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 2019

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 2019 together with the comparative figures for the year ended 31 March 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

	Note	**2019** **HK$'000**	2018 HK$'000
Revenue	3	**317,568**	268,237
Other revenue	4	**6,742**	4,050
Other net income/(loss)	5	**6,979**	(6,370)
Cost of inventories sold	6(c)	**(18,791)**	(22,068)
Property cleaning expenses		**(44,049)**	(33,232)
Staff costs	6(b)	**(144,284)**	(107,278)
Depreciation and amortisation	6(c)	**(17,899)**	(17,536)
Property rentals and related expenses		**(27,204)**	(33,651)
Provision for onerous contracts	6(c)	**(3,924)**	—
Impairment losses on property, plant and equipment	6(c)	**(4,255)**	(6,427)
Advertising and marketing expenses		**(10,704)**	(13,781)
Utilities expenses		**(13,205)**	(7,937)
Repair and maintenance expenses		**(11,243)**	(7,161)
Other operating expenses		**(36,129)**	(35,923)
Loss from operations		**(398)**	(19,077)
Finance costs	6(a)	**(2,346)**	(1,484)
Loss before taxation	6	**(2,744)**	(20,561)
Income tax	7	**(6,891)**	(4,956)
Loss for the year		**(9,635)**	(25,517)
Loss per share	8		
Basic and diluted		**(2.6) cents**	(7.2) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019 (Expressed in Hong Kong dollars)

	2019	2018
	HK$'000	*HK$'000*
Loss for the year	**(9,635)**	(25,517)
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of the financial statements of subsidiaries (nil tax effect)	**(11,927)**	10,537
Total comprehensive income for the year	**(21,562)**	(14,980)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019 (Expressed in Hong Kong dollars)

	Note	**2019** *HK$'000*	2018 *HK$'000*
Non-current assets			
Property, plant and equipment	9	**8,913**	14,395
Intangible assets	10	**61,326**	73,120
Goodwill	10	**56,850**	60,321
Prepayments	11	**100**	—
Deferred tax assets		**1,694**	1,498
		128,883	149,334
Current assets			
Inventories		**3,520**	2,990
Trade and other receivables	11	**98,041**	68,272
Amount due from a related party		**—**	540
Restricted bank deposits		**2,439**	2,726
Pledged bank deposits		**—**	1,000
Cash at bank and in hand		**194,855**	206,788
		298,855	282,316
Current liabilities			
Trade and other payables	12	**104,592**	133,457
Contract liabilities		**53,058**	—
Obligations under finance lease		**168**	161
Amount due to the controlling shareholder		**192**	—
Current taxation		**6,979**	3,479
		164,989	137,097
Net current assets		**133,866**	145,219
Total assets less current liabilities		**262,749**	294,553

	Note	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Loan from the controlling shareholder		**116,720**	123,845
Obligations under finance lease		**450**	618
Deferred tax liabilities		**15,331**	18,280
		132,501	142,743
NET ASSETS		**130,248**	151,810
CAPITAL AND RESERVES			
Share capital	13	**3,750**	3,750
Reserves		**126,498**	148,060
TOTAL EQUITY		**130,248**	151,810

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

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 "**Cayman Companies Law**"). The Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") is principally engaged in operation of clubbing business and provision of property management services.

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 2019 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**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These 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. Note 2 below provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the Group's consolidated financial statements.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9, *Financial instruments*

(ii) HKFRS 15, *Revenue from contracts with customers*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

(i) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The adoption of HKFRS 9 does not have any impact on the classification and measurement of financial assets and financial liabilities of the Group.

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

The Group has assessed that the adoption of HKFRS 9 does not have a material impact to the opening balance as at 1 April 2018.

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Details of the nature and effect of the changes on previous accounting policies are set out below:

Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, "receipts in advance" amounting to $47,573,000, which were previously included in trade and other payables are now classified as contract liabilities and separately presented in the consolidated statement of financial position upon the adoption of HKFRS 15 at 1 April 2018.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activity of the Group are the operation of clubbing business and provision of property management services.

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), sponsorship income and income arising from provision of property management services.

Disaggregation of revenue from contracts with customers by service lines and geographical location of customers is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue from club operations — Hong Kong	**83,431**	100,890
Revenue from property management contracts — the PRC	**234,137**	167,347
	317,568	268,237

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 (see note 2(ii)).

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 2019 and 2018.

