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AUX INTERNATIONAL HOLDINGS LIMITED

奧克斯國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2080)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2023**

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 2023 (the “**Year**”) together with the comparative figures for the year ended 31 March 2022 (“**FY2022**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2023 (Expressed in Hong Kong dollars)

	Note	2023 HK\$'000	2022 HK\$'000
Revenue	3	397,092	357,239
Other revenue	4	14,326	13,573
Other net gain/(loss)	5	12,622	(3,960)
Cost of inventories sold	6(d)	(61,324)	(7,683)
Property cleaning expenses		(73,061)	(77,980)
Staff costs	6(b)	(141,257)	(158,509)
Depreciation and amortisation	6(d)	(12,994)	(17,731)
Property rentals and related expenses		(3,989)	(4,464)
Impairment losses on property, plant and equipment	9	(13,057)	(11,360)
Advertising and marketing expenses		(4,531)	(4,584)
Utilities expenses		(11,388)	(9,422)
Repair and maintenance expenses		(17,995)	(19,743)
Other operating expenses	6(c)	(40,561)	(34,543)
Profit from operations		43,883	20,833
Finance costs	6(a)	(1,741)	(2,350)
Profit before taxation	6	42,142	18,483
Income tax	7	(18,006)	(18,591)
Profit/(loss) for the year		24,136	(108)
Attributable to:			
Equity shareholders of the Company		21,511	12,297
Non-controlling interests		2,625	(12,405)
Profit/(loss) for the year		24,136	(108)
Profit per share	8		
Basic and diluted		4.4 cents	3.2 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023 (Expressed in Hong Kong dollars)

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit/(loss) for the year	24,136	(108)
Other comprehensive income for the year		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong (with nil tax effect)	(21,763)	10,683
Reclassification of exchange reserve upon liquidation of subsidiaries	39	–
Other comprehensive income for the year	(21,724)	–
Total comprehensive income for the year	2,412	10,575
Attributable to:		
Equity shareholders of the Company	(213)	22,756
Non-controlling interests	2,625	(12,181)
Total comprehensive income for the year	2,412	10,575

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023 (Expressed in Hong Kong dollars)

	Note	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property, plant and equipment	9	3,681	4,929
Intangible assets	10	30,335	40,748
Goodwill	10	55,669	60,067
Non-current time deposit		59,684	62,210
Non-current rental deposit	11	3,656	994
Deferred tax assets		4,455	3,062
		<u>157,480</u>	<u>172,010</u>
Current assets			
Inventories		1,214	568
Trade and other receivables	11	87,644	91,376
Current tax recoverable		–	3,553
Restricted bank deposits		4,967	4,598
Cash at bank and in hand		286,435	330,233
		<u>380,260</u>	<u>430,328</u>
Current liabilities			
Trade and other payables	12	115,703	130,196
Contract liabilities		74,035	73,707
Lease liabilities		13,535	12,284
Amount due to the controlling shareholder		4,650	6,113
Loans from the controlling shareholder	13	22,060	88,794
Current tax payable		4,591	7,718
		<u>234,574</u>	<u>318,812</u>
Net current assets		<u>145,686</u>	<u>111,516</u>
Total assets less current liabilities		<u>303,166</u>	<u>283,526</u>

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current liabilities			
Loans from the controlling shareholder	13	52,360	22,060
Lease liabilities		2,681	1,002
Deferred tax liabilities		16,169	16,574
		<u>71,210</u>	<u>39,636</u>
NET ASSETS		<u>231,956</u>	<u>243,890</u>
CAPITAL AND RESERVES			
	14		
Share capital		4,930	4,930
Reserves		227,026	227,239
		<u>231,956</u>	<u>232,169</u>
Total equity attributable to equity shareholders of the Company		231,956	232,169
Non-controlling interests		<u>–</u>	<u>11,721</u>
TOTAL EQUITY		<u>231,956</u>	<u>243,890</u>

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**”) is principally engaged in operation of clubbing business and restaurant and bar outlets, and provision of property management services and related value-added 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 2023 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 amendments to 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 accounting periods reflected in the Group’s consolidated financial statements.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

None of these developments have had 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.

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 and related value-added services.

Revenue represents the amount received or receivable from the sale of food and beverages, tobacco products, living consumption and festive 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).

