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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 INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of AUX International Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2022 together with the comparative figures for the six months ended 30 September 2021 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*for the six months ended 30 September 2022 – unaudited*

*(Expressed in Hong Kong dollars)*

		<b>Six months ended 30 September</b>	
		<b>2022</b>	<b>2021</b>
	<i>Note</i>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>	3	<b>162,931</b>	168,029
Other revenue	4	7,927	5,462
Other net gain/(loss)	5	12,699	(1,109)
Cost of inventories sold		(2,405)	(4,387)
Property cleaning expenses		(36,124)	(32,247)
Staff costs	6(b)	(69,503)	(73,480)
Depreciation and amortisation	6(e)	(4,995)	(8,669)
Property rentals and related expenses		(1,812)	(1,711)
Advertising and marketing expenses		(1,079)	(2,544)
Utilities expenses		(10,142)	(10,058)
Repair and maintenance expenses		(9,719)	(9,383)
Other operating expenses	6(d)	(22,554)	(13,842)
<b>Profit from operations</b>		<b>25,224</b>	16,061
Finance costs	6(a)	(953)	(1,199)
<b>Profit before taxation</b>	6	<b>24,271</b>	14,862
Income tax	7	(5,981)	(6,221)
<b>Profit for the period</b>		<b>18,290</b>	8,641
<b>Attributable to:</b>			
Equity shareholders of the Company		15,665	8,641
Non-controlling interests		2,625	–
		<b>18,290</b>	8,641
<b>Earnings per share</b>	8		
Basic and diluted		<b>3.2 cents</b>	2.3 cents

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

for the six months ended 30 September 2022 – unaudited  
(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2022	2021
	\$'000	\$'000
<b>Profit for the period</b>	<b>18,290</b>	8,641
<b>Other comprehensive income for the period</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on translation of the financial statements of subsidiaries (nil tax effect)	<u>(30,633)</u>	<u>3,895</u>
<b>Total comprehensive income for the period</b>	<b><u>(12,343)</u></b>	<b><u>12,536</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2022 – unaudited

(Expressed in Hong Kong dollars)

		At 30 September 2022 \$'000	At 31 March 2022 \$'000
<b>Non-current assets</b>			
Property, plant and equipment	9	4,468	4,929
Intangible assets	10	32,969	40,748
Goodwill	10	53,903	60,067
Non-current rental deposit	11	936	994
Non-current time deposit		56,819	62,210
Deferred tax assets		4,367	3,062
		<u>153,462</u>	<u>172,010</u>
<b>Current assets</b>			
Inventories		531	568
Trade and other receivables	11	82,939	91,376
Current tax recoverable		3,439	3,553
Restricted bank deposits		4,605	4,598
Cash at bank and in hand		276,564	330,233
		<u>368,078</u>	<u>430,328</u>
<b>Current liabilities</b>			
Trade and other payables	12	118,868	130,196
Contract liabilities		51,068	73,707
Amount due to the controlling shareholder		35,920	6,113
Loans from the controlling shareholder	13	12,760	88,794
Lease liabilities		7,123	12,284
Current tax payable		1,867	7,718
		<u>227,606</u>	<u>318,812</u>
<b>Net current assets</b>		<u>140,472</u>	<u>112,510</u>
<b>Total assets less current liabilities</b>		<u>293,934</u>	<u>283,526</u>

		At 30 September 2022 \$'000	At 31 March 2022 \$'000
	<i>Note</i>		
<b>Non-current liabilities</b>			
Loans from the controlling shareholder	<i>13</i>	61,660	22,060
Lease liabilities		125	1,002
Deferred tax liabilities		14,948	16,574
		<u>76,733</u>	<u>39,636</u>
<b>NET ASSETS</b>		<u><b>217,201</b></u>	<u>243,890</u>
<b>CAPITAL AND RESERVES</b>			
	<i>14</i>		
Share capital		4,930	4,930
Reserves		212,271	227,239
<b>Total equity attributable to equity shareholders of the Company</b>		<b>217,201</b>	232,169
<b>Non-controlling interests</b>		–	11,721
<b>TOTAL EQUITY</b>		<u><b>217,201</b></u>	<u>243,890</u>

## NOTES

(Expressed in Hong Kong dollars)

### 1 BASIS OF PREPARATION

#### (a) General information

AUX International Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 14 January 2013 as an exempted company with limited liability under the Companies Law (2013 Revision) (as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) are principally engaged in operation of clubbing business and restaurant and bar outlets, and provision of property management services.