(b) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

For property management services, the Group recognises revenue as the services are provided that correspond directly with the value of performance completed. The Group has applied the practical expedient in HKFRS 15 to its revenue from property management contracts for not to disclose the remaining performance obligations under the Group's existing contracts as these contracts do not have a fixed term.

(c) Segment reporting

The Group has managed 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.

Segment	**Business**
Operation of clubbing business — Hong Kong	Sales of beverage and tobacco products
Property management — the PRC	Provision of property management services

(i) ***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 year ended 31 March 2019 is set out below.

	Operation of clubbing business — Hong Kong		**Property management — the PRC**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018
		(Note (i))		*(Note (i))*		*(Note (i))*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers and reportable segment revenue	**83,431**	100,890	**234,137**	167,347	**317,568**	268,237
Reportable segment (loss)/ profit (adjusted EBITDA)	**(12,932)**	(7,753)	**29,432**	24,835	**16,500**	17,082
Interest income from bank deposits	**6**	4	**4,625**	932	**4,631**	936
Interest expense	**(27)**	(16)	**—**	—	**(27)**	(16)
Depreciation and amortisation	**(9,508)**	(9,677)	**(8,380)**	(7,808)	**(17,888)**	(17,485)
Impairment losses on property, plant and equipment	**(4,255)**	(6,427)	**—**	—	**(4,255)**	(6,427)
Reportable segment assets	**27,113**	38,487	**365,480**	336,078	**392,593**	374,565
Additions to non-current segment assets during the year *(note (ii))*	**6,444**	2,358	**2,798**	136,365	**9,242**	138,723
Reportable segment liabilities	**26,157**	23,157	**129,551**	108,780	**155,708**	131,937

Notes:

(i) The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated but continues to be prepared in accordance with HKAS 18 (see note 2(ii)).

(ii) Additions to non-current segment assets consist of additions to property, plant and equipment, intangible assets and goodwill, including additions arising from the acquisition of Ningbo AUX Property Management Services Co., Ltd ("**Ningbo AUX**") during the year ended 31 March 2018.

(ii) ***Reconciliations of reportable segment revenue, profit or loss, assets and liabilities***

	2019	2018
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue and consolidated revenue *(note 3(a))*	**317,568**	268,237

	2019	2018
	HK$'000	*HK$'000*
Profit or loss		
Reportable segment profit derived from the Group's external customers	**16,500**	17,082
Other revenue	**6,742**	4,050
Other net income/(loss)	**6,979**	(6,370)
Depreciation and amortisation	**(17,899)**	(17,536)
Finance costs	**(2,346)**	(1,484)
Impairment losses on property, plant and equipment	**(4,255)**	(6,427)
Unallocated head office and corporate expenses	**(8,465)**	(9,876)
Consolidated loss before taxation	**(2,744)**	(20,561)

	2019	2018
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**392,593**	374,565
Deferred tax assets	**1,694**	1,498
Unallocated head office and corporate assets	**33,451**	55,587
Consolidated total assets	**427,738**	431,650

	2019	2018
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**155,708**	131,937
Current taxation	**6,979**	3,479
Deferred tax liabilities	**15,331**	18,280
Unallocated head office and corporate liabilities	**119,472**	126,144
Consolidated total liabilities	**297,490**	279,840

4 OTHER REVENUE

	2019	2018
	HK$'000	*HK$'000*
Bank interest income	**4,604**	944
Income from available-for-sale financial assets	**—**	768
Government grants *(note)*	**1,583**	1,814
Others	**555**	524
	6,742	4,050

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

5 OTHER NET INCOME/(LOSS)

	2019	2018
	HK$'000	*HK$'000*
Loss on disposal of property, plant and equipment	**(42)**	(4)
Gain on disposal of a subsidiary	**9**	—
Net foreign exchange gain/(loss)	**7,012**	(6,366)
	6,979	(6,370)

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2019 *HK$'000*	2018 *HK$'000*
(a) Finance costs		
Interest on loan from the controlling shareholder	**2,319**	1,468
Finance charges on obligations under finance lease	**27**	16
	2,346	1,484
(b) Staff costs		
Contributions to defined contribution retirement plans	**19,716**	13,912
Salaries, wages and other benefits	**124,568**	93,366
	144,284	107,278
(c) Other items		
Depreciation	**10,300**	10,477
Amortisation	**7,599**	7,059
Impairment losses on trade receivables	**2,314**	1,488
Impairment losses on property, plant and equipment	**4,255**	6,427
Auditors' remuneration		
— audit services	**2,500**	2,746
— non-audit services	**25**	184
Operating lease charges: minimum lease payments — property rentals	**23,145**	29,725
Cost of inventories sold	**18,791**	22,068
Provision for onerous contracts	**3,924**	—