(i) Disaggregation of revenue

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Revenue from club and restaurant operations*		
– Hong Kong	20,973	29,074
Revenue from property management contracts#		
– Mainland China	319,714	328,165
Revenue from property management related value-added services*		
– Mainland China	56,405	–
	<u>397,092</u>	<u>357,239</u>

* The revenue is recognised at a point in time.

The revenue is recognised over time.

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 2023 and 2022.

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

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

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business line and geography. In a manner consistent with the way in which information is reported internally to the most senior executive management of the Group for the purposes of resource allocation and performance assessment, the Group has identified three 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 – Mainland China	Provision of property management services
Property management related value-added services – Mainland China	Sales of living consumption and festive products and provision of household cleaning services and repair services in the community

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management 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, current tax recoverable and other corporate assets. Segment liabilities include trade and other payables and lease liabilities 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 (loss)/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" are regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group's earnings are further adjusted for other revenue, other net gain/(loss) and 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 bank deposits and interest expenses 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 executive management of the Group for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2023 and 2022 is set out below.

	Lifestyle entertainment		Property management		Property management related value-added services		Total	
	– Hong Kong		– Mainland China		– Mainland China			
	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers and reportable segment revenue	<u>20,973</u>	<u>29,074</u>	<u>319,714</u>	<u>328,165</u>	<u>56,405</u>	<u>–</u>	<u>397,092</u>	<u>357,239</u>
Reportable segment (loss)/profit (adjusted EBITDA)	<u>(13,487)</u>	<u>(5,291)</u>	<u>64,831</u>	<u>70,158</u>	<u>2,272</u>	<u>–</u>	<u>53,616</u>	<u>64,867</u>
Interest income from bank deposits	1	1	8,723	6,683	83	–	8,807	6,684
Interest expenses	(315)	(566)	(10)	(10)	–	–	(325)	(576)
Depreciation and amortisation	(3,545)	(7,342)	(8,594)	(9,210)	–	–	(12,139)	(16,552)
Impairment losses on property, plant and equipment	(13,057)	(7,711)	–	–	–	–	(13,057)	(7,711)
Reportable segment assets	<u>7,928</u>	<u>8,294</u>	<u>504,367</u>	<u>442,243</u>	<u>10,174</u>	<u>–</u>	<u>522,469</u>	<u>450,537</u>
Additions to non-current segment assets during the Year (note)	<u>16,595</u>	<u>5,447</u>	<u>1,048</u>	<u>1,403</u>	<u>–</u>	<u>–</u>	<u>17,643</u>	<u>6,850</u>
Reportable segment liabilities	<u>25,188</u>	<u>19,158</u>	<u>169,456</u>	<u>188,760</u>	<u>4,504</u>	<u>–</u>	<u>199,148</u>	<u>207,918</u>

Note: Additions to non-current segment assets consist of additions to property, plant and equipment.

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

	2023 HK\$'000	2022 HK\$'000
Revenue		
Reportable segment revenue and consolidated revenue (note 3(a))	<u>397,092</u>	<u>357,239</u>
Profit or loss		
Reportable segment profit derived from the Group's external customers	53,616	64,867
Other revenue	14,326	13,573
Other net gain/(loss)	12,622	(3,960)
Depreciation and amortisation	(12,994)	(17,731)
Finance costs	(1,741)	(2,350)
Impairment losses on property, plant and equipment	(13,057)	(11,360)
Unallocated head office and corporate expenses	<u>(10,630)</u>	<u>(24,556)</u>
Consolidated profit before taxation	<u>42,142</u>	<u>18,483</u>

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Assets		
Reportable segment assets	522,469	450,537
Deferred tax assets	4,455	3,062
Current tax recoverable	–	3,553
Unallocated head office and corporate assets	<u>10,816</u>	<u>145,186</u>
Consolidated total assets	<u><u>537,740</u></u>	<u><u>602,338</u></u>
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Liabilities		
Reportable segment liabilities	199,148	207,918
Current tax payable	4,591	7,718
Deferred tax liabilities	16,169	16,574
Unallocated head office and corporate liabilities	<u>85,876</u>	<u>126,238</u>
Consolidated total liabilities	<u><u>305,784</u></u>	<u><u>358,448</u></u>

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill.

