AUX

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 2018

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 2018 together with the comparative figures for the year ended 31 March 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

	Note	**2018**	2017
		HK$'000	*HK$'000*
Revenue	3	**268,237**	102,802
Other revenue	4	**4,050**	156
Other net loss	5	**(6,370)**	(90)
Cost of inventories sold	6(c)	**(22,068)**	(23,749)
Property cleaning expenses		**(33,232)**	—
Staff costs	6(b)	**(107,278)**	(25,106)
Depreciation and amortisation	6(c)	**(17,536)**	(10,335)
Property rentals and related expenses		**(33,651)**	(36,652)
Impairment losses on property, plant and equipment	6(c)	**(6,427)**	(5,130)
Advertising and marketing expenses		**(13,781)**	(10,106)
Other operating expenses		**(51,021)**	(18,906)
Loss from operations		**(19,077)**	(27,116)
Finance costs	6(a)	**(1,484)**	—
Loss before taxation	6	**(20,561)**	(27,116)
Income tax	7(a)	**(4,956)**	(1,687)
Loss for the year		**(25,517)**	(28,803)
Loss per share	8		
Basic and diluted		**(7.2) cents**	(9.1) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018 (Expressed in Hong Kong dollars)

	2018	2017
	HK$'000	*HK$'000*
Loss for the year	**(25,517)**	(28,803)
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of the financial statement (nil tax effect)	**10,537**	—
Total comprehensive income for the year	**(14,980)**	(28,803)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018 (Expressed in Hong Kong dollars)

	Note	**2018** *HK$'000*	2017 *HK$'000*
Non-current assets			
Property, plant and equipment	9	**14,395**	26,303
Intangible assets		**73,120**	—
Goodwill		**60,321**	—
Deferred tax assets		**1,498**	706
		149,334	27,009
Current assets			
Inventories		**2,990**	4,348
Trade and other receivables	10	**68,272**	17,123
Amount due from a related party		**540**	2,160
Restricted bank deposits		**2,726**	—
Pledged bank deposits		**1,000**	1,000
Cash at bank and in hand		**206,788**	93,589
		282,316	118,220
Current liabilities			
Trade and other payables	11	**133,457**	32,497
Obligations under finance lease		**161**	—
Current taxation		**3,479**	—
		137,097	32,497
Net current assets		**145,219**	85,723
Total assets less current liabilities		**294,553**	112,732

	Note	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Loan from controlling shareholder		**123,845**	—
Obligations under finance lease		**618**	—
Deferred tax liabilities		**18,280**	—
		142,743	—
NET ASSETS		**151,810**	112,732
CAPITAL AND RESERVES			
Share capital	12	**3,750**	3,150
Reserves		**148,060**	109,582
TOTAL EQUITY		**151,810**	112,732

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 2018 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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in the consolidated financial statements to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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.

The amount of each significant category of revenue is as follows:

	2018	2017
	HK$'000	*HK$'000*
Sales of beverages and tobacco products	**82,694**	84,122
Revenue from other club operations	**18,196**	18,680
Property management services income	**167,347**	—
	268,237	102,802

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 2018 and 2017.

(b) Segment reporting

Management has determined operating segment with reference to the reports reviewed by the chief operating decision maker of the Group that are used to assess the performance and allocate resources.

In the prior years, the chief operating decision maker of the Group assessed the performance and allocated the resources of the Group as a whole, as all of the Group's activities were considered to be primarily dependent on the operation of clubbing business in Hong Kong. Therefore, management considered there was only one operating segment under the requirements of HKFRS 8, *Operating Segments*. Accordingly, no segment information and geographic information were presented for the prior years.

The Group has managed its businesses by divisions since its acquisition of Ningbo AUX Property Management Services Co., Ltd. ("Ningbo AUX") on 5 May 2017, which are organised by business line. In a manner consistent with the way in which information is reported internally to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment, the Group has presented the following 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 chief operating decision maker of the Group for the purposes of resource allocation and assessment of segment performance for the year ended 31 March 2018 is set out below.