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Income tax expense in the consolidated statement of profit or loss represents:

	2019 *HK$'000*	2018 *HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**1,432**	—
Current tax — the People's Republic of China ("the PRC") Corporate Income Tax		
Provision for the year	**7,617**	6,582
	9,049	6,582
Deferred tax		
Origination and reversal of temporary differences	**(2,158)**	(1,626)
	6,891	4,956

The provision for Hong Kong Profits Tax for the year ended 31 March 2019 is calculated at 16.5% of the estimated assessable profits for the year.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements for the years ended 31 March 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.

According to the PRC Corporate Income Tax Law, the PRC's statutory income tax rate is 25%.

Among the branches of Ningbo AUX 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. The directors are of the view that it is highly probable that the Chengdu Branch will be entitled to the same preferential tax rate and 15% is adopted in estimating the tax provision for the year ended 31 March 2019.

Pursuant to the current 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.

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 HK$9,635,000 (2018: HK$25,517,000) and the weighted average number of 374,984,000 (2018: 354,765,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2019	2018
	'000	*'000*
Issued ordinary shares at the beginning of the year	**374,984**	314,984
Effect of placing of new shares	**—**	39,781
Weighted average number of ordinary shares at the end of the year	**374,984**	354,765

(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 2019 and 2018.

9 PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment *HK$'000*	Leasehold improvements *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
Cost:					
At 1 April 2018	15,192	28,910	2,110	178	46,390
Additions	2,803	—	—	6,440	9,243
Disposals	(330)	—	—	—	(330)
Transfer from construction in progress	—	6,618	—	(6,618)	—
Exchange adjustments	(133)	(18)	(4)	—	(155)
At 31 March 2019	17,532	35,510	2,106	—	55,148
Accumulated depreciation and impairment losses:					
At 1 April 2018	10,814	20,882	299	—	31,995
Charge for the year	2,192	7,476	632	—	10,300
Impairment losses	—	4,255	—	—	4,255
Written back on disposals	(272)	—	—	—	(272)
Exchange adjustments	(28)	(15)	—	—	(43)
At 31 March 2019	12,706	32,598	931	—	46,235
Net book value:					
At 31 March 2019	4,826	2,912	1,175	—	8,913
Cost:					
At 1 April 2017	24,464	41,079	—	—	65,543
Additions	1,545	17	2,099	178	3,839
Acquisition of subsidiary	1,032	267	43	—	1,342
Disposals	(11,956)	(12,468)	(36)	—	(24,460)
Exchange adjustments	107	15	4	—	126
At 31 March 2018	15,192	28,910	2,110	178	46,390
Accumulated depreciation and impairment losses:					
At 1 April 2017	17,958	21,282	—	—	39,240
Charge for the year	2,992	7,179	306	—	10,477
Impairment losses	1,549	4,878	—	—	6,427
Written back on disposals	(11,705)	(12,468)	(7)	—	(24,180)
Exchange adjustments	20	11	—	—	31
At 31 March 2018	10,814	20,882	299	—	31,995
Net book value:					
At 31 March 2018	4,378	8,028	1,811	178	14,395

During the year ended 31 March 2019, the operation of clubbing business continued to be loss-making. The segment loss of the clubbing business, as disclosed in note 3(c), amounted to $12,932,000 (2018: $7,753,000) in 2019. The Group assessed the recoverable amount of the relevant property, plant and equipment, taking into consideration the likelihood of renewal of the clubs' tenancy agreements upon expiration. As a result, impairment losses of $4,255,000 (2018: $6,427,000) were recognised as "impairment losses on property, plant and equipment" in the consolidated statement of profit or loss to reduce the carrying amount of these property, plant and equipment to their recoverable amount of $4,039,000.

10 INTANGIBLE ASSETS AND GOODWILL

These balances 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 work force of Ningbo AUX and the potential growth of the property management industry in the PRC.

