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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 2021

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 2021 together with the comparative figures for the year ended 31 March 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2021 (Expressed in Hong Kong dollars)

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	3	302,907	339,972
Other revenue	4	19,034	11,088
Other net (loss)/income	5	(5,996)	12,616
Cost of inventories sold	6(d)	(4,064)	(12,594)
Property cleaning expenses		(64,965)	(59,582)
Staff costs	6(b)	(129,949)	(156,096)
Depreciation and amortisation	6(d)	(22,620)	(24,612)
Property rentals and related expenses		(3,853)	(9,438)
Impairment losses on goodwill	10	(7,261)	—
Impairment losses on property, plant and equipment	9	(11,486)	(1,823)
Advertising and marketing expenses		(1,327)	(4,198)
Utilities expenses		(8,397)	(12,300)
Repair and maintenance expenses		(17,392)	(17,096)
Other operating expenses	6(c)	(35,187)	(33,815)
Profit from operations		9,444	32,122
Finance costs	6(a)	(2,386)	(2,956)
Profit before taxation	6	7,058	29,166
Income tax	7	(15,679)	(15,953)
(Loss)/profit for the year		(8,621)	13,213
(Loss)/profit per share	8		
Basic and diluted		(2.3) cents	3.5 cents

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the year ended 31 March 2021 (Expressed in Hong Kong dollars)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(Loss)/profit for the year	(8,621)	13,213
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 (with nil tax effect)	<u>15,938</u>	<u>(15,087)</u>
Total comprehensive income for the year	<u><u>7,317</u></u>	<u><u>(1,874)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021 (Expressed in Hong Kong dollars)

	Note	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment	9	15,237	17,824
Intangible assets	10	46,826	50,261
Goodwill	10	57,680	60,432
Deferred tax assets		3,020	2,097
		<u>122,763</u>	<u>130,614</u>
Current assets			
Inventories		519	927
Trade and other receivables	11	89,664	92,332
Current tax recoverable		3,553	—
Restricted bank deposits		3,550	2,586
Cash at bank and in hand		227,198	206,735
		<u>324,484</u>	<u>302,580</u>
Current liabilities			
Trade and other payables	12	117,032	100,687
Contract liabilities		59,675	45,349
Lease liabilities		14,285	21,054
Amount due to the controlling shareholder		4,373	2,435
Current tax payable		7,013	8,239
		<u>202,378</u>	<u>177,764</u>
Net current assets		<u>122,106</u>	<u>124,816</u>
Total assets less current liabilities		<u>244,869</u>	<u>255,430</u>

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities			
Loan from the controlling shareholder	13	85,266	109,165
Lease liabilities		8,759	1,075
Deferred tax liabilities		15,153	16,816
		<u>109,178</u>	<u>127,056</u>
NET ASSETS		<u>135,691</u>	<u>128,374</u>
CAPITAL AND RESERVES			
	14		
Share capital		3,750	3,750
Reserves		131,941	124,624
TOTAL EQUITY		<u>135,691</u>	<u>128,374</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.

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 2021 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 Group has applied the Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*, issued by the HKICPA to these financial statements for the current accounting period.

Other than the Amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impact of the adoption of the amended HKFRS 16 is discussed below:

Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“**COVID-19-related rent concessions**”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 April 2020.

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).

(i) Disaggregation of revenue

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Revenue from club and restaurant operations		
— Hong Kong	14,188	51,970
Revenue from property management contracts		
— Mainland China	288,719	288,002
	<u>302,907</u>	<u>339,972</u>

The Group's customer base is diversified and includes only one customer (2020: Nil) with whom transactions have exceeded 10% of the Group's revenue. During the year ended 31 March 2021, revenue from property management contracts derived from this customer, including revenue from entities which are known to the Group to be under common control with this customer, amounted to approximately HK\$38 million.

(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 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 — Mainland China	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, 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 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 2021 and 2020 is set out below.

