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 2020

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 2020 together with the comparative figures for the year ended 31 March 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020 (Expressed in Hong Kong dollars)

	Note	2020 HK$'000	2019 (Note) HK$'000
Revenue	3	**339,972**	317,568
Other revenue	4	**11,088**	6,742
Other net income	5	**12,616**	6,979
Cost of inventories sold	6(c)	**(12,594)**	(18,791)
Property cleaning expenses		**(59,582)**	(44,049)
Staff costs	6(b)	**(156,096)**	(144,284)
Depreciation and amortisation	6(c)	**(24,612)**	(17,899)
Property rentals and related expenses		**(9,438)**	(27,204)
Provision for onerous contracts	6(c)	**—**	(3,924)
Impairment losses on property, plant and equipment	6(c)	**(1,823)**	(4,255)
Advertising and marketing expenses		**(4,198)**	(10,704)
Utilities expenses		**(12,300)**	(13,205)
Repair and maintenance expenses		**(17,096)**	(11,243)
Other operating expenses		**(33,815)**	(36,129)
Profit/(loss) from operations		**32,122**	(398)
Finance costs	6(a)	**(2,956)**	(2,346)
Profit/(loss) before taxation	6	**29,166**	(2,744)
Income tax	7	**(15,953)**	(6,891)
Profit/(loss) for the year		**13,213**	(9,635)
Profit/(loss) per share	8		
Basic and diluted		**3.5 cents**	(2.6) cents

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020 (Expressed in Hong Kong dollars)

	2020	2019
		(Note)
	HK$'000	*HK$'000*
Profit/(loss) for the year	**13,213**	(9,635)
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 (with nil tax effect)	**(15,087)**	(11,927)
Total comprehensive income for the year	**(1,874)**	(21,562)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020 (Expressed in Hong Kong dollars)

	Note	**2020**	2019
			(Note)
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment	9	**17,824**	8,913
Intangible assets	10	**50,261**	61,326
Goodwill	10	**60,432**	56,850
Prepayments	11	**—**	100
Deferred tax assets		**2,097**	1,694
		130,614	128,883
Current assets			
Inventories		**927**	3,520
Trade and other receivables	11	**92,332**	98,041
Restricted bank deposits		**2,586**	2,439
Cash at bank and in hand		**206,735**	194,855
		302,580	298,855
Current liabilities			
Trade and other payables	12	**100,687**	104,592
Contract liabilities		**45,349**	53,058
Lease liabilities		**21,054**	168
Amount due to the controlling shareholder		**2,435**	192
Current taxation		**8,239**	6,979
		177,764	164,989
Net current assets		**124,816**	133,866
Total assets less current liabilities		**255,430**	262,749

	Note	2020	2019
			(Note)
	Note	***HK$'000***	*HK$'000*
Non-current liabilities			
Loan from the controlling shareholder		**109,165**	116,720
Lease liabilities		**1,075**	450
Deferred tax liabilities		**16,816**	15,331
		127,056	132,501
NET ASSETS		**128,374**	130,248
CAPITAL AND RESERVES			
Share capital	13	**3,750**	3,750
Reserves		**124,624**	126,498
TOTAL EQUITY		**128,374**	130,248

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

NOTES

1 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.

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 2020 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. The 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 "**Stock Exchange**") (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 new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

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

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

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

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

a. New definition of a lease

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

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

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

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

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

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

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

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

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

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

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities.

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

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

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

c. Impact on the financial result and segment results of the Group

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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.

Further details regarding the Group's principal activities are disclosed in note 3(b).

Disaggregation of revenue

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

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Revenue from club and restaurant operations — Hong Kong	**51,970**	83,431
Revenue from property management contracts — the PRC	**288,002**	234,137
	339,972	317,568

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 2020 and 2019.

(b) Segment reporting

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.