	Revenue from external customers		Specified non-current assets	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong (place of domicile)	20,973	29,074	358	1,219
Mainland China	<u>376,119</u>	<u>328,165</u>	<u>89,327</u>	<u>104,525</u>
	<u><u>397,092</u></u>	<u><u>357,239</u></u>	<u><u>89,685</u></u>	<u><u>105,744</u></u>

4 OTHER REVENUE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank interest income	9,116	7,215
Government grants (note)	3,384	4,464
COVID-19-related rent concessions received	376	867
Others	1,450	1,027
	<u>14,326</u>	<u>13,573</u>

Note: The amount represents government grants received from Hong Kong and various the People's Republic of China (the "PRC") government authorities in connection with the fiscal subsidies for providing financial support to enterprises and paying wages to the employees.

5 OTHER NET GAIN/(LOSS)

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Gain/(loss) on disposal of property, plant and equipment	4,605	(438)
Net foreign exchange gain/(loss)	8,017	(3,522)
	<u>12,622</u>	<u>(3,960)</u>

6 PROFIT BEFORE TAXATION

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(a) Finance costs		
Interest on loans from the controlling shareholder	1,387	1,740
Interest on lease liabilities	354	610
	<u>1,741</u>	<u>2,350</u>
(b) Staff costs		
Contributions to defined contribution retirement plans	21,849	23,206
Salaries, wages and other benefits	119,408	135,303
	<u>141,257</u>	<u>158,509</u>

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(c) Other operating expenses		
Impairment losses/(reversal of impairment losses) on trade receivables	8,326	(552)
Impairment losses on intangible asset	–	33
Impairment losses on prepayment for property, plant and equipment	–	3,391
Auditors' remuneration		
– audit services	2,535	2,568
– audit related services	726	726
– non-audit services	–	41
Office expenses	1,391	2,973
Entertainment expenses	2,295	1,986
Travelling expenses	1,305	1,766
Legal and professional fees	3,711	3,016
Security costs	2,812	1,952
Gardening costs	4,109	4,424
Government surcharges	2,237	2,036
Bank charges and credit card commissions	1,267	1,347
Community event costs	2,524	2,241
Other	7,323	6,595
	<u>40,561</u>	<u>34,543</u>
(d) Other items		
Depreciation charge (<i>note 9</i>)		
– owned property, plant and equipment	1,705	1,628
– right-of-use assets	3,856	8,215
	<u>5,561</u>	<u>9,843</u>
Amortisation	7,433	7,888
Cost of inventories sold	61,324	7,683
Gain on termination of lease agreement	–	(12)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2023 HK\$'000	2022 HK\$'000
Current tax – PRC Corporate Income Tax		
Provision for the year	18,815	17,730
Deferred tax		
Reversal and origination of temporary differences	<u>(809)</u>	<u>861</u>
	<u>18,006</u>	<u>18,591</u>

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

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements for the years ended 31 March 2023 and 2022, as the subsidiaries of the Group in Hong Kong either sustain a loss for taxation purpose or do not generate any assessable income.

According to the PRC Corporate Income Tax Law, the PRC's statutory income tax rate is 25% (2022: 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 years ended 31 March 2023 and 2022.

Management considered that the retained profits of subsidiaries in the PRC might be distributed in the foreseeable future. Consequently, deferred tax liabilities of HK\$8,585,000 (2022: HK\$6,387,000) for temporary differences relating to undistributed profits of subsidiaries were recognised as at 31 March 2023.

8 PROFIT PER SHARE

(a) Basic profit per share

The calculation of basic profit per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$21,511,000 (2022: HK\$12,297,000) and the weighted average number of 492,984,000 (2022: 388,181,000) ordinary shares in issue during the year.

Weighted average number of ordinary shares

	2023 Number of shares '000	2022 Number of shares '000
Issued ordinary shares at the beginning of the year	492,984	374,984
Effect of share issued (<i>note 14(b)</i>)	–	13,197
	<u>492,984</u>	<u>388,181</u>
Weighted average number of ordinary shares at the end of the year	<u>492,984</u>	<u>388,181</u>

(b) Diluted profit per share

The diluted profit per share is the same as basic profit per share as there were no dilutive potential ordinary shares in existence during the years ended 31 March 2023 and 2022.