	Lifestyle entertainment		Property management		Total	
	— Hong Kong		— Mainland China			
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers and reportable segment revenue	<u>14,188</u>	<u>51,970</u>	<u>288,719</u>	<u>288,002</u>	<u>302,907</u>	<u>339,972</u>
Reportable segment (loss)/profit (adjusted EBITDA)	<u>(12,117)</u>	<u>(9,221)</u>	<u>59,642</u>	<u>49,986</u>	<u>47,525</u>	<u>40,765</u>
Interest income from bank deposits	1	4	4,925	6,616	4,926	6,620
Interest expenses	(392)	(595)	(23)	(9)	(415)	(604)
Depreciation and amortisation	(12,911)	(15,200)	(8,760)	(8,296)	(21,671)	(23,496)
Impairment losses on goodwill	(7,261)	—	—	—	(7,261)	—
Impairment losses on property, plant and equipment	(11,486)	(1,823)	—	—	(11,486)	(1,823)
Reportable segment assets	<u>18,698</u>	<u>31,805</u>	<u>420,331</u>	<u>395,616</u>	<u>439,029</u>	<u>427,421</u>
Additions to non-current segment assets during the year (note)	23,025	35,821	871	647	23,896	36,468
Reportable segment liabilities	<u>27,928</u>	<u>28,067</u>	<u>167,080</u>	<u>136,577</u>	<u>195,008</u>	<u>164,644</u>

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

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

	2021	2020
	HK\$'000	HK\$'000
Revenue		
Reportable segment revenue and consolidated revenue (note 3(a))	<u>302,907</u>	<u>339,972</u>
Profit or loss		
Reportable segment profit derived from the Group's external customers	47,525	40,765
Other revenue	19,034	11,088
Other net (loss)/income	(5,996)	12,616
Depreciation and amortisation	(22,620)	(24,612)
Finance costs	(2,386)	(2,956)
Impairment losses on goodwill	(7,261)	—
Impairment losses on property, plant and equipment	(11,486)	(1,823)
Unallocated head office and corporate expenses	<u>(9,752)</u>	<u>(5,912)</u>
Consolidated profit before taxation	<u>7,058</u>	<u>29,166</u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Assets		
Reportable segment assets	439,029	427,421
Deferred tax assets	3,020	2,097
Current tax recoverable	3,553	—
Unallocated head office and corporate assets	<u>1,645</u>	<u>3,676</u>
Consolidated total assets	<u><u>447,247</u></u>	<u><u>433,194</u></u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Liabilities		
Reportable segment liabilities	195,008	164,644
Current tax payable	7,013	8,239
Deferred tax liabilities	15,153	16,816
Unallocated head office and corporate liabilities	<u>94,382</u>	<u>115,121</u>
Consolidated total liabilities	<u><u>311,556</u></u>	<u><u>304,820</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	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong (place of domicile)	14,188	51,970	11,698	21,280
Mainland China	<u>288,719</u>	<u>288,002</u>	<u>108,045</u>	<u>107,237</u>
	<u><u>302,907</u></u>	<u><u>339,972</u></u>	<u><u>119,743</u></u>	<u><u>128,517</u></u>

4 OTHER REVENUE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income	4,946	6,694
Government grants (<i>note</i>)	8,816	3,240
COVID-19-related rent concessions received	4,382	—
Others	890	1,154
	<u>19,034</u>	<u>11,088</u>

Note: The amount represents government grants received from Hong Kong and various PRC government authorities in connection with the fiscal subsidies for providing financial support to enterprises and paying wages to the employees.

5 OTHER NET (LOSS)/INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss on disposal of property, plant and equipment	(129)	(544)
Gain on disposal of a subsidiary	—	5,000
Net foreign exchange (loss)/gain	(6,117)	7,483
Reversal of provision for reinstatement costs	250	677
	<u>(5,996)</u>	<u>12,616</u>

6 PROFIT BEFORE TAXATION

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(a) Finance costs		
Interest on loan from the controlling shareholder	1,938	2,243
Interest on lease liabilities	448	713
	<u>2,386</u>	<u>2,956</u>
(b) Staff costs		
Contributions to defined contribution retirement plans	12,484	20,470
Salaries, wages and other benefits	117,465	135,626
	<u>129,949</u>	<u>156,096</u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(c) Other operating expenses		
Impairment losses on trade receivables	4,312	2,751
Impairment losses on other receivables	1,382	—
Auditors' remuneration		
— audit services	2,706	2,580
— non-audit services	26	26
Office expenses	1,663	2,234
Entertainment expenses	1,203	2,805
Travelling expenses	1,482	2,357
Legal and professional fees	4,102	2,626
Security costs	1,381	2,313
Gardening costs	4,071	3,148
Government surcharges	1,989	1,810
Bank charges and credit card commissions	930	1,498
Community event costs	1,887	1,525
Other	8,053	8,142
	<u>35,187</u>	<u>33,815</u>
(d) Other items		
Depreciation charge (<i>note 9</i>)		
— owned property, plant and equipment	1,431	5,657
— right-of-use assets	13,741	11,665
	<u>15,172</u>	<u>17,322</u>
Amortisation	7,448	7,290
Cost of inventories sold	4,064	12,594
Gain on termination of lease agreement	—	(19)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Over-provision in respect of prior years	—	(410)
Current tax — PRC Corporate Income Tax		
Provision for the year	16,123	14,461
Current tax — PRC withholding tax on dividend income		
Provision for the year	3,266	—
Deferred tax		
Origination and reversal of temporary differences	<u>(3,710)</u>	<u>1,902</u>
	<u>15,679</u>	<u>15,953</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 2021 and 2020, 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% (2020: 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 2021 and 2020.