Segment	**Business**
Lifestyle entertainment — Hong Kong	Sales of food and beverages and tobacco products from operation of clubbing business and restaurant and bar outlets
Property management — the PRC	Provision of property management services

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executives monitor the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade and other payables attributable to the sales activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue, interest income from cash balances and interest expense from borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

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 years ended 31 March 2020 and 2019 is set out below.

	Lifestyle entertainment — Hong Kong		**Property management — the PRC**		**Total**	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers and reportable segment revenue	**51,970**	83,431	**288,002**	234,137	**339,972**	317,568
Reportable segment (loss)/profit (adjusted EBITDA)	**(9,221)**	(12,932)	**49,986**	29,432	**40,765**	16,500
Interest income from bank deposits	**4**	6	**6,616**	4,625	**6,620**	4,631
Interest expenses	**(595)**	(27)	**(9)**	—	**(604)**	(27)
Depreciation and amortisation	**(15,200)**	(9,508)	**(8,296)**	(8,380)	**(23,496)**	(17,888)
Impairment losses on property, plant and equipment	**(1,823)**	(4,255)	**—**	—	**(1,823)**	(4,255)
Reportable segment assets	**31,805**	27,113	**395,616**	365,480	**427,421**	392,593
Additions to non-current segment assets during the year *(note (ii))*	**35,821**	6,444	**647**	2,798	**36,468**	9,242
Reportable segment liabilities	**28,067**	26,157	**136,577**	129,551	**164,644**	155,708

Notes:

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

(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 Mini Club Hong Kong Limited ("**Mini Club**") (see note 14).

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

	2020	2019
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue and consolidated revenue *(note 3(a))*	**339,972**	317,568

	2020	2019
	HK$'000	*HK$'000*
Profit or loss		
Reportable segment profit derived from the Group's external customers	**40,765**	16,500
Other revenue	**11,088**	6,742
Other net income	**12,616**	6,979
Depreciation and amortisation	**(24,612)**	(17,899)
Finance costs	**(2,956)**	(2,346)
Impairment losses on property, plant and equipment	**(1,823)**	(4,255)
Unallocated head office and corporate expenses	**(5,912)**	(8,465)
Consolidated profit/(loss) before taxation	**29,166**	(2,744)

	2020	2019
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**427,421**	392,593
Deferred tax assets	**2,097**	1,694
Unallocated head office and corporate assets	**3,676**	33,451
Consolidated total assets	**433,194**	427,738

	2020	2019
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**164,644**	155,708
Current taxation	**8,239**	6,979
Deferred tax liabilities	**16,816**	15,331
Unallocated head office and corporate liabilities	**115,121**	119,472
Consolidated total liabilities	**304,820**	297,490

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

4 OTHER REVENUE

	2020	2019
	HK$'000	*HK$'000*
Bank interest income	**6,694**	4,604
Government grants *(note)*	**3,240**	1,583
Others	**1,154**	555
	11,088	6,742

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

5 OTHER NET INCOME

	2020	2019
	HK$'000	*HK$'000*
Loss on disposal of property, plant and equipment	**(544)**	(42)
Gain on disposal of a subsidiary	**5,000**	9
Net foreign exchange gain	**7,483**	7,012
Reversal of provision for reinstatement costs	**677**	—
	12,616	6,979

6 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

	2020	2019
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on loan from the controlling shareholder	**2,243**	2,319
Interest on lease liabilities	**713**	27
	2,956	2,346

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

	2020	2019
	HK$'000	*HK$'000*
(b) Staff costs		
Contributions to defined contribution retirement plans	**20,470**	19,716
Salaries, wages and other benefits	**135,626**	124,568
	156,096	144,284
(c) Other items		
Depreciation charge *(note 9)*		
— owned property, plant and equipment*	**5,657**	10,049
— right-of-use assets*	**11,665**	251
	17,322	10,300
Amortisation	**7,290**	7,599
Impairment losses on trade receivables	**2,751**	2,314
Impairment losses on property, plant and equipment	**1,823**	4,255
Auditors' remuneration		
— audit services	**2,580**	2,500
— non-audit services	**26**	25
Total minimum lease payments for leases previously classified as operating leases under HKAS 17*	**—**	23,145
Cost of inventories sold	**12,594**	18,791
Provision for onerous contracts	**—**	3,924
Gain on termination of lease agreement	**(19)**	—