#### (b) Statement of compliance

The unaudited consolidated interim financial information set out in this announcement does not constitute the Group’s unaudited interim financial report for the six months ended 30 September 2022 but is extracted from that unaudited interim financial report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 29 November 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the consolidated financial statements for the financial year ended 31 March 2022, except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the financial year ending 31 March 2023. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the consolidated financial statements for the financial year ended 31 March 2022. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

## 2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new amendments to HKASs and HKFRSs that are effective for the current accounting period of the Group for the first time:

- 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 a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 3 REVENUE AND SEGMENT REPORTING

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.

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.

### (a) Disaggregation of revenue

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

	Six months ended 30 September	
	2022 \$'000	2021 \$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Revenue from club and restaurant operations		
– Hong Kong	6,411	18,036
Revenue from property management contracts		
– the People's Republic of China ("PRC")	156,520	149,993
	<u>162,931</u>	<u>168,029</u>

The Group's customer base is diversified and no customer (six months ended 30 September 2021: one) with whom transactions have exceeded 10% of the Group's revenue. During the six months ended 30 September 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 \$13 million.

(b) **Information about profit or loss, assets and liabilities**

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 six months ended 30 September 2022 is set out below.

	Lifestyle entertainment – Hong Kong		Property management – the PRC		Total	
	2022	2021	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>For the six months ended 30 September</b>						
Revenue from external customers and reportable segment revenue	<u>6,411</u>	<u>18,036</u>	<u>156,520</u>	<u>149,993</u>	<u>162,931</u>	<u>168,029</u>
Reportable segment (loss)/profit	<u>(6,915)</u>	<u>(319)</u>	<u>21,301</u>	<u>23,356</u>	<u>14,386</u>	<u>23,037</u>
	At	At	At	At	At	At
	30 September	31 March	30 September	31 March	30 September	31 March
	2022	2022	2022	2022	2022	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment assets	<u>9,135</u>	<u>8,294</u>	<u>454,137</u>	<u>442,243</u>	<u>463,272</u>	<u>450,537</u>
Reportable segment liabilities	<u>15,246</u>	<u>19,158</u>	<u>156,596</u>	<u>188,760</u>	<u>171,842</u>	<u>207,918</u>

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 recognised on non-financial assets. To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as other revenue, other net gain/(loss), directors' and auditors' remuneration and other head office or corporate administration costs.

(c) **Reconciliations of reportable segment profit or loss**

	<b>Six months ended 30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Reportable segment profit derived from the Group's external customers	<b>14,386</b>	23,037
Other revenue	<b>7,927</b>	5,462
Other net gain/(loss)	<b>12,699</b>	(1,109)
Depreciation and amortisation	<b>(4,995)</b>	(8,669)
Finance costs	<b>(953)</b>	(1,199)
Unallocated head office and corporate expenses	<b>(4,793)</b>	(2,660)
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Consolidated profit before taxation	<b>24,271</b>	14,862
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**4 OTHER REVENUE**

	<b>Six months ended 30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank interest income	<b>4,241</b>	3,362
COVID-19-related rent concessions received	<b>316</b>	–
Government grants ( <i>note</i> )	<b>2,177</b>	1,700
Others	<b>1,193</b>	400
	<hr/>	<hr/>
	<b>7,927</b>	5,462
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*Note:* The amount represents government grants received from Hong Kong and various government authorities of PRC in connection with the fiscal subsidiaries for providing financial support to enterprises.

**5 OTHER NET GAIN/(LOSS)**

	<b>Six months ended 30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Gain on disposal of property, plant and equipment	<b>4,628</b>	19
Net foreign exchange gain/(loss)	<b>8,071</b>	(1,128)
	<hr/>	<hr/>
	<b>12,699</b>	(1,109)
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## 6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	<b>Six months ended 30 September</b>	
	2022	2021
	\$'000	\$'000
<b>(a) Finance costs</b>		
Interest on loan from the controlling shareholder	807	861
Interest on lease liabilities	146	338
	<u>953</u>	<u>1,199</u>
<b>(b) Staff costs (including directors' remuneration)</b>		
Contributions to defined contribution retirement plan	10,591	11,840
Salaries, wages and other benefits	58,912	61,640
	<u>69,503</u>	<u>73,480</u>
<b>(c) Property rentals</b>		
Lease payments in respect of short-term leases	69	38
<b>(d) Other operating expenses</b>		
Impairment losses on trade receivables	6,769	186
Office expenses	661	811
Entertainment expenses	1,155	982
Travelling expenses	733	878
Legal and professional fees	2,306	1,932
Security costs	937	968
Gardening costs	2,080	1,883
Other tax expenses	995	923
Bank charges and credit card commissions	524	710
Community event costs	704	589
Other	5,690	3,980
	<u>22,554</u>	<u>13,842</u>
<b>(e) Depreciation and amortisation</b>		
Depreciation		
– owned property, plant and equipment	834	665
– right-of-use assets	529	4,086
Amortisation	3,632	3,918
	<u>4,995</u>	<u>8,669</u>