Dividends payable by subsidiaries of the Group in the PRC are subject to a 5% (2020: 5%) withholding tax.

During the years ended 31 March 2021 and 2020, management reassessed the dividend policy of the Company's subsidiaries and considered that the retained profits of these subsidiaries might be distributed in the foreseeable future. Consequently, deferred tax liabilities of HK\$3,447,000 (2020: HK\$4,251,000) for temporary differences relating to undistributed profits of subsidiaries were recognised as at 31 March 2021.

8 (LOSS)/PROFIT PER SHARE

(a) Basic (loss)/profit per share

The calculation of basic (loss)/profit per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$8,621,000 (2020: profit of HK\$13,213,000) and the weighted average number of 374,984,000 (2020: 374,984,000) ordinary shares in issue during the year.

(b) Diluted (loss)/profit per share

The diluted (loss)/profit per share is the same as basic (loss)/profit per share as there were no dilutive potential ordinary shares in existence during the years ended 31 March 2021 and 2020.

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 2020	25,706	18,959	35,997	90	80,752
Additions	21,596	1,797	433	70	23,896
Disposals	(2,660)	(421)	—	(3)	(3,084)
Exchange adjustments	61	416	22	7	506
	<u>44,703</u>	<u>20,751</u>	<u>36,452</u>	<u>164</u>	<u>102,070</u>
At 31 March 2021	44,703	20,751	36,452	164	102,070
Accumulated depreciation and impairment losses:					
At 1 April 2020	12,361	14,835	35,689	43	62,928
Charge for the year (<i>note 6(d)</i>)	13,741	1,276	129	26	15,172
Impairment losses	9,903	1,225	358	—	11,486
Written back on disposals	(2,660)	(293)	—	(2)	(2,955)
Exchange adjustments	15	161	22	4	202
	<u>33,360</u>	<u>17,204</u>	<u>36,198</u>	<u>71</u>	<u>86,833</u>
At 31 March 2021	33,360	17,204	36,198	71	86,833
Net book value:					
At 31 March 2021	<u>11,343</u>	<u>3,547</u>	<u>254</u>	<u>93</u>	<u>15,237</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 2019	1,144	17,532	35,510	2,106	56,292
Acquisition of subsidiaries	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)
	<u>25,706</u>	<u>18,959</u>	<u>35,997</u>	<u>90</u>	<u>80,752</u>
Accumulated depreciation and impairment losses:					
At 1 April 2019	—	12,706	32,598	931	46,235
Charge for the year (<i>note 6(d)</i>)	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)
	<u>12,361</u>	<u>14,835</u>	<u>35,689</u>	<u>43</u>	<u>62,928</u>
Net book value:					
At 31 March 2020	<u>13,345</u>	<u>4,124</u>	<u>308</u>	<u>47</u>	<u>17,824</u>

During the years ended 31 March 2021 and 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 for the year amounted to HK\$12,117,000 (2020: HK\$9,221,000) and the Group has assessed the recoverable amount of the relevant property, plant and equipment. As a result, impairment losses of HK\$11,486,000 (2020: HK\$1,823,000) 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\$11,313,000 (2020: HK\$12,699,000). The estimates of recoverable amount were based on the value-in-use model, in which the cash flows were discounted using discount rate of 13% (2020: 11% to 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 asset represents property management contracts and customer relationships.

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Property management business	57,680	53,171
Operation of restaurant and bar outlets	—	7,261
	<u>57,680</u>	<u>60,432</u>

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% (2020: 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% (2020: 21%). The discount rates used are pre-tax and reflects specific risks relating to the relevant segment.