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

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2020	2019
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**—**	1,432
Over-provision in respect of prior years	**(410)**	—
	(410)	1,432
Current tax — PRC Corporate Income Tax		
Provision for the year	**14,461**	7,617
	14,051	9,049
Deferred tax		
Origination and reversal of temporary differences	**1,902**	(2,158)
	15,953	6,891

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements for the year ended 31 March 2020, as the subsidiaries of the Group in Hong Kong either sustain a loss for taxation purpose or do not generate any assessable income.

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

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 (寧波奧克斯物業服務有限公司) ("**Ningbo AUX**") in the PRC, the Chengdu Branch was entitled to a preferential tax rate of 15% under the Enterprise 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 2020.

Pursuant to the current rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in these jurisdictions.

At 31 March 2019, no deferred tax liabilities had been recognised in respect of temporary differences relating to undistributed profits of the Company's subsidiaries, which would be payable on the distribution of these profits, as it had been determined that these profits would not be distributed in the foreseeable future. During the year ended 31 March 2020, management reassess the dividend policy of the Company's subsidiaries and consider that the retained profits of these subsidiaries may be distributed in the foreseeable future. Consequently, deferred tax liabilities of $4,251,000 for temporary differences relating to undistributed profits of subsidiaries are recognised as at 31 March 2020.

8 PROFIT/(LOSS) PER SHARE

(a) Basic profit/(loss) per share

The calculation of basic profit/(loss) per share is based on the profit attributable to ordinary equity shareholders of the Company of $13,213,000 (2019: loss attributable to ordinary equity shareholders of the Company of $9,635,000) and the weighted average number of 374,984,000 (2019: 374,984,000) ordinary shares in issue during the year.

(b) Diluted profit/(loss) per share

The diluted profit/(loss) per share is the same as basic profit/(loss) per share as there were no dilutive potential ordinary shares in existence during the years ended 31 March 2020 and 2019.

9 PROPERTY, PLANT AND EQUIPMENT

	Properties leased for own use *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Leasehold improvements *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
Cost:						
At 31 March 2019	—	17,532	35,510	2,106	—	55,148
Impact on initial application of HKFRS 16 *(note)*	1,144	—	—	—	—	1,144
At 1 April 2019	1,144	17,532	35,510	2,106	—	56,292
Acquisition of subsidiaries *(note 14)*	7,339	—	—	—	—	7,339
Additions	18,565	1,999	1,278	30	—	21,872
Disposals	(738)	(263)	(773)	(2,042)	—	(3,816)
Lease modification	(585)	—	—	—	—	(585)
Exchange adjustments	(19)	(309)	(18)	(4)	—	(350)
At 31 March 2020	25,706	18,959	35,997	90	—	80,752
Accumulated depreciation and impairment losses:						
At 1 April 2019	—	12,706	32,598	931	—	46,235
Charge for the year	11,665	2,078	3,300	279	—	17,322
Impairment losses	944	297	582	—	—	1,823
Written back on disposals	(246)	(167)	(773)	(1,165)	—	(2,351)
Exchange adjustments	(2)	(79)	(18)	(2)	—	(101)
At 31 March 2020	12,361	14,835	35,689	43	—	62,928
Net book value:						
At 31 March 2020	13,345	4,124	308	47	—	17,824

	Properties leased for own use HK$'000	Furniture, fixtures and equipment HK$'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

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. See note 2.