	Operation of clubbing business — Hong Kong 2018 *HK$'000*	Property management — the PRC 2018 *HK$'000*	Total 2018 *HK$'000*
Revenue from external customers and reportable segment	**100,890**	**167,347**	**268,237**
Reportable segment (loss)/profit (adjusted EBITDA)	**(7,753)**	**24,835**	**17,082**
Interest income from bank deposits	**4**	**932**	**936**
Interest expense	**(16)**	**—**	**(16)**
Depreciation and amortisation	**(9,677)**	**(7,808)**	**(17,485)**
Impairment losses on property, plant and equipment	**(6,427)**	**—**	**(6,427)**
Reportable segment assets	**38,487**	**336,078**	**374,565**
Additions to non-current segment assets during the year *(note)*	**2,358**	**136,365**	**138,723**
Reportable segment liabilities	**23,157**	**108,780**	**131,937**

Note: Additions to non-current assets consist of property, plant and equipment, intangible assets and goodwill, including additions arising from acquisition of Ningbo AUX.

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

	2018
	HK$'000
Revenue	
Reportable segment revenue and consolidated revenue	**268,237**
Profit or loss	
Reportable segment profit derived from the Group's external customers	**17,082**
Other revenue	**4,050**
Depreciation and amortisation	**(17,536)**
Finance costs	**(1,484)**
Impairment losses on property, plant and equipment	**(6,427)**
Unallocated head office and corporate expenses	**(16,246)**
Consolidated loss before taxation	**(20,561)**
Assets	
Reportable segment assets	**374,565**
Deferred tax assets	**1,498**
Unallocated head office and corporate assets	**55,587**
Consolidated total assets	**431,650**
Liabilities	
Reportable segment liabilities	**131,937**
Current taxation	**3,479**
Deferred tax liabilities	**18,280**
Unallocated head office and corporate liabilities	**126,144**
Consolidated total liabilities	**279,840**

4 OTHER REVENUE

	2018	2017
	HK$'000	*HK$'000*
Bank interest income	**944**	14
Commission income	**—**	142
Income from available-for-sale financial assets	**768**	—
Government grants *(note)*	**1,814**	—
Others	**524**	—
	4,050	156

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

5 OTHER NET LOSS

	2018	2017
	HK$'000	*HK$'000*
Loss on disposal of property, plant and equipment	**4**	90
Net foreign exchange loss	**6,366**	—
	6,370	90

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2018	2017
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on loan from controlling shareholder	**1,468**	—
Finance charges on obligations under finance leases	**16**	—
	1,484	—
(b) Staff costs		
Contributions to defined contribution retirement plans	**13,912**	702
Salaries, wages and other benefits	**93,366**	24,404
	107,278	25,106
(c) Other items		
Depreciation	**10,477**	10,335
Amortisation	**7,059**	—
Impairment losses on trade receivables *(note 10(b))*	**1,488**	—
Impairment losses on property, plant and equipment	**6,427**	5,130
Auditors' remuneration		
— audit services	**2,746**	1,440
— non-audit services	**184**	1,833
Operating lease charges: minimum lease payments — property rentals	**29,725**	33,728
Cost of inventories sold	**22,068**	23,749

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2018	2017
	HK$'000	*HK$'000*
Current tax — the PRC		
Provision for the year	**6,582**	—
Deferred tax		
Origination and reversal of temporary differences	**(1,626)**	1,687
	4,956	1,687

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements for the years ended 31 March 2018 and 2017, 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 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 entitle the same preferential tax rate and 15% is adopted in estimating the tax provision for the year ended 31 March 2018.

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

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$25,517,000 (2017: HK$28,803,000) and the weighted average number of 354,765,000 (2017: 314,984,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2018	2017
	'000	*'000*
Issued ordinary shares at the beginning of the year	**314,984**	314,984
Effect of placing of new shares *(note 12)*	**39,781**	—
Weighted average number of ordinary shares at the end of the year	**354,765**	314,984

(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 2018 and 2017.