During the year ended 31 March 2021, the operation of property management business continued to be profit-making and thus no impairment indicator for the respective goodwill has been identified.

Operation of restaurant and bar outlets

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 2% (2020: 2%) 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 13% (2020: 13%). The discount rates used are pre-tax and reflects specific risks relating to the relevant segment.

During the year ended 31 March 2021, the operation of restaurant and bar outlets continued to be loss-making which indicated the respective goodwill may not be recoverable. The Group assessed the recoverable amounts of the related CGU to be HK\$1,098,000. As a result, an impairment loss of HK\$7,261,000 was recognised in the consolidated statement of profit or loss during the year.

11 TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables, net of loss allowance (<i>note</i>)	68,777	67,819
Deposits, prepayments and other receivables	<u>20,887</u>	<u>24,513</u>
	<u>89,664</u>	<u>92,332</u>

Note: At 31 March 2021, 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\$3,193,000 (2020: HK\$4,371,000) and entities over which Mr. Zheng Jian Jiang has significant influence, of HK\$5,147,000 (2020: HK\$4,035,000). 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 HK\$6,805,000 (2020: HK\$4,226,000), which mainly represent rental deposits for club and restaurant of the Group (2020: rental deposits for office premises and restaurant 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	30,009	29,954
Over 1 month to 3 months	8,832	8,821
Over 3 months to 6 months	6,256	6,249
Over 6 months to 1 year	8,801	11,422
Over 1 year	<u>14,879</u>	<u>11,373</u>
	<u>68,777</u>	<u>67,819</u>

12 TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade creditors	28,331	22,335
Deposits received from property owners/occupants	22,585	19,104
Receipts on behalf of utilities companies	17,161	15,930
Amounts due to related parties	3,041	2,137
Other payables and accrued charges	45,914	41,181
	<u>117,032</u>	<u>100,687</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 3 months	13,957	12,469
Over 3 months to 6 months	10,546	6,269
Over 6 months to 1 year	2,480	2,307
Over 1 year	1,348	1,290
	<u>28,331</u>	<u>22,335</u>

13 LOAN FROM THE CONTROLLING SHAREHOLDER

The loan is unsecured, interest-bearing at 2% per annum and repayable in August 2022.

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 2021 (2020: HK\$Nil).

(b) Share capital

	2021		2020	
	No. of shares '000	Amount HK\$'000	No. of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$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 the beginning and the end of the year	<u>374,984</u>	<u>3,750</u>	<u>374,984</u>	<u>3,750</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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 March 2021, 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 two restaurant and bar outlets across Causeway Bay and Mongkok under the brand of “Mini Club”.

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 2021, the Group managed 63 projects with a total gross floor area of approximately 7.62 million square meters.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of approximately HK\$302.9 million for the year ended 31 March 2021, representing a decrease of approximately 10.9% as compared with approximately HK\$340.0 million for the year ended 31 March 2020. The decrease in revenue was mainly due to the Group’s bar and restaurants and clubs being temporarily closed or operating under restriction according to relevant COVID-19 prevention policies. In the financial year ended 31 March 2021, the Group’s bar and club venue had been ordered to close in accordance with the COVID-19 prevention policies only been in approximately 230 days. For the year ended 31 March 2021, the lifestyle entertainment segment recorded a revenue of HK\$14.2 million compared to HK\$52.0 million for the year ended 31 March 2020.

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 decreased by approximately 16.8% or HK\$26.2 million to approximately HK\$129.9 million for the year ended 31 March 2021 from approximately HK\$156.1 million for the year

ended 31 March 2020. The decrease was mainly due to decrease in staff costs incurred from the property management segment of HK\$16.3 million as a result of decrease in average number of staff and decrease in social security expenses under the PRC Government's temporary social security reduction policy and decrease in staff costs of HK\$9.8 million due to decrease in sales commission in the lifestyle entertainment segment.

Property Rentals and Related Expense

The property rentals and related expenses consist of short term lease payments and management fee under operating leases for the restaurant and bar outlets, the Club and the Group's headquarters. The property rentals and related expenses decreased by approximately 58.5% or HK\$5.5 million to approximately HK\$3.9 million for the year ended 31 March 2021 from approximately HK\$9.4 million for the year ended 31 March 2020. Such decrease was mainly due to capitalisation of lease payments for Zentral, which is depreciated over the remaining lease term upon the renewal of tenancy agreement in August 2019 under HKFRS 16.