During the year ended 31 March 2020, the operation of clubbing business and restaurant and bar outlets continued to be loss-making. The segment loss (i.e. adjusted earnings before interest, taxes, depreciation and amortisation) of the clubbing business and restaurant and bar outlets amounted to $9,221,000 (2019: $12,932,000) in 2020 and the Group has assessed the recoverable amount of the relevant property, plant and equipment. As a result, impairment losses of $1,823,000 (2019: $4,255,000) 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 $12,699,000 (2019: $4,039,000). The estimates of recoverable amount were based on the value-in-use model, in which the cash flows were discounted using discount rates of 11% to 13% (2019: 11%). The discount rate used was pre-tax and reflected specific risks relating to the operation of clubbing business and restaurant and bar outlets.

10 INTANGIBLE ASSETS AND GOODWILL

These balances arose from the acquisition of Ningbo AUX in May 2017 and Mini Club in April 2019. 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 and the benefit of expected synergies, revenue growth and the assembled workforce of Mini Club.

11 TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables, net of loss allowance *(note)*	**67,819**	70,734
Deposits, prepayments and other receivables	**24,513**	27,407
	92,332	98,141
Less: Non-current portion of prepayments	**—**	(100)
	92,332	98,041

Note: At 31 March 2020, trade and other receivables of the Group included amounts due from entities controlled by Mr. Zheng Jian Jiang, the Company's controlling shareholder, of $4,371,000 (2019: $1,615,000) and entities over which Mr. Zheng Jian Jiang has significant influence, of $4,035,000 (2019: $2,526,000). The amounts represent property management fees receivable 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 $4,226,000 (2019: $1,157,000), which mainly represent rental deposits for office premises and restaurant of the Group (2019: 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.

All of the trade receivables are receivables from contracts with customers within the scope of HKFRS 15.

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:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**29,954**	24,897
Over 1 month to 3 months	**8,821**	11,978
Over 3 months to 6 months	**6,249**	8,666
Over 6 months to 1 year	**11,422**	11,949
Over 1 year	**11,373**	13,244
	67,819	70,734

12 TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade creditors	**22,335**	28,918
Deposits received from property occupants/owners	**19,104**	14,933
Receipts on behalf of utilities companies	**15,930**	13,664
Amounts due to related parties	**2,137**	1,486
Provision for onerous contract *(note)*	**—**	3,924
Other payables and accrued charges	**41,181**	41,667
	100,687	104,592

Note: 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 the prior year. The balance has been fully settled in the current year.

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 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.

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:

	2020	2019
	HK$'000	*HK$'000*
Within 3 months	**12,469**	18,537
Over 3 months to 6 months	**6,269**	3,336
Over 6 months to 1 year	**2,307**	3,555
Over 1 year	**1,290**	3,490
	22,335	28,918

13 SHARE CAPITAL

	2020		2019	
	No. of shares	**Amount**	No. of shares	Amount
	'000	***HK$'000***	*'000*	*HK$'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 the beginning and 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.

14 ACQUISITION OF SUBSIDIARY

On 30 April 2019, Po Tai Holdings Limited, a wholly owned subsidiary of the Company, acquired the entire equity interest in Mini Club at a consideration of $6,500,000. The purchase consideration has been settled in cash. Acquisition of Mini Club would enable the Group to diversify the revenue stream in food and beverage industry and its investment portfolio.

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

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

Analysis of net cash outflow of cash and cash equivalents in respect of the acquisition of Mini Club is as follows:

	HK$'000
Cash consideration	6,500
Bank overdrafts assumed	501
	7,001
Less: Prepaid consideration in prior year	(100)
Net cash outflow	6,901

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

15 COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 March 2020, the Group has been principally engaged in the operation of clubbing business and restaurant and bar outlets in Hong Kong (the "**lifestyle entertainment segment**") and provision of property management services in the PRC (the "**property management segment**").

BUSINESS REVIEW — LIFESTYLE ENTERTAINMENT SEGMENT

The Group currently owns Zentral, a club in Central (the "**Club**"), and three restaurant and bar outlets across Causeway Bay, Tsim Sha Tsui and Mongkok, namely Mini Club. On 30 April 2019, the Group acquired Mini Club at a total consideration of HK$6.5 million.

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 complexes, hospitals and industrial parks.