## 7 INCOME TAX

	Six months ended 30 September	
	2022	2021
	\$'000	\$'000
Current tax – the PRC Corporate Income Tax	7,543	6,297
Deferred taxation	(1,562)	(76)
	<u>5,981</u>	<u>6,221</u>

- (a) No provision for Hong Kong Profits Tax had been made for the six months ended 30 September 2022 and 2021, as the subsidiaries of the Group in Hong Kong sustained a loss for taxation purpose.
- (b) According to the PRC Corporate Income Tax Law, the PRC's statutory income tax rate is 25% (2021: 25%).

Among the branches of Ningbo AUX Property Management Services Co., Ltd (“**Ningbo AUX**”), a subsidiary in the PRC, the Chengdu Branch was entitled to a preferential tax rate of 15% under the Corporate Income Tax Preference Policies for the Western Development in the previous years. The directors are of the view that it is highly probable that the Chengdu Branch will continue to be entitled to the same preferential tax rate and 15% is adopted in estimating the tax provision for the six months ended 30 September 2022.

- (c) Pursuant to the 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.

## 8 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$15,665,000 (six months ended 30 September 2021: \$8,641,000) and the weighted average of 492,984,000 (six months ended 30 September 2021: 374,984,000) ordinary shares in issue during the interim period.

### (b) Diluted earnings per share

The diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares in existence during the six months ended 30 September 2022 and 2021.

## 9 PROPERTY, PLANT AND EQUIPMENT

### (a) Right-of-use assets

During the six months ended 30 September 2022, the Group did not enter into or dispose of any lease and therefore no addition to right-of-use asset is recognised.

### (b) Acquisitions and disposals of owned assets

During the six months ended 30 September 2022, the Group acquired items of furniture and fixture, leasehold improvement, and motor vehicles with a cost of \$399,000 (six months ended 30 September 2021: \$934,000), \$803,000 (six months ended 30 September 2021: \$nil), and \$59,000 (six months ended 30 September 2021: \$4,000) respectively.

## 10 INTANGIBLE ASSETS AND GOODWILL

These balances mainly 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 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:

	At 30 September 2022 \$’000	At 31 March 2022 \$’000
Property management business	53,903	60,067
Operation of restaurant and bar outlets*	—	—
	<u>53,903</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 six months ended 30 September 2020.*

During the six months ended 30 September 2022, the operation of the property management business continued to be profit-making and thus no impairment indicator for the respective goodwill has been identified.

## 11 TRADE AND OTHER RECEIVABLES

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
<b>Non-current assets</b>		
Rental deposits	<u>936</u>	<u>994</u>
<b>Current assets</b>		
Trade receivables, net of loss allowance ( <i>note</i> )	67,781	72,386
Deposits, prepayments and other receivables	<u>15,158</u>	<u>18,990</u>
	<u><b>82,939</b></u>	<u><b>91,376</b></u>

*Note:* At 30 September 2022, trade and other receivables of the Group included amounts due from entities controlled by Mr. Zheng Jian Jiang, the Company's controlling shareholder, of \$1,335,000 (31 March 2022: \$3,177,000) and entities over which Mr. Zheng Jian Jiang has significant influence, of \$3,167,000 (31 March 2022: \$5,303,000). The amounts represent property management fees receivable arisen in the ordinary course of business.

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 date of revenue recognition and net of loss allowance, is as follows:

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
Within 1 month	29,222	29,230
Over 1 month to 3 months	12,789	11,157
Over 3 months to 6 months	9,068	7,400
Over 6 months to 1 year	7,060	9,886
Over 1 year	<u>9,642</u>	<u>14,713</u>
	<u><b>67,781</b></u>	<u><b>72,386</b></u>

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 \$1,535,000 (31 March 2022: \$1,644,000), which mainly represents other receivables for the property management business of the Group. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

## 12 TRADE AND OTHER PAYABLES

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:

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
Trade creditors		
– within 3 months	13,212	14,819
– over 3 months to 6 months	9,672	11,131
– over 6 months to 1 year	2,278	2,587
– over 1 year	1,234	1,407
	<u>26,396</u>	<u>29,944</u>
Deposits received from property occupants/owners	22,383	26,242
Receipts on behalf of utilities companies	14,069	17,728
Amounts due to related parties ( <i>note</i> )	4,726	2,040
Other payables and accrued charges	51,294	54,242
	<u>118,868</u>	<u>130,196</u>

*Note:* 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.