9 PROPERTY, PLANT AND EQUIPMENT

	Properties leased for own use <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:					
At 1 April 2022	49,268	24,999	38,234	211	112,712
Additions	16,217	548	804	74	17,643
Disposals	–	(2,776)	(1,165)	(9)	(3,950)
Exchange adjustments	(60)	(758)	(143)	(14)	(975)
	<u>65,425</u>	<u>22,013</u>	<u>37,730</u>	<u>262</u>	<u>125,430</u>
At 31 March 2023	65,425	22,013	37,730	262	125,430
Accumulated depreciation and impairment losses:					
At 1 April 2022	47,890	21,549	38,234	110	107,783
Charge for the year	3,856	857	804	44	5,561
Impairment losses	13,057	–	–	–	13,057
Written back on disposals	–	(2,775)	(1,165)	(8)	(3,948)
Exchange adjustments	(48)	(506)	(143)	(7)	(704)
	<u>64,755</u>	<u>19,125</u>	<u>37,730</u>	<u>139</u>	<u>121,749</u>
At 31 March 2023	64,755	19,125	37,730	139	121,749
Net book value:					
At 31 March 2023	<u>670</u>	<u>2,888</u>	<u>–</u>	<u>123</u>	<u>3,681</u>

	Properties leased for own use <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:					
At 1 April 2021	44,703	20,751	36,452	164	102,070
Additions	4,778	4,240	1,749	40	10,807
Disposals	(245)	(280)	–	–	(525)
Exchange adjustments	32	288	33	7	360
	<u>49,268</u>	<u>24,999</u>	<u>38,234</u>	<u>211</u>	<u>112,712</u>
At 31 March 2022	49,268	24,999	38,234	211	112,712
Accumulated depreciation and impairment losses:					
At 1 April 2021	33,360	17,204	36,198	71	86,833
Charge for the year	8,215	1,319	273	36	9,843
Impairment losses	6,538	3,091	1,731	–	11,360
Written back on disposals	(242)	(225)	–	–	(467)
Exchange adjustments	19	160	32	3	214
	<u>47,890</u>	<u>21,549</u>	<u>38,234</u>	<u>110</u>	<u>107,783</u>
At 31 March 2022	47,890	21,549	38,234	110	107,783
Net book value:					
At 31 March 2022	<u>1,378</u>	<u>3,450</u>	<u>–</u>	<u>101</u>	<u>4,929</u>

The amount mainly represented the impairment losses on property, plant and equipment in relation to lifestyle entertainment segment of \$13,057,000 (2022: \$7,711,000).

During the years ended 31 March 2023 and 2022, 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 for the year amounted to HK\$13,487,000 (2022: HK\$5,291,000) and the Group has assessed the recoverable amount of the relevant property, plant and equipment. As a result, impairment losses of HK\$13,057,000 (2022: HK\$7,711,000) 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 HK\$Nil (2022: HK\$Nil). The estimates of recoverable amount were based on the value-in-use model, in which the cash flows were discounted using discount rate of 14% (2022: 13%). 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 acquisitions of Ningbo AUX in May 2017 and Mini Club Hong Kong Limited (“Mini Club”) in April 2019.

The intangible assets represent property management contracts, customer relationships and trademark.

The goodwill is attributable to (1) the workforce of Ningbo AUX and the potential growth of the property management industry in the PRC; and (2) the benefit of expected synergies, revenue growth and the assembled workforce of Mini Club.

Goodwill is allocated to the Group's cash-generated units ("CGU") identified as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Property management business	55,669	60,067
Operation of restaurant and bar outlets*	—	—
	<u>55,669</u>	<u>60,067</u>

* The recoverable amount of the related CGU was lower than the carrying amount and therefore the related goodwill was fully impaired during the year ended 31 March 2021.

Property management business

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated weighted average growth rates of 3% (2022: 3%) which is not higher than the forecasts included in industry reports. The growth rate used does not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using discount rates of 21% (2022: 21%). The discount rates used are pre-tax and reflects specific risks relating to the relevant segment.

During the year ended 31 March 2023, the operation of property management business continued to be profit-making and thus no impairment indicator for the respective goodwill has been identified.