As at 31 March 2020, the Group managed 64 projects with a total gross floor area of approximately 7.19 million square meters.

FINANCIAL REVIEW

REVENUE

The Group recorded revenue of approximately HK$340.0 million for the year ended 31 March 2020, representing an increase of approximately 7.1% as compared with approximately HK$317.6 million for the year ended 31 March 2019. The increase in revenue was mainly due to the increase in the number of property management projects managed by the Group from 50 projects for the year ended 31 March 2019 to 64 projects for the year ended 31 March 2020. For the year ended 31 March 2020, property management services business recorded a revenue of HK$288.0 million from the property management segment compared to HK$234.1 million for the year ended 31 March 2019.

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 permanent and part time staff. The staff costs increased by approximately 8.2% or HK$11.8 million to approximately HK$156.1 million for the year ended 31 March 2020 from approximately HK$144.3 million for the year ended 31 March 2019. The increase was mainly due to the increase in staff costs incurred for the property management services of HK$14.5 million due to increase in scale for operation.

PROPERTY RENTALS AND RELATED EXPENSES

The property rentals and related expenses consist of lease payments under operating leases for the Club and the Group's headquarters. The property rentals and related expenses decreased by approximately 65.4% or HK$17.8 million to approximately HK$9.4 million for the year ended 31 March 2020 from approximately HK$27.2 million for the year ended 31 March 2019. Such decrease was mainly due to adoption of HKFRS 16 where right-of-use assets are capitalised for rental payments for leased properties and depreciated over the lease terms.

ADVERTISING AND MARKETING EXPENSES

The advertising and marketing expenses primarily consist of advertising and promotional expenses, such as the cost of inviting international disc jockeys ("**DJ**") to the Club. The advertising and marketing expenses decreased by approximately 60.7% or HK$6.5 million to approximately HK$4.2 million for the year ended 31 March 2020 from approximately HK$10.7 million for the year ended 31 March 2019. Such decrease was mainly due to decrease in promotion activities in Zentral as the Group has temporarily scaled down its marketing activities due to the market uncertainty in Hong Kong.

UTILITIES EXPENSES AND REPAIR AND MAINTENANCE EXPENSES

The utilities expenses and repair and maintenance expenses increased by approximately HK$5.0 million or 20.5% for the year ended 31 March 2020. 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$33.8 million for the year ended 31 March 2020 (2019: approximately HK$36.1 million). Such expenses include gardening costs, security costs and other miscellaneous expenses.

RESULTS FOR THE YEAR

The Group's profit for the year ended 31 March 2020 was approximately HK$13.2 million, as compared with the Group's loss of approximately HK$9.6 million for the year ended 31 March 2019. The turnaround from loss to profit for the year was mainly due to the increase in revenue of HK$22.4 million and gain on disposal of a subsidiary of HK$5.0 million. The revenue growth in the property management segment and the gain on disposal of Asiatic Century Limited, an indirect wholly-owned subsidiary of the Company recorded during the first half of the financial year had been instrumental in bringing about the improvement in the Group's profitability for the financial year ended 31 March 2020.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 31 March 2020, the Group's total current assets and current liabilities were approximately HK$302.6 million (31 March 2019: approximately HK$298.9 million) and approximately HK$177.8 million (31 March 2019: approximately HK$165.0 million) respectively, while the current ratio was about 1.7 times (31 March 2019: 1.8 times).

As at 31 March 2020, the Group maintained cash at bank and in hand of approximately HK$206.7 million (31 March 2019: approximately HK$194.9 million). In the foreseeable future, the Group expects to fund its capital expenditures, working capital and other capital requirements from the net proceeds from the initial public offering (the "**IPO**") 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 2020 was approximately HK$131.3 million (31 March 2019: HK$117.3 million), which was mainly represented by the loan of RMB100,000,000 with a term of five years at an interest rate of 2% per annum granted by the controlling shareholder of the Company to Starry Chance Limited, an indirect 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 2020 was 1.02 (31 March 2019: 0.90).