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 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**
Cost:					
At 1 April 2016	24,900	43,648	—	—	68,548
Additions	104	856	—	—	960
Disposals	(540)	(1,865)	—	—	(2,405)
Adjustments	—	(1,560)	—	—	(1,560)
At 31 March 2017	24,464	41,079	—	—	65,543
Accumulated depreciation and impairment losses:					
At 1 April 2016	13,998	12,084	—	—	26,082
Charge for the year	3,667	6,668	—	—	10,335
Impairment losses	735	4,395	—	—	5,130
Written back on disposals	(442)	(1,865)	—	—	(2,307)
At 31 March 2017	17,958	21,282	—	—	39,240
Net book value:					
At 31 March 2017	6,506	19,797	—	—	26,303

10 TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables *(note)*	**45,718**	609
Less: allowance for doubtful debts *(note 10(b))*	**(3,675)**	—
	42,043	609
Deposits, prepayments and other receivables	**26,229**	16,514
	68,272	17,123

Note: At 31 March 2018, trade receivables of the Group included amounts due from related parties of HK$9,197,000 (2017: HK$Nil). 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$11,591,000 (2017: HK$12,341,000), which mainly represents rental deposits for clubs of the Group. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

(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 allowance for doubtful debts, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**10,974**	609
Over 1 month to 3 months	**10,775**	—
Over 3 months to 6 months	**6,779**	—
Over 6 months to 1 year	**7,373**	—
Over 1 year	**6,142**	—
	42,043	609

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for doubtful debts during the year is as follows:

	2018	2017
	HK$'000	*HK$'000*
At the beginning of the year	**—**	—
Acquisition of subsidiary	**2,303**	—
Impairment loss recognised	**1,488**	—
Uncollectible amounts written off	**(296)**	—
Exchange adjustments	**180**	—
At the end of the year	**3,675**	—

At 31 March 2018, trade receivables of HK$9,817,000 (2017: HK$Nil) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, allowances for doubtful debts of HK$3,675,000 (2017: HK$Nil) were recognised.

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are not considered to be impaired are as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month past due	**10,974**	609
Over 1 month to 3 months past due	**10,775**	—
Over 3 months past due	**14,152**	—
	35,901	609

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

11 TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade creditors	**17,455**	3,960
Receipts in advance	**47,573**	5,609
Deposits received from property occupants/owners	**16,035**	—
Receipts on behalf of residents	**14,375**	—
Amounts due to related parties	**2,114**	—
Other payables and accrued charges	**35,905**	22,928
	133,457	32,497

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

Receipts in advance represent the prepayments from customers in respect of the membership schemes operated by the Group and prepayments from property occupants/owners in respect of property management services.

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:

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**7,120**	1,887
Over 3 months to 6 months	**3,942**	2,073
Over 6 months to 1 year	**5,944**	—
Over 1 year	**449**	—
	17,455	3,960

12 CAPITAL AND RESERVES

Share capital

	2018		2017	
	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	**314,984**	**3,150**	314,984	3,150
Placing of new shares	**60,000**	**600**	—	—
At the end of the year	**374,984**	**3,750**	314,984	3,150

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year ended 31 March 2018, the Group has been principally engaged in the operation of clubbing business in Hong Kong (the "**clubbing business segment**") and entered into property management services in the PRC (the "**property management segment**").

On 7 November 2016, Starry Chance Limited, a wholly-owned subsidiary of the Company, entered into an agreement to acquire Ningbo AUX Property Management Services Co., Ltd. ("**Ningbo AUX**"). The conditions precedent for such acquisition were fully satisfied on 5 May 2017 and Ningbo AUX became a wholly-owned subsidiary of the Company on that date.

Business review — clubbing business segment

The Group currently owns two clubs, namely Magnum Club and Zentral (the "**Clubs**"). To solidify Magnum's position as one of the nightlife entertainment hotspots in the heart of Lan Kwai Fong area, Magnum club is temporarily closed for renovation from 14 January 2018 as one of the customer experience enrichment measures the Group adopted to increase customer traffic in the future.

Business review — property management segment

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

As at 31 March 2018, the Group managed over 32 projects with gross floor area of approximately 5.33 million square meters.

Financial Review

Revenue

The Group recorded revenue of approximately HK$268.2 million for the year ended 31 March 2018, representing an increase of approximately 160.9% as compared with approximately HK$102.8 million for the year ended 31 March 2017. The increase in revenue was mainly due to positive contribution bought in from the Group's newly acquired property management services business, which recorded a revenue of approximately HK$167.3 million from the property management segment.