## 13 LOANS FROM THE CONTROLLING SHAREHOLDER

The loan of \$81,360,000 is unsecured and interest-bearing at 2% per annum. Current portion of \$29,000,000 is due in September 2022 and has been repaid. Non-current portion of \$52,360,000 is repayable in August 2025.

The loan of \$22,060,000 is unsecured and interest-free. Current portion of \$12,760,000 is repayable within a year. Non-current portion of \$9,300,000 is repayable after one year but within two years.

## 14 CAPITAL, RESERVES AND DIVIDENDS

### (a) Dividends payable to equity shareholders attributable to the interim period

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2022 and 2021.

### (b) Share capital

	At 30 September 2022		At 31 March 2022	
	No. of shares '000	Amount \$'000	No. of shares '000	Amount \$'000
<b>Authorised:</b>				
Ordinary shares of \$0.01 each	<u>10,000,000</u>	<u>100,000</u>	<u>10,000,000</u>	<u>100,000</u>
<b>Ordinary shares, issued and fully paid:</b>				
At 1 April 2022/2021	492,984	4,930	374,984	3,750
Share issued	<u>-</u>	<u>-</u>	<u>118,000</u>	<u>1,180</u>
At 30 September 2022/At 31 March 2022	<u>492,984</u>	<u>4,930</u>	<u>492,984</u>	<u>4,930</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The principal business activities of the Group are operation of clubbing, restaurant and bar outlets business in Hong Kong (the “**lifestyle entertainment segment**”) and provision of property management services in the People’s Republic of China (the “**PRC**”) (the “**property management segment**”).

#### Business review – lifestyle entertainment segment

With the industry gradually recovering from the COVID-19 outbreak, the Group aims to maintain its status as a leading nightlife entertainment service and venue provider in Hong Kong and to provide various venue of pleasure and excitement to its customers.

#### Business review – property management segment

As a complex property management service provider, the Group provides complete services in relation to various types of properties, including medium to high-end residential properties and non-residential properties such as Class A office buildings, commercial complexes, hospitals and industrial parks.

As at 30 September 2022, the Group managed over 64 projects with a gross floor area of approximately 8.47 million square metres.

### FINANCIAL REVIEW

#### Revenue

The Group recorded revenue of approximately HK\$162.9 million for the six months ended 30 September 2022, representing a decrease of 3.0% as compared with approximately HK\$168.0 million for the six months ended 30 September 2021. Such decrease is attributable to an increase in revenue of approximately HK\$6.5 million from the property management segment which resulted from an increase in number of projects managed, offset by a decrease in revenue of approximately HK\$11.6 million from the lifestyle entertainment segment for the six months ended 30 September 2022, which resulted mainly from the temporary suspension of business to comply with COVID-19 prevention measures required of the Group’s clubbing business in Hong Kong.

#### Staff Costs

The staff costs comprise salaries, wages, discretionary bonus, membership commission, tips from customers allocated to staff and other benefits including retirement benefit costs and other allowances and benefits payable to the permanent staff and part time staff. The staff costs decreased by approximately 5.4% or HK\$4.0 million to approximately HK\$69.5 million for the six months ended 30 September 2022 from approximately HK\$73.5 million for the six months ended 30 September 2021. The decrease was mainly due to decrease in the Group’s number of staff in the property management segment as a result of lean process improvement during the period.

## **Advertising and Marketing Expenses**

The advertising and marketing expenses primarily consisted of advertising and promotional expenses, such as the cost of inviting international disc jockeys for clubbing operations. The advertising and marketing expenses decreased by approximately 56.0% or HK\$1.4 million to approximately HK\$1.1 million for the six months ended 30 September 2022 from approximately HK\$2.5 million for the six months ended 30 September 2021. The decrease in advertising and marketing expenses was mainly due to the Group minimising marketing activities of its clubbing business during the period of temporary suspension.