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 Club. The advertising and marketing expenses decreased by approximately 69.0% or HK\$2.9 million to approximately HK\$1.3 million for the year ended 31 March 2021 from approximately HK\$4.2 million for the year ended 31 March 2020. Such decrease was mainly due to decrease in promotion activities of the Club as the Group has temporarily scaled down its marketing activities under the COVID-19 prevention restriction on its operation.

Utilities Expenses and Repair and Maintenance Expenses

The utilities expenses and repair and maintenance expenses decreased by approximately HK\$3.6 million or 12.2% for the year ended 31 March 2021. The decrease was mainly attributable to the decrease in expenses incurred of the property management business as a result of termination of one of the commercial complex management projects during the year.

Other Operating Expenses

The other operating expenses remained stable at approximately HK\$35.2 million for the year ended 31 March 2021 (2020: approximately HK\$33.8 million). Such expenses include gardening costs, security costs and other miscellaneous expenses.

Results for the Year

The Group's loss for the year ended 31 March 2021 was approximately HK\$8.6 million, as compared with the Group's profit of approximately HK\$13.2 million for the year ended 31 March 2020. The downturn from profit to loss for the year was mainly due to the decrease in revenue of HK\$37.1 million, incurred net exchange loss of HK\$6.1 million and increase in impairment losses on goodwill and property, plant and equipment of HK\$16.9 million.

The Group has endured impairment loss on goodwill and property, plant and equipment of HK\$7.3 million and HK\$11.5 million respectively as a result of the negative impact of COVID-19 towards the restaurant and bar outlets and club respectively.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 31 March 2021, the Group's total current assets and current liabilities were approximately HK\$324.5 million (31 March 2020: approximately HK\$302.6 million) and approximately HK\$202.4 million (31 March 2020: approximately HK\$177.8 million) respectively, while the current ratio was about 1.6 times (31 March 2020: 1.7 times).

As at 31 March 2021, the Group maintained cash at bank and in hand of approximately HK\$227.2 million (31 March 2020: approximately HK\$206.7 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 2021 was approximately HK\$108.3 million (31 March 2020: HK\$131.3 million), which was mainly represented by the loan of RMB100 million, of which a principal amount of RMB73 million was outstanding as at 31 March 2021, 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 2021 was 0.80 (31 March 2020: 1.02).

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 2021, the capital structure of the Group consists of equity of approximately HK\$135.7 million (31 March 2020: approximately HK\$128.4 million) and loan from the controlling shareholder of approximately HK\$85.3 million (31 March 2020: HK\$109.2 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 2021.

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 ended 31 March 2021.

CHARGE ON ASSETS

As at 31 March 2021, the Group did not have any pledged assets (31 March 2020: 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, 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. The costs of 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 Renminbi ("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 2021, the Group did not have any material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 31 March 2021, the Group employed approximately 1,077 employees (31 March 2020: 1,304 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 Hong Kong will begin to recover from the negative impact of the COVID-19 outbreak and that the Group's lifestyle entertainment segment will largely benefit from the recovery. With the future looks promising, the Group expects to devote more resources to the lifestyle entertainment segment through introduction of brand peripheral products and services to enhance its income source.

At the same time, the Group continues to enhance its brand image as one of the most reputable hospital property manager and rebalance its property development segment's management portfolio to include projects such as industrial parks.

While business of its lifestyle entertainment segment improves, the Group believes that the strong performance of its property management segment will be properly reflected in the Group's overall result. The Group will continue to enhance its balanced earning portfolio, review its business performance regularly, and identify favourable investment opportunities.

Lifestyle entertainment segment

With the COVID-19 outbreak gradually subsiding, the Group believes that the demand of its restaurant and bar outlets will surge and with the resurgence of Zentral, as one of the landmark attractions in Lan Kwai Fong, the Group will greatly benefit from the re-spending expected by the industry.

Property management segment

The Group's property management segment has continued to increase contracted gross floor area. Dedicated to continue its expansion, the Group will focus on building its brand reputation as a reliable property management service provider of hospital premises and expand its property management service portfolio in other categories of premises such as industrial park premises.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2021 (31 March 2020: Nil).

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 2021.

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 2021.

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

During the year ended 31 March 2021, 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 2021. 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 2021 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 2021 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 2021

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