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 327.3% or HK$82.2 million to approximately HK$107.3 million for the year ended 31 March 2018 from approximately HK$25.1 million for the year ended 31 March 2017. The increase was mainly due to the staff costs incurred for the property management services of HK$75.8 million and increase of HK$6.3 million from the clubbing business as a result of increase in remuneration package of the key managements in order to maintain the club's competitiveness in human resources.

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 8.2% or HK$3.0 million to approximately HK$33.7 million for the year ended 31 March 2018 from approximately HK$36.7 million for the year ended 31 March 2017. Such decrease was mainly due to decrease in rental expenses of Hong Kong office.

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 increased by approximately 36.6% or HK$3.7 million to approximately HK$13.8 million for the year ended 31 March 2018 from approximately HK$10.1 million for the year ended 31 March 2017. Such increase was mainly due to increase in promotion activities of Zentral.

Other operating expenses

The other operating expenses increased by approximately 169.8% or HK$32.1 million to approximately HK$51.0 million for the year ended 31 March 2018 from approximately HK$18.9 million for the year ended 31 March 2017. The increase was mainly attributable to the expenses incurred for the property management business newly acquired during the year, such expenses include property maintenance, gardening costs, security costs, utilities and other miscellaneous expenses.

Results for the Year

The Group's loss for the year ended 31 March 2018 was approximately HK$25.5 million, as compared with the Group's loss of approximately HK$28.8 million for the year ended 31 March 2017. The decrease in net loss was mainly due to the net impact of the profit contribution from the property management segment of HK$16.4 million since the acquisition of Ningbo AUX, which outweighed the increase in impairment losses recognised for the clubbing business during the year of HK$1.3 million and the increase in net exchange loss of HK$6.4 million and advertising and marketing expenses of HK$3.7 million.

Liquidity, Financial Resources and Gearing

As at 31 March 2018, the Group's total current assets and current liabilities were approximately HK$282.3 million (31 March 2017: approximately HK$118.2 million) and approximately HK$137.1 million (31 March 2017: approximately HK$32.5 million) respectively, while the current ratio was about 2.1 times (31 March 2017: 3.6 times).

As at 31 March 2018, the Group maintained cash at bank and in hand of approximately HK$206.8 million (31 March 2017: approximately HK$93.6 million). The increase in cash at bank and in hand was primarily due to the cash and cash equivalents of approximately HK$146.3 million held by Ningbo AUX, a wholly-owned subsidiary newly acquired during the year. 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 borrowings of the Group as at 31 March 2018 were approximately HK$124.6 million (31 March 2017: Nil), which mainly represented 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 interest in Ningbo AUX. The gearing ratio, which is calculated by dividing total interest-bearing borrowings by total equity, as at 31 March 2018 was 0.82 (31 March 2017: zero).

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 has 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 and whose ultimate beneficial owners are 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**"). 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. As at the date of this report, approximately HK$5.1 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 2018, the capital structure of the Group consists of equity of approximately HK$151.8 million (31 March 2017: approximately HK$112.7 million) and loan from controlling shareholder of approximately HK$123.8 million (31 March 2017: Nil). Except for the loan from controlling shareholder and obligations under finance lease, the Group had no other bank borrowings, debt securities or other capital instruments as at 31 March 2018.

Material Acquisitions or Disposals of Subsidiaries and Associated Companies

On 7 November 2016, Starry Chance Limited, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "**Transfer Agreement**") with 寧波奧克斯置業有限公司 (Ningbo AUX Real Estate Co., Ltd.), an entity controlled by Mr. Zheng Jian Jiang, the controlling shareholder of the Company. Under the Transfer Agreement, Starry Chance Limited agreed to acquire the entire equity interest of Ningbo AUX at a consideration of RMB153,000,000. The transaction was completed on 5 May 2017 and Ningbo AUX has become a wholly-owned subsidiary of the Company since then.

Save as disclosed, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 March 2018.

Profit Guarantee

Reference is made to the circular of the Company dated 28 February 2017 in relation to the acquisition of the Ningbo AUX (the "**Circular**"). Definition and terms, unless otherwise stated, shall bear the same meaning as defined in the Circular.

