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AUX INTERNATIONAL HOLDINGS LIMITED

奧克斯國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2080)

INSIDE INFORMATION

NON-RENEWAL OF TENANCY AGREEMENT AND CLOSURE OF ZENTRAL

This announcement is made by AUX International Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

As at the date of this announcement, the Group is operating one club under the brand name “Zentral” on leased premises situated at California Tower, 30-32 D’Aguilar Street, Central, Hong Kong (the “**Leased Premises**”). The existing tenancy agreement for the Leased Premises (the “**Tenancy Agreement**”) will expire on 30 June 2024, with an option of renewal that has to be exercised not less than six months before the expiration of the Lease (i.e. on or before 30 December 2023). The board (the “**Board**”) of directors (the “**Directors**”) of the Company noted that the lifestyle entertainment business of the Group have been experiencing a downturn in recent years primarily attributable to the COVID-19 pandemic, with a segmental loss recorded for each of the three years ended 31 March 2023. The Board is of the view that the outlook of the lifestyle entertainment business remains uncertain and that a turnaround in its segmental operating results is unlikely to take place in the near future given the prevailing market conditions. Accordingly, the Board has resolved not to exercise the option of renewal under the Tenancy Agreement. The Group will further negotiate with the landlord over the reinstatement arrangements, with a view to delivering vacant possession of the Leased Premises to the landlord by 30th June 2024.

As the Tenancy Agreement expires, Zentral will be closed down. In addition, the “Mini Club” restaurant and bar outlet in Mong Kok, being the other existing limb of the lifestyle entertainment business of the Group, will also cease to operate after 31 December 2023 in view of the imminent expiration of the relevant tenancy agreement. The decision to discontinue the operation of the lifestyle entertainment business of the Group has been strategically made by the Board after careful review of the historical segmental financial performance and holistic assessment of the prevailing circumstances. In particular, a number of adverse macro-economic developments have concerned the Directors, including the changes in lifestyle of local residents and preference of incoming tourists, the shifts in general consumption habits, and the social and demographic trends in Hong Kong. These are prime factors that have resulted in reduced demand for nightlife, and the impacts are expected to be lasting. Amid the significant deterioration in the external operating environment and taking into account the operating costs, the Directors concluded that it would be in the interest of the Company and its shareholders (the “Shareholders”) as a whole to terminate its lifestyle entertainment business, being a segment that has been non-performing over an extended period of time with unpromising prospects.

On the other hand, the property management business of the Group has shown significant and consistent growth since its inception in the financial year ended 31 March 2018. Compared to the lifestyle entertainment business, the property management business is less dependent on consumer behaviour and has better withstood the COVID-19 pandemic, generating a stable income stream for the Group over the years. While the operating results of the lifestyle entertainment business have remained dis-satisfactory throughout, the property management business has served as the core revenue driver of the Group and provided a safety net to the Group’s financial performance. The Directors are positive that the discontinuation of the operation of the lifestyle entertainment business will have a positive impact on the Group’s overall financial performance and the property management business will continue driving the growth of the Group in future.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 29 December 2023

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