## **Utilities Expenses and Repair and Maintenance Expenses**

The utilities expenses and repair and maintenance expenses remain stable at approximately HK\$19.9 million for the six months ended 30 September 2022 as compared to approximately HK\$19.4 million during the six months ended 30 September 2021. The repair and maintenance expenses remained stable mainly due to the hygiene measures provided to cope with the outbreak of COVID-19 for the customers of the Group's property management segment in 2021 remained.

## **Other Operating Expenses**

Other operating expenses includes gardening costs, security costs and other miscellaneous expenses. The other operating expenses increased by approximately 63.8% or HK\$8.8 million to approximately HK\$22.6 million for the six months ended 30 September 2022 from approximately HK\$13.8 million for the six months ended 30 September 2021. The increase was mainly attributable to the increase in impairment losses on trade receivables.

## **Results for the period**

The Group recorded a net profit for the six months ended 30 September 2022 of approximately HK\$18.3 million as compared to net profit for the six months ended 30 September 2021 of approximately HK\$8.6 million. This was mainly due to the net foreign exchange gain in respect of the loan from the controlling shareholder as a result of the depreciation of Renminbi ("RMB") against Hong Kong dollars ("HKD"). In September 2022, the Group negotiated with the controlling shareholder to extend the loan repayment term to 2025 and convert the RMB-denominated loan into a HKD-denominated loan.

## **LIQUIDITY, FINANCIAL RESOURCES AND GEARING**

As at 30 September 2022, the Group's total current assets and current liabilities were approximately HK\$368.1 million (31 March 2022: HK\$431.3 million) and HK\$227.6 million (31 March 2022: HK\$318.8 million) respectively, while the current ratio was 1.6 times (31 March 2022: 1.4 times).



As at 30 September 2022, the Group maintained cash at bank and in hand of approximately HK\$276.6 million (31 March 2022: HK\$330.2 million). In the foreseeable future, the Group expects to fund its capital expenditures, working capital and other capital requirement from the net proceeds from placing of new shares under general mandate according to their designated uses and cash generated from its operations and other financing means which the Company may from time to time consider appropriate.

Total interest-bearing borrowing of the Group as at 30 September 2022 was approximately HK\$59.6 million (31 March 2022: HK\$102.1 million), which mainly represented the unsecured loan of HK\$52.4 million was outstanding as at 30 September 2022, with a term expiring on 31 August 2025 and 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 Property Management Service Co., Ltd.\* (寧波奧克斯物業服務有限公司). The gearing ratio, which is calculated by dividing total interest-bearing borrowings by total equity, as at 30 September 2022 was approximately 0.3 (31 March 2022: 0.4).

## CAPITAL STRUCTURE

On 26 October 2021, the Company entered into a subscription agreement with Huiyi Limited, the controlling shareholder of the Company (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 ordinary shares of HK\$0.01 each in the share capital of the Company at the subscription price of HK\$0.63 per share for a consideration of HK\$74,340,000 (the “**Subscription**”). The Directors are of the view that the Group has genuine funding needs and the Subscription will be the most appropriate means to satisfy such funding needs for the reasons set out in the circular of the Company dated 31 December 2021 (the “**Circular**”). All the conditions set out in the subscription agreement have subsequently 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 net price to the Company of each subscription share was approximately HK\$0.62. For details of the use of net proceeds from the Subscription during the six months ended 30 September 2022, please refer to the section headed “Use of Net Proceeds From Fund Raising” in this announcement. The remaining balance was deposited with licensed financial institutions in Hong Kong.

The Group manages its capital to safeguard the Group’s ability to continue as a going concern while maximising the return to the Shareholders through maintaining the equity and debt in a balanced position. The capital structure of the Group consisted of equity of approximately HK\$217.2 million (31 March 2022: HK\$243.9 million) and loans from the controlling shareholder of approximately HK\$74.4 million as at 30 September 2022 (31 March 2022: HK\$110.9 million). Except for the loans from the controlling shareholder, the Group had no other bank borrowings, debt securities or other capital instruments as at 30 September 2022.

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

During the period, Ningbo AUX New Energy Technology Limited, a joint venture company formed by the Group's indirect wholly-owned subsidiary, Ningbo Po Tai Hengmao Trading Co., Ltd.\* (寧波寶泰恒茂貿易有限公司), together with five independent third parties and intended to primarily engage in the development and production of photovoltaics products, was in the process of registration cancellation.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies or joint ventures or significant investments during the six months ended 30 September 2022.