11 NON-CURRENT RENTAL DEPOSITS AND TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets		
Rental deposits	<u>3,656</u>	<u>994</u>
Current assets		
Trade receivables, net of loss allowance (<i>note</i>)	71,395	72,386
Deposits, prepayments and other receivables	<u>16,249</u>	<u>18,990</u>
	<u>87,644</u>	<u>91,376</u>

Note: At 31 March 2023, trade and other receivables of the Group included amounts due from entities controlled by Mr. Zheng Jian Jiang, the Company's controlling shareholder, of HK\$3,452,000 (2022: HK\$3,177,000) and entities over which Mr. Zheng Jian Jiang has significant influence, of HK\$2,785,000 (2022: HK\$5,303,000). 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 \$3,656,000 (2022: \$994,000), which represent rental deposits for a club of the Group (2022: rental deposits for office premises and restaurants of the Group). All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	33,883	29,230
Over 1 month to 3 months	10,049	11,157
Over 3 months to 6 months	6,644	7,400
Over 6 months to 1 year	9,391	9,886
Over 1 year	11,428	14,713
	<u>71,395</u>	<u>72,386</u>

12 TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade creditors	27,053	29,944
Deposits received from property owners/occupants	18,364	26,242
Receipts on behalf of utilities companies	16,544	17,728
Amounts due to related parties	1,807	2,040
Other payables and accrued charges	51,935	54,242
	<u>115,703</u>	<u>130,196</u>

All of the trade and other payables are expected to be settled 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 3 months	14,029	14,819
Over 3 months to 6 months	9,590	11,131
Over 6 months to 1 year	2,225	2,587
Over 1 year	1,209	1,407
	<u>27,053</u>	<u>29,944</u>

13 LOANS FROM THE CONTROLLING SHAREHOLDER AND AMOUNT DUE TO THE CONTROLLING SHAREHOLDER

The loans from the controlling shareholder are unsecured.

At 31 March 2023, the current portion of the loans is interest-free and repayable within one year. The non-current portion of the loans is interest-bearing at 2% per annum and repayable in August 2025.

At 31 March 2022, the current portion of the loans was interest-bearing at 2% per annum and repaid in August 2022. The non-current portion of the loans was interest-free and repayable after one year but within two years.

The amount due to the controlling shareholder, representing the interest payable, is unsecured, non-interest bearing and repayable within one year.

14 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

The directors do not recommend the payment of a dividend for the year ended 31 March 2023 (2022: HK\$Nil).

(b) Share capital

	2023		2022	
	No. of shares '000	Amount HK\$'000	No. of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares of \$0.01 each	<u>10,000,000</u>	<u>100,000</u>	<u>10,000,000</u>	<u>100,000</u>
Ordinary shares, issued and fully paid:				
At 1 April	492,984	4,930	374,984	3,750
Share issued	<u>–</u>	<u>–</u>	<u>118,000</u>	<u>1,180</u>
At 31 March	<u>492,984</u>	<u>4,930</u>	<u>492,984</u>	<u>4,930</u>

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

Pursuant to the share subscription completed on 15 February 2022, 118,000,000 ordinary shares were issued to the immediate holding company for net proceeds of HK\$73,722,000 to provide additional capital to the Company. As at 31 March 2022, the capital injection was fully paid up.

15 COMPARATIVE FIGURES

Rental deposits have been reclassified to conform to current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

During the Year, our lifestyle entertainment business in Hong Kong has faced significant challenges due to the COVID-19 pandemic. Like many sectors in Hong Kong, our lifestyle entertainment business has been severely impacted by the pandemic. The implementation of social restrictions and cautious consumer behavior has hindered the lifestyle entertainment business operations, leading to a downturn in performance. While social restrictions have been gradually lifted since November 2022, the recovery of the Hong Kong market after the COVID-19 pandemic has been slower than expected. As a result, our lifestyle entertainment business continues to experience a decline in performance.

While our lifestyle entertainment business's performance did not live up to expectation, our property management business in China has remained a strong contributor to the Group during this challenging period.

Ningbo AUX Property Management Service Co., Ltd (“**Ningbo AUX**”) continued to improve its portfolio and expanded its business scope to provide value-added services during the Year. Compared to FY2022, the number of projects managed by the Group as of 31 March 2023 has increased from 65 projects to 66 projects, while the aggregate contracted gross floor area increased from 8.68 million sq.m. to 9.0 million sq.m..