CAPITAL STRUCTURE

On 10 July 2017, the Company entered into a placing agreement with Chung Sun Securities Limited (the "**Placing Agent**") pursuant to which the Company had conditionally agreed to place, through the Placing Agent, on a best effort basis, a maximum of 60,000,000 new shares of the Company (the "**Subscription Shares**") under the general mandate granted by the shareholders of the Company (the "**Shareholders**") 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 Subscription 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 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, all HK$54.1 million of the net proceeds raised from the Placing had been used to supplement the Group's working capital.

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 2020, the capital structure of the Group consists of equity of approximately HK$128.4 million (31 March 2019: approximately HK$130.2 million) and loan from the controlling shareholder of approximately HK$109.2 million (31 March 2019: HK$116.7 million). Except for the loan from the controlling shareholder and lease liabilities, the Group had no interest-bearing bank borrowings, debt securities or other capital instruments as at 31 March 2020.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries, associated companies or joint ventures during the year ended 31 March 2020.

CHARGE ON ASSETS

As at 31 March 2020, the Group did not have any pledged assets (31 March 2019: HK$0.9 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, 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 ("**RMB**"). Foreign exchange risks arise from future commercial transactions, recognised assets and liabilities denominated in RMB 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 its hedging and financial strategies based on exchange rate movements in RMB and Hong Kong dollars.

CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 31 March 2020, the Group employed approximately 1,304 employees (31 March 2019: 1,205 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 it will take some time for the overall economic condition in Hong Kong to recover from the negative impact of the COVID-19 outbreak. The Group is aware that the Group's lifestyle entertainment segment might be susceptible to the economic downturn, and has developed business strategies such as organising livestreaming of online DJ performance in order to expand its online income source.

The Group is confident that its property management segment will act as a safety net to the Group's performance. At the same time, the Group continues to equip its lifestyle entertainment segment against future economic turbulence. The Group will continue to enhance its balanced earning portfolio, review its business performance regularly, and identify favourable investment opportunities.

Lifestyle entertainment segment

The Group's lifestyle entertainment segment has been severely affected by the COVID-19 outbreak. However, the Group believes that Zentral, as one of the landmark attractions in Lan Kwai Fong, will benefit from the release of the greatly compressed demand for entertainment as the impact of the COVID-19 outbreak diminishes.

Property management segment

The Group's property management segment has achieved double-digit growth in the past year. To continue its past success, the Group will strive for service quality and enhance its reputation as a reliable property management service provider of hospital premises.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020 (31 March 2019: Nil).

USE OF PROCEEDS

The net proceeds from the IPO amounted to approximately HK$105.6 million, among which approximately HK$103.7 million had been utilised as at 31 March 2020. 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 2020, parts of the remaining net proceeds from the IPO had been utilised in accordance with the revised allocation plan as set out in the announcements of the Company dated 22 June 2017 and 31 March 2020, and the unutilised portion remain deposited with licensed financial institutions in Hong Kong. This is summarised as follows:

		Net proceeds utilised			
Use of proceeds	**Proposed use of unutilised net proceeds from the IPO as set out in the announcement dated 22 June 2017**	**As at 31 March 2019**	**During the year ended 31 March 2020**	**As at 31 March 2020**	**Unutilised net proceeds as at 31 March 2020**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*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, and general corporate purposes	10.7	3.2	5.6	8.8	1.9
(iii) capital expenditures, working capital, other capital requirements and other general corporate purposes	8.0	8.0	—	8.0	—
	75.7	68.2	5.6	73.8	1.9

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

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 has complied with the CG Code throughout the year ended 31 March 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted The Mode 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 enquiries with all Directors and all Directors have confirmed that they complied with the Model Code throughout the year ended 31 March 2020.

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

During the year ended 31 March 2020, 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 2020. 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 2020 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

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 annual report for the year ended 31 March 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
Zhang Jingguo
Chairman

Hong Kong, 29 June 2020

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.