Pursuant to the Agreement, Ningbo AUX Real Estate Co., Ltd. guarantees to Starry Chance Limited, an indirect wholly-owned subsidiary of the Company, that the Net Profit for the financial years ended 31 December 2016 and 31 December 2017 of Ningbo AUX shall be not less than RMB15 million (equivalent to approximately HKD17.1 million) and RMB18 million (equivalent to approximately HKD20.5 million) respectively. The Profit Guarantee was met for both years.

Significant Investment Held During the Year

To maximise the utilisation of the idle cash without affecting its operational liquidity and fund security, Ningbo AUX had subscribed for certain wealth management products ("**WMP**") offered by a commercial bank in Ningbo before it became a wholly-owned subsidiary of the Company. As at 5 May 2017, Ningbo AUX had WMP of approximately HK$105.7 million (approximately RMB90.0 million). All of the WMP had been fully redeemed on 14 July 2017.

As at 31 March 2018, the Group did not hold any wealth management product.

Charge on Assets

As at 31 March 2018, the Group's pledged bank deposits were approximately HK$1.0 million (31 March 2017: approximately HK$1.0 million).

Future Plans for Material Investments or Capital Assets

The Group intends to conduct more in-depth reviews on the suitable development strategies for the Group, including the feasibility of diversifying the income stream of the Group by exploring different business and investment opportunities in different business areas such as trading, property management, big 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 risk arising from Renminbi. Foreign exchange risk arises 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 Renminbi and Hong Kong dollars exchange rate movement.

Contingent Liabilities

As at 31 March 2018, the Group did not have any material contingent liabilities.

Employee and Remuneration Policy

As at 31 March 2018, the Group employed approximately 1,083 employees (31 March 2017: approximately 113 employees). The Group offers competitive remuneration packages to its staff, including share option scheme, mandatory provident fund scheme and discretionary bonus.

Prospects

With China's property management market continues to consolidate, the Group sees both challenges and opportunities in the coming year. To better prepare ourself towards these opportunities and challenges, the Group aims to create brand advantages through better service quality and enriching its service packages with the vision to provide "beautiful living environment for caring and comfortable life" to our customers.

While the Group is optimistic about the future development of our property management services segment in the coming years, the Group will balance its focus between its property management services segment and its clubbing business segment. Looking forward, the Group will continue to maintain its leading position in the Hong Kong clubbing industry through regular review of existing club's life cycle and provide upbeat events to attract its customers.

When suitable opportunities arise, the Group will not preclude the possibilities of pursuing suitable investment opportunities in e-commerce, internet information technology and other emerging industries in order to expand into different income sources.

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 March 2018 (31 March 2017: 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$97.4 million had been utilised as at 31 March 2018. 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 and approximately HK$10.4 million respectively for the decoration and other opening costs for Zentral and 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 2018, 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 has been deposited in licensed financial institutions in Hong Kong.

Use of Proceeds	**Revised allocation** *HK$'million*	**Utilised Proceeds as at 31 March 2018** *HK$'million*	**Unutilised Proceeds as at 31 March 2018** *HK$'million*
(i) settlement of consideration payable for acquisition of Ningbo AUX	57	57	—
(ii) research of business expansion including but not limited to clubbing business and property management business	10.7	2.5	8.2
(iii) capital expenditure, working capital, other capital requirements and other general corporate purposes	8	8	—
	75.7	67.5	8.2

The net proceeds from the placing of new shares the Company completed on 2 August 2017 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 2018, the Group has utilised approximately HK$5.1 million of such net proceeds for working capital.

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 CG Code throughout the year ended 31 March 2018.

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 2018.

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

During the year ended 31 March 2018, 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 2018. The Audit Committee is of the view that these financial statements have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory provisions, and sufficient disclosures have already been made.

SCOPE OF WORK OF KPMG

The figures in respect of the 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 2018 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 2018 will be dispatched to the shareholders and published on the above websites in due course.

By order of the Board
AUX International Holdings Limited
Zheng Jiang
Chairman

Hong Kong, 29 June 2018

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