The revenue from property management services and its related value-added services increased by HK\$47.9 million, from HK\$328.2 million in FY2022 to HK\$376.1 million in the Year. This growth was primarily due to the introduction of the value-added services, which generated approximately HK\$56.4 million in revenue for the segment.

As a result, even with the revenue from our lifestyle entertainment segment decreased by 27.9% compared to FY2022, the Group's revenue for the Year increased by approximately 11.1% to approximately HK\$397.1 million.

In line with the property management services segment's expansion in business scope, the Group's cost of inventories sold has increased by HK\$53.6 million to HK\$61.3 million for the Year.

In response to the COVID-19 pandemic, the Group's property management services segment allocated substantial human resources to implement and manage various preventive measures in FY2022. As the pandemic situation has gradually improved during the Year, the high demand for manpower has decreased. With the Group decided not to pursue the photovoltaic products business, it further decreased the level of human resources employed by the Group. As a result, staff costs for the Group decreased by HK\$17.2 million, amounting to HK\$141.3 million for the Year.

The Group's lifestyle entertainment segment recorded an impairment loss on property, plant, and equipment of HK\$13.1 million resulting from the negative impact caused by the COVID-19 pandemic and the slower-than-expected recovery after the pandemic.

In addition, the Group generated a net exchange gain of HK\$7.3 million in respect of the loan from a controlling shareholder denominated in Renminbi (“RMB”) as a result of the depreciation of Renminbi against Hong Kong dollars for the Year.

As a result, the Group achieved a turnaround in net results, transitioning from a net loss of HK\$0.1 million to a net profit of HK\$24.1 million during the Year.

OPERATING COSTS

Staff Costs

The staff costs comprised 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 decreased by HK\$17.3 million, representing 10.9%, to approximately HK\$141.3 million for the Year from approximately HK\$158.5 million for FY2022. The decrease was mainly due to decreased in staff costs incurred from the property management services segment as the demand for human resources derived from the COVID-19 pandemic has decreased. The close down of photovoltaic product business during the Year also resulted in decrease in staff costs.

Utilities Expenses and Repair and Maintenance Expenses

The utilities expenses and repair and maintenance expenses remained stable, representing an increase at approximately HK\$0.3 million or 1.0% for the Year.

Other Operating Expenses

The other operating expenses increased by approximately HK\$6.1 million, representing 17.7%, for the Year (FY2022: approximately HK\$34.5 million). Such expenses included gardening costs, security costs and other miscellaneous expenses. The increase was mainly due to the impairment losses on trade receivables.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 31 March 2023, the Group’s total current assets and current liabilities were approximately HK\$380.3 million (31 March 2022: approximately HK\$430.3 million) and approximately HK\$234.6 million (31 March 2022: approximately HK\$318.8 million) respectively, while the current ratio was about 1.6 times (31 March 2022: 1.3 times).

As at 31 March 2023, the Group maintained cash at bank and in hand of approximately HK\$286.4 million (31 March 2022: approximately HK\$330.2 million). In the foreseeable future, the Group expects to fund its capital expenditures, working capital and other capital requirements from 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 2023 was approximately HK\$68.6 million (31 March 2022: HK\$102.1 million), which comprising by the loan of HK\$52.4 million with a term of three 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 2023 was 0.3 (31 March 2022: 0.4).

CAPITAL STRUCTURE

On 26 October 2021, the Company entered into a subscription agreement with Huiyi Limited (the “**Subscriber**”). Pursuant to the subscription agreement, the Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for 118,000,000 shares (the “**Subscription**”) at the price of HK\$0.63 per share for a consideration of HK\$74,340,000. All the conditions set out in the subscription agreement have been fulfilled and accordingly, the completion of the Subscription took place on 15 February 2022. The net proceeds from the Subscription, after deduction of the related expenses, of approximately HK\$73,730,000 were intended to be applied for working capital, rental expenses of the lifestyle entertainment segment and partial repayment of the loans from the controlling shareholder.

