2014 to 27 November 2017	HK\$0.99	<u>–</u>	<u>1,282,000</u>

Each option entitled the holder to subscribe for one ordinary share in the Company, all remaining unexercised share options were cancelled on 15 May 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group currently owns and operates Magnum Club and Zentral (the “Clubs”). In order to optimize the operations of the Group and to focus its resources on the other clubs of the Group to enhance profitability, Beijing Club and DIZZI had been closed down in September and October 2015 respectively. The Group regularly reviews its clubbing operations with a view to staying competitive in the market by adjusting its business operations according to market conditions and improving its results of operation. The Group will continue its drive to fortify its pioneer position in the clubbing and entertainment industry in Hong Kong by leveraging the Group’s established presence in the Lan Kwai Fong area and will remain vigilant in pursuing growth opportunities.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of approximately HK\$129.0 million for the year ended 31 March 2016, representing a decrease of approximately 16.7% as compared with approximately HK\$154.9 million for the year ended 31 March 2015. The decrease in revenue was mainly due to continually weakening sentiment in consumer market caused by volatile economic condition and intense competition in clubbing business.

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 20.5% or HK\$7.2 million to approximately HK\$27.9 million for the year ended 31 March 2016 from approximately HK\$35.1 million for the year ended 31 March 2015. Such decrease was mainly due to the 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 and the Group's headquarters. The property rentals and related expenses increased by approximately 19.2% or HK\$8.1 million to approximately HK\$50.3 million for the year ended 31 March 2016 from approximately HK\$42.2 million for the year ended 31 March 2015. Such increase was mainly due to full effect of the rental expenses of Zentral, which was opened in December 2014.

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 the Clubs. The advertising and marketing expenses decreased by approximately 2.9% or HK\$0.2 million to approximately HK\$6.8 million for the year ended 31 March 2016 from approximately HK\$7.0 million for the year ended 31 March 2015. Such decrease was mainly due to reduction of promotional activities of the Clubs.

Results for the Year

The Group's loss for the year ended 31 March 2016 was approximately HK\$26.0 million, as compared with the Group's loss of approximately HK\$0.1 million for the year ended 31 March 2015. The net loss was mainly due to (i) a decrease in revenue mainly due to continually weakening sentiment in consumer market caused by volatile economic condition and intense competition in clubbing business; (ii) the closure of Beijing Club from 15 September 2015 until the end of its tenancy in February 2016 for reinstatement work without any rent-free period; and (iii) full effect of the operational and rental expenses of Zentral, which was opened in December 2014.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 31 March 2016, the Group's total current assets and current liabilities were approximately HK\$128.8 million (31 March 2015: approximately HK\$150.4 million) and approximately HK\$32.1 million (31 March 2015: approximately HK\$40.6 million) respectively, while the current ratio was about 4.0 times (31 March 2015: 3.7 times).

As at 31 March 2016, the Group maintained cash at bank and in hand of approximately HK\$89.6 million (31 March 2015: approximately HK\$98.2 million). The decrease in cash at bank and in hand was primarily due to the operating costs of Zentral and reinstatement costs of Beijing Club. In the foreseeable future, the Group expects to fund its capital expenditures, working capital and other capital requirements from the net proceeds from the initial public offering (the “IPO”), cash generated from its operations and other financing means which the Company may from time to time consider appropriate.

As at 31 March, 2016, the Group had no borrowings (31 March 2015: Nil). The gearing ratio, which is calculated by dividing total borrowings by total equity, as at 31 March 2016 was zero (31 March 2015: zero).

CAPITAL STRUCTURE

As at 31 March 2016, the total equity of the Group was approximately HK\$141.5 million (31 March 2015: approximately HK\$166.5 million) which was attributable to equity shareholders of the Company. The Group had no borrowings, debt securities or other capital instruments as at 31 March 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 and associated companies during the year ended 31 March 2016.

CHARGE ON ASSETS

As at 31 March 2016, the Group’s pledged bank deposits was approximately HK\$4.5 million (31 March 2015: approximately HK\$7.0 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

FOREIGN EXCHANGE EXPOSURE

The Directors believe that the Group's exposure to foreign currency risk is minimal as the monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars.

CONTINGENT LIABILITIES

As at 31 March 2016, the Group did not have any material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 31 March 2016, the Group employed approximately 153 employees (31 March 2015: 167 employees). The Group offers competitive remuneration packages to its staff, including share option scheme, mandatory provident fund scheme and discretionary bonus.

PROSPECTS

The Group expects a challenging macro economic environment in the coming year and the clubbing and entertainment market in Hong Kong is therefore remain difficult to be optimistic. In view of this, the Group will continue its stringent cost control and customer experience enrichment measures to attract more club patrons to maintain the Group's pioneer position in clubbing and entertainment industry in Hong Kong.

In addition, to better equip itself for the challenging economic environment, the Group will use existing resources and take advantage of the controlling shareholder's business connection in China to continue to look for investment opportunities.

Guided by the principle of balanced investment risk, the Group will not precluded the possibility to pursue investment opportunities in trading, property management, big health care, internet information technology and other emerging industries. The Group anticipates that these investment opportunities will broaden its income source, brings stable and additional cash inflow and maximise the returns to the shareholders.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2016 (31 March 2015: Nil).

USE OF 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 of 31 March 2016, the Group had used approximately HK\$24.5 million for the decoration, other opening costs for Zentral and 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.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the "**CG Code**") contained 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 throughout the year ended 31 March 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set forth in Appendix 10 to the Listing Rules as the code for securities transactions by the Directors. The Company has made specific enquiry with all Directors and all Directors have confirmed that they complied with the Model Code throughout the year ended 31 March 2016.

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

During the year ended 31 March 2016, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) on 3 January 2014. The Audit Committee consists of three independent non-executive Directors, namely, Mr. Bau Siu Fung (Chairman of the Audit Committee), Mr. Poon Chiu Kwok and Ms. Lou Aidong.

The Audit Committee has reviewed the Group’s consolidated financial statements and annual results for the year ended 31 March 2016. The Audit Committee is of the view that these financial statements have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory provisions, and sufficient disclosures have already been made.

SCOPE OF WORK OF KPMG

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 March 2016 had been compared by the Company’s auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group’s draft financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.auxint.com. The annual report for the year ended 31 March 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, 24 June 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.