11 TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables, net of loss allowance *(note)*	**70,734**	42,043
Deposits, prepayments and other receivables	**27,407**	26,229
	98,141	68,272
Less: Non-current portion of prepayments	**(100)**	—
	98,041	68,272

Note: At 31 March 2019, trade receivables of the Group included amounts due from related parties of HK$4,141,000 (2018: HK$9,197,000). The amounts represent property management fee receivables arisen in the ordinary course of business.

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$1,157,000 (2018: HK$11,591,000). All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

All of the trade receivables are receivables from contracts with customers within the scope of HKFRS 15. The comparative figures of trade receivables are also the opening balances for the year ended 31 March 2019.

(a) 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 and net of loss allowance, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**24,897**	10,974
Over 1 month to 3 months	**11,978**	10,775
Over 3 months to 6 months	**8,666**	6,779
Over 6 months to 1 year	**11,949**	7,373
Over 1 year	**13,244**	6,142
	70,734	42,043

12 TRADE AND OTHER PAYABLES

	31 March 2019	1 April 2018	31 March 2018
	HK$'000	*HK$'000*	*HK$'000*
Trade creditors	**28,918**	17,455	17,455
Receipts in advance *(note (i))*	**—**	—	47,573
Deposits received from property occupants/owners	**14,933**	16,035	16,035
Receipts on behalf of utilities companies	**13,664**	14,375	14,375
Amounts due to related parties	**1,486**	2,114	2,114
Provision for onerous contract *(note (ii))*	**3,924**	—	—
Other payables and accrued charges	**41,667**	35,905	35,905
	104,592	85,884	133,457

Notes:

(i) As a result of the adoption of HKFRS 15, receipts in advance which represent the prepayments from customers in respect of the membership schemes operated by the Group and prepayments from property occupants/owners in respect of property management services, are included in contract liabilities in the consolidated statement of financial position (see note 2(ii)).

(ii) The provision was made for the onerous tenancy agreement for one of the clubs in Hong Kong, taking into consideration the performance of the relevant club. Under this tenancy agreement, the unavoidable cost of meeting the obligations have exceeded the economic benefits expected to be received. Consequently, a provision for onerous contract was recognised in profit or loss in 2019.

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

The amounts due to related parties are unsecured, interest-free and repayable within one year.

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:

	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**18,537**	7,120
Over 3 months to 6 months	**3,336**	3,942
Over 6 months to 1 year	**3,555**	5,944
Over 1 year	**3,490**	449
	28,918	17,455

13 SHARE CAPITAL

	2019		2018	
	No. of shares	**Amount**	No. of shares	Amount
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000**	**100,000**	10,000,000	100,000
Ordinary shares, issued and fully paid:				
At the beginning of the year	**374,984**	**3,750**	314,984	3,150
Placing of new shares	**—**	**—**	60,000	600
At the end of the year	**374,984**	**3,750**	374,984	3,750

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.

On 2 August 2017, 60,000,000 new shares were issued to the placees at the placing price of HK$0.91 per share, with net proceeds amounting to HK$54,058,000, pursuant to the placing agreement dated 10 July 2017.

14 COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year ended 31 March 2019, the Group has been principally engaged in the operation of clubbing business in Hong Kong (the "**clubbing business segment**") and property management services in the PRC (the "**property management segment**").

Business review — clubbing business segment

The Group currently owns two clubs, namely ACYO (previously known as Magnum Club) and Zentral (the "**Clubs**"). Magnum Club reopened on 17 January 2019 after renovation and has been operating under the name ACYO. On 24 May 2019 and subsequent communications with the landlord of the properties where ACYO operates, the Group understands that the landlord does not intend to renew the tenancy agreement in respect of the leased properties. As the result, the Group has provided for onerous contracts of HK$3.9 million and impairment losses on property, plant and equipment of HK$4.3 million respectively in the year under review.

Business review — property management segment

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

As at 31 March 2019, the Group managed 50 projects with a total gross floor area of approximately 5.92 million square meters.

Financial Review

Revenue

The Group recorded revenue of approximately HK$317.6 million for the year ended 31 March 2019, representing in an increase of approximately 18.4% as compared with approximately HK$268.2 million for the year ended 31 March 2018. The increase in revenue was mainly due to the increase in the number of property management projects managed by the Group from 32 projects last year to 50 projects in the year under review. For the year ended 31 March 2019, property management services business recorded a revenue of HK$234.1 million from the property management segment compared to HK$167.3 million last year.