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 2023, the capital structure of the Group consisted of equity of approximately HK\$232.0 million (31 March 2022: approximately HK\$243.9 million) and loans from the controlling shareholder of approximately HK\$74.4 million (31 March 2022: HK\$110.9 million). Except for the loans from the controlling shareholder (non-current portion) and lease liabilities, the Group had no interest-bearing bank borrowings, debt securities or other capital instruments as at 31 March 2023.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES AND SIGNIFICANT INVESTMENTS HELD

The Group did not have any material acquisitions or disposals of subsidiaries, associated companies or joint ventures or significant investments held during the Year.

CHARGE ON ASSETS

As at 31 March 2023, the Group did not have any pledged assets (31 March 2022: nil).

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, internet information technology and other 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. The costs of any such acquisitions will be met with cash generated from the operations of the Group and other financing means which the Group may consider appropriate from time to time.

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 2023, the Group did not have any material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 31 March 2023, the Group employed approximately 994 employees (31 March 2022: 1,089 employees). The Group offers competitive remuneration packages to its staff, including share option scheme, mandatory provident fund scheme and discretionary bonus.

PROSPECTS

The Group is dedicated to driving sustainable growth and delivering value to its stakeholders. To achieve this goal, the Group closely monitors market developments and reviews our business strategy regularly and with an open mindset to seize favorable investment opportunities to drive sustainable growth.

While the COVID-19 pandemic is now behind us, the Group remains cautious regarding the outlook of its lifestyle entertainment segment due to the weaker-than-anticipated economic recovery. We recognise that the pandemic has, to a certain extent, brought about changes in the lifestyle, habits and consumption patterns of local residents and visitors and the effect may be lingering, which may hinder the recovery of the nightlife entertainment industry. On the other hand, our property management business has shown stronger resilience in the past years, which indicates a bigger potential for future growth.

As we navigate these dynamics, the Group is actively exploring ways to optimise its resource allocation and operations, where focus will be put on our property management business, a profit making business to maximise shareholder value and ensure the long-term stability and profitability of the Group.

Lifestyle entertainment segment

To adapt to the changes in consumer behavior, the Group will emphasise cost-consciousness and carefully allocate resources to strategies that benefit the Group. We are committed to enhancing operational efficiency and streamlining procedures to maximize productivity and minimize costs in the lifestyle entertainment segment.

Property management segment

The Group's property management segment has demonstrated consistent growth in revenue in the past years. We will continue to build upon this success by further strengthening our brand reputation and seeking opportunities to provide more value-added services to our customers, diversifying and enriching our income portfolio.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (31 March 2022: nil).

USE OF PROCEEDS

As disclosed in the section headed "Capital Structure" of this announcement, the net proceeds (the "Net Proceeds") from the Subscription, after deduction of the related expenses, amounted to approximately HK\$73.7 million. During the Year, parts of the Net Proceeds had been utilised as follows:

Use of proceeds	Net Proceeds allocated as set out in the circular dated 31 December 2021 (the "Circular") <i>HK\$ million</i>	Amount of Net Proceeds utilised			Unutilised Net Proceeds as at 31 March 2023 <i>HK\$ million</i>
		As at 1 April 2022 <i>HK\$ million</i>	During the year ended 31 March 2023 <i>HK\$ million</i>	As at 31 March 2023 <i>HK\$ million</i>	
(1) working capital of the Company, including but not limited to directors' fees and professional fees	12.5	3.7	8.8	12.5	–
(2) rental expenses and salary expenses to be incurred under the operation of the lifestyle entertainment segment	32.2	–	32.2	32.2	–
(3) partial repayment of the loan from the controlling shareholder	29.0	–	29.0	29.0	–
Total:	<u>73.7</u>	<u>3.7</u>	<u>70</u>	<u>73.7</u>	<u>–</u>

The Net Proceeds of the Company were approximately HK\$73.7 million, which had been used in the manner as disclosed in the announcement of the Company dated 4 November 2022. As at 31 March 2023, the Group had fully utilised all such Net Proceeds for working capital of the Company, rental expenses and salary expenses of the lifestyle entertainment segment and partial repayment of the loan from the controlling shareholder.

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 code provisions set out in Part 2 of CG Code throughout the Year.

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 enquiries with all Directors and all Directors have confirmed that they complied with the Model Code throughout the year ended 31 March 2023.

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

During the Year, 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. 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 as set out in this 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 will be despatched to the shareholders of the Company and published on the above websites in due course.

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

Hong Kong, 30 June 2023

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