## **CHARGE ON ASSETS**

As at 30 September 2022, the Group did not have any pledged assets (31 March 2022: Nil).

## **FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS**

Save as disclosed in the sections headed "Capital Structure" and "Material Acquisitions or Disposals of Subsidiaries, Associated Companies or Joint Ventures and Significant Investment Held" in this announcement, the Group did not have other plans for material investment or capital assets as at 30 September 2022.

The Group will continue 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, 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 Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") where appropriate.

## **FOREIGN EXCHANGE EXPOSURE**

The Group operates in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities denominated in RMB for the entities with a functional currency in HKD. The Group did not use any forward contracts to hedge its foreign currency exposure during the reporting period. The Group will from time to time review and adjust the Group's hedging and financial strategies based on the RMB and HKD exchange rate movement.

## **EMPLOYEE AND REMUNERATION POLICY**

As at 30 September 2022, the Group had 1,072 employees (31 March 2022: 1,089 employees). The Group offers competitive remuneration packages to its staff, including share option scheme, mandatory provident fund schemes and discretionary bonus.

## **PROSPECTS**

### **Lifestyle Entertainment Segment**

With COVID-19 prevention measures continuing to loosen up, the Group is looking forward to improving the market position of its lifestyle entertainment segment. The Group aims to bring a variety of entertainment activities to attract young customers to give a better balance of the Group's current customer portfolio. To expand the Group's product variety in the lifestyle entertainment segment, the Group is evaluating the benefit and synergy of providing alcoholic beverages through developing business-to-business and business-to-consumer channels.

While the Group looks forward to the momentum brought by the changes in COVID-19 prevention policies, the Group remains cautious and alert of any adverse change of the COVID-19 outbreak situation. As such the Group will continue to be cost-conscious and delicately allocate resources toward the segment.

### **Property Management Segment**

The Group expects its property management segment will continue to be a stable contributor of revenue to the Group. While the real estate industry in China is still recovering, the Group believes that strengthening its brand reputation in the management of hospital and industrial park premises will create future growth momentum. In addition, the Group is exploring the feasibility of providing value-added services such as retail, decoration and domestic helper services to the community.

## **INTERIM DIVIDEND**

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2022 (for the six months ended 30 September 2021: Nil).

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code. All the Directors confirmed that they have fully complied with the required standard set out in the Model Code during the six months ended 30 September 2022.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set forth in Part 2 of Appendix 14 to the Listing Rules as its corporate governance code of practices. The Board is of the opinion that the Company had complied with the CG Code during the six months ended 30 September 2022.

## USE OF NET PROCEEDS FROM FUND RAISING

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 six months ended 30 September 2022, parts of the Net Proceeds had been utilised as follows:

Use of proceeds	Net Proceeds allocated as set out in the Circular <i>HK\$ million</i>	Amount of Net Proceeds utilised			Unutilised Net Proceeds as at 30 September 2022 <i>HK\$ million</i>
		As at 1 April 2022 <i>HK\$ million</i>	During the six months ended 30 September 2022 <i>HK\$ million</i>	As at 30 September 2022 <i>HK\$ million</i>	
(1) working capital of the Company, including but not limited to directors’ fees and professional fees	12.5	3.7	5.2	8.9	3.6
(2) rental expenses and salary expenses to be incurred under the operation of the lifestyle entertainment segment	32.2	–	11.3	11.3	20.9
(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>45.5</u>	<u>49.2</u>	<u>24.5</u>

As disclosed in the announcement of the Company dated 4 November 2022, the Net Proceeds in the amount of HK\$29.0 million designated for partial repayment of the loan from the controlling shareholder has been fully utilised as at 30 September 2022. Based on the recent financial performance of the lifestyle entertainment segment and the Group as a whole, it is intended that the Net Proceeds unutilised as at 30 September 2022 in the amounts of HK\$3.6 million and HK\$20.9 million will be used to supplement the Company’s working capital and to meet the rental expenses and salary expenses to be incurred in the operations of the lifestyle entertainment segment respectively in the year ending 31 March 2023, which is in line with the intentions communicated in the Circular.

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

During the six months ended 30 September 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

## **AUDIT COMMITTEE**

The primary duties of the audit committee of the Company (the “**Audit Committee**”) are to review and supervise the financial reporting process and internal control procedures of the Company. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters concerning the unaudited consolidated results of the Group for the six months ended 30 September 2022.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

The results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.auxint.com](http://www.auxint.com). The interim report for the six months ended 30 September 2022 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 November 2022

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

\* *for identification purpose only*