Staff Costs

The staff costs comprise salaries, wages, discretionary bonuses, membership commissions, 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 34.5% or HK$37.0 million to approximately HK$144.3 million for the year ended 31 March 2019 from approximately HK$107.3 million for the year ended 31 March 2018. The increase was mainly due to the increase in staff costs incurred for the property management services of HK$37.9 million due to increase in scale of operation.

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 decreased by approximately 19.3% or HK$6.5 million to approximately HK$27.2 million for the year ended 31 March 2019 from approximately HK$33.7 million for the year ended 31 March 2018. Such decrease was mainly due to decrease in rental expenses of Zentral.

Advertising and Marketing Expenses

The advertising and marketing expenses primarily consist of advertising and promotional expenses, such as the cost of inviting international disc jockeys to the Clubs. The advertising and marketing expenses decreased by approximately 22.5% or HK$3.1 million to approximately HK$10.7 million for the year ended 31 March 2019 from approximately HK$13.8 million for the year ended 31 March 2018. Such decrease was mainly due to decrease in promotion activities in Magnum Club/ACYO as it was closed for renovation during most of the period under review.

Utilities expenses and repair and maintenance expenses

The utilities expenses and repair and maintenance expenses increased by approximately by HK$5.3 million or 66.4% and HK$4.1 million or 57.0% respectively for the year ended 31 March 2019. The increase was mainly attributable to the increase in expenses incurred for the property management business as a result of increase in scale of operation.

Other operating expenses

The other operating expenses remained stable at approximately HK$36.1 million for the year ended 31 March 2019 (2018: approximately HK$35.9 million). Such expenses include gardening costs, security costs and other miscellaneous expenses.

Results for the Year

The Group's loss for the year ended 31 March 2019 was approximately HK$9.6 million, as compared with the Group's loss of approximately HK$25.5 million for the year ended 31 March 2018. The decrease in loss for the year was mainly due to the increase in revenue of HK$49.3 million and net exchange difference in respect of Renminbi denominated loan from the controlling shareholder turning from net exchange loss of HK$6.4 million to net exchange gain of HK$7.0 million, which outweighted the increase in staff cost during the year of HK$37.0 million and the increase in property cleaning expenses of HK$10.8 million.

Liquidity, Financial Resources and Gearing

As at 31 March 2019, the Group's total current assets and current liabilities were approximately HK$298.9 million (31 March 2018: approximately HK$282.3 million) and approximately HK$165.0 million (31 March 2018: approximately HK$137.1 million) respectively, while the current ratio was about 1.8 times (31 March 2018: 2.1 times).

As at 31 March 2019, the Group maintained cash at bank and in hand of approximately HK$194.9 million (31 March 2018: approximately HK$206.8 million). 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"), the net proceeds from the placing of new shares under general mandate 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 31 March 2019 was approximately HK$117.3 million (31 March 2018: HK$124.6 million), which was mainly represented by the 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, a wholly-owned subsidiary of the Company, for the purpose of financing its acquisition of the entire equity interests in Ningbo AUX. The gearing ratio, which is calculated by dividing total interest-bearing borrowings by total equity, as at 31 March 2019 was 0.90 (31 March 2018: 0.82).

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 were third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules) at a placing price of HK$0.91 per share (the "**Placing**"). The Directors considered that it was in the interests of the Company to raise capital from the equity market in order to enhance the capital base of the Company. The market price of the shares of the Company was HK$1.11 per share on 10 July 2017, being the date of the placing agreement and the date on which the terms of the Placing were fixed. All the conditions set out in the placing agreement had been fulfilled subsequently and 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$29.0 million of the net proceeds raised from the Placing had been used to supplement the Group's working capital. The remaining balance was deposited in 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.

As at 31 March 2019, the capital structure of the Group consists of equity of approximately HK$130.2 million (31 March 2018: approximately HK$151.8 million) and loan from the controlling shareholder of approximately HK$116.7 million (31 March 2018: HK$123.8 million). Except for the loan from the controlling shareholder and obligation under finance lease, the Group had no bank borrowings, debt securities or other capital instruments as at 31 March 2019.

Material Acquisitions or Disposals of Subsidiaries and Associated Companies

The Group did not have any material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 March 2019.

Charge on Assets

As at 31 March 2019, the Group's pledged bank deposit was nil (31 March 2018: approximately HK$1.0 million).

Future Plans for Material Investments or Capital Assets

On 30 April 2019, Po Tai Holdings Limited ("**Po Tai**") (an indirect wholly-owned subsidiary of the Company) as the purchaser, Supreme Park Limited ("**Supreme Park**") as the seller and an individual who was the ultimate beneficial owner of Supreme Park as the guarantor, entered into a sale and purchase agreement, pursuant to which Po Tai Limited acquired 100% equity interest in Mini Club Hong Kong Limited for consideration of HK$6.5 million. The target company 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 Mong Kok respectively.

For details of the transactions, please refer to the Company's announcement dated 30 April 2019.

Save as disclosed above, 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 healthcare, 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 Group operates in Hong Kong and Mainland China and is exposed to foreign exchange risks arising from Renminbi. Foreign exchange risks arise from future commercial transactions, recognised assets and liabilities denominated in Renminbi for the entities with a functional currency in Hong Kong dollars. The Group did not use any forward contracts to hedge its foreign currency exposure during the year. The Group will from time to time review and adjust the Group's hedging and financial strategies based on the RMB and Hong Kong dollars exchange rate movement.

Contingent Liabilities

As at 31 March 2019, the Group did not have any material contingent liabilities.

Employee and Remuneration Policy

As at 31 March 2019, the Group employed approximately 1,205 employees (31 March 2018: 1,083 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 that the overall economic condition in Hong Kong will remain swirling in the coming year due to the prolonged trade dispute between China and the USA. Aware of the possibility that the Group's clubbing business might be more vulnerable to downward or uncertain economic fluctuations, the Group has extended its offerings to middle-class customers.

The Group will continue to enhance its balanced earning portfolio, review its business performance regularly, and to identify favourable investment opportunities.

Clubbing business segment

Although the intention of the landlord of the properties where ACYO operates not to renew the tenancy agreement in respect of the leased premises was unexpected by the Group, the Group sees it as an excellent opportunity for the Group to evaluate similar rental opportunities available in the market and to adjust its way forward in exploring possible expansion of its offerings in the clubbing business segment.

For now, the Group will focus its resources on Zentral and the newly acquired restaurant and bar outlets. The Group will continue to improve its clubbing business performance and rebrand itself as a leading entertainment services provider in Hong Kong.

Property management services segment

The Group's property management services segment has enjoyed healthy growth in the past year through expansion of service portfolio into different types of properties. Going forward, the Group will continue to expand its property management services from managing hospitals premises and industrial parks. The Group is also seeking opportunities to provide property management services to government agencies' office buildings and recreational facilities, such as sport complexes and exhibition halls.

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 March 2019 (31 March 2018: Nil).

Use of proceeds from the IPO of the Shares of the Company

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 31 March 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 for the decoration and other opening costs for Zentral and approximately HK$10.4 million 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. During the year ended 31 March 2019, parts of the 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 remain deposited with licensed financial institutions in Hong Kong.

Use of proceeds	Proposed use of unutilised net proceeds from the IPO as set out in the announcement dated 22 June 2017 *HK$'million*	Net proceeds utilised as at 31 March 2018 *HK$'million*	Net proceeds utilised during the year ended 31 March 2019 *HK$'million*	as at 31 March 2019 *HK$'million*	Unutilised net proceeds as at 31 March 2019 *HK$'million*
(i) settlement of consideration payable for acquisition of Ningbo AUX	57.0	57.0	—	57.0	—
(ii) research of business expansion including but not limited to clubbing business and property management business	10.7	2.5	0.7	3.2	7.5
(iii) capital expenditures, working capital, other capital requirements and other general corporate purposes	8.0	8.0	—	8.0	—
	75.7	67.5	0.7	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 way as disclosed in the announcement of the Company dated 10 July 2017. As at 31 March 2019, the Group had utilised approximately HK$29.0 million of such net proceeds for working capital. It is expected that the unutilised net proceeds will be applied for the intended uses as set out in the announcement of the Company dated 10 July 2017.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its corporate governance code of practices. The Board is of opinion that the Company has complied with the code provisions set out in the CG Code throughout the year ended 31 March 2019.

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 2019.

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

During the year ended 31 March 2019, 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 2019. 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 in the Group's consolidated financial statements.

SCOPE OF WORK OF KPMG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019 as set out in the preliminary announcement have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditors on this announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.auxint.com. The annual report for the year ended 31 March 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, 26 June 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.