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 2021

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 2021 together with the comparative figures for the six months ended 30 September 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 September 2021 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2021	2020
	Note	***$'000***	*$'000*
Revenue	*3*	**168,029**	137,215
Other revenue	*4*	**5,462**	9,526
Other net loss	*5*	**(1,109)**	(3,148)
Cost of inventories sold		**(4,387)**	(2,538)
Property cleaning expenses		**(32,247)**	(25,836)
Staff costs	*6(b)*	**(73,480)**	(61,572)
Depreciation and amortisation	*6(e)*	**(8,669)**	(12,051)
Property rentals and related expenses		**(1,711)**	(1,855)
Impairment losses on goodwill	*10*	**–**	(7,261)
Impairment losses on property, plant and equipment	*9(b)*	**–**	(1,500)
Advertising and marketing expenses		**(2,544)**	(850)
Utilities expenses		**(10,058)**	(6,441)
Repair and maintenance expenses		**(9,383)**	(8,263)
Other operating expenses	*6(d)*	**(13,842)**	(14,154)
Profit from operations		**16,061**	1,272
Finance costs	*6(a)*	**(1,199)**	(1,238)
Profit before taxation	*6*	**14,862**	34
Income tax	*7*	**(6,221)**	(7,063)
Profit/(loss) for the period		**8,641**	(7,029)
Earnings/(loss) per share	*8*		
Basic and diluted		**2.3 cents**	(1.9) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 September 2021 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2021	2020
	$'000	*$'000*
Profit/(loss) for the period	**8,641**	(7,029)
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of the financial statements of subsidiaries (nil tax effect)	**3,895**	7,554
Total comprehensive income for the period	**12,536**	525

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2021 – unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 September 2021 $'000	At 31 March 2021 $'000
Non-current assets			
Property, plant and equipment	*9*	**15,959**	15,237
Intangible assets	*10*	**43,699**	46,826
Goodwill	*10*	**58,642**	57,680
Deferred tax assets		**3,154**	3,020
		121,454	122,763
Current assets			
Inventories		**564**	519
Trade and other receivables	*11*	**97,897**	89,664
Current tax recoverable		**3,553**	3,553
Restricted bank deposits		**4,126**	3,550
Cash at bank and in hand		**252,158**	227,198
		358,298	324,484
Current liabilities			
Trade and other payables	*12*	**129,275**	117,032
Contract liabilities		**56,905**	59,675
Amount due to the controlling shareholder		**5,234**	4,373
Loans from controlling shareholder	*13*	**86,400**	–
Lease liabilities		**14,955**	14,285
Current tax payable		**6,052**	7,013
		298,821	202,378
Net current assets		**59,477**	122,106
Total assets less current liabilities		**180,931**	244,869

	Note	At 30 September 2021 $'000	At 31 March 2021 $'000
Non-current liabilities			
Loans from the controlling shareholder	*13*	**12,760**	85,266
Lease liabilities		**4,528**	8,759
Deferred tax liabilities		**15,416**	15,153
		32,704	109,178
NET ASSETS		**148,227**	135,691
CAPITAL AND RESERVES	*14*		
Share capital		**3,750**	3,750
Reserves		**144,477**	131,941
TOTAL EQUITY		**148,227**	135,691

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 2021 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 2021.

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 2021, except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the financial year ending 31 March 2022. Details of any changes in accounting policies are set out in note 2.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new amendments to HKASs and Hong Kong Financial Reporting Standards ("**HKFRSs**") that are effective for the current accounting period of the Group for the first time. Other than Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*, none of these developments are relevant to the Group's financial statements.

Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)*

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has adopted the 2021 amendment in this financial period. There is no impact on the opening balance of equity at 1 April 2021.

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	
	2021	2020
	$'000	*$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Revenue from club and restaurant operations		
– Hong Kong	**18,036**	8,804
Revenue from property management contracts		
– the People's Republic of China ("**PRC**")	**149,993**	128,411
	168,029	137,215

The Group's customer base is diversified and includes only one customer (six months ended 30 September 2020: 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 (six months ended 30 September 2020: $19 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 2021 is set out below.

	Lifestyle entertainment – Hong Kong		**Property management – the PRC**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
For the six months ended 30 September						
Revenue from external customers and reportable segment revenue	**18,036**	8,804	**149,993**	128,411	**168,029**	137,215
Reportable segment (loss)/profit	**(319)**	(5,655)	**23,356**	25,216	**23,037**	19,561

	At 30 September 2021	At 31 March 2021	**At 30 September 2021**	At 31 March 2021	**At 30 September 2021**	At 31 March 2021
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Reportable segment assets	**19,116**	18,698	**451,568**	420,331	**470,684**	439,029
Reportable segment liabilities	**24,194**	27,928	**176,993**	167,080	**201,187**	195,008

The measure used for reporting segment profit/(loss) 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 loss, directors' and auditors' remuneration and other head office or corporate administration costs.

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 September	
	2021	2020
	$'000	*$'000*
Reportable segment profit derived from the Group's external customers	**23,037**	19,561
Other revenue	**5,462**	9,526
Other net loss	**(1,109)**	(3,148)
Depreciation and amortisation	**(8,669)**	(12,051)
Finance costs	**(1,199)**	(1,238)
Impairment losses on goodwill	**–**	(7,261)
Impairment losses on property, plant and equipment	**–**	(1,500)
Unallocated head office and corporate expenses	**(2,660)**	(3,855)
Consolidated profit before taxation	**14,862**	34

4 OTHER REVENUE

	Six months ended 30 September	
	2021	2020
	$'000	*$'000*
Bank interest income	**3,362**	2,055
Rent concessions received	**–**	2,417
Government grants *(note)*	**1,700**	4,132
Others	**400**	922
	5,462	9,526

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 LOSS

	Six months ended 30 September	
	2021	2020
	$'000	*$'000*
Gain/(loss) on disposal of property, plant and equipment	**19**	(58)
Net foreign exchange loss	**(1,128)**	(3,090)
	(1,109)	(3,148)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2021	2020
	$'000	*$'000*
(a) Finance costs		
Interest on loan from the controlling shareholder	**861**	1,024
Interest on lease liabilities	**338**	214
	1,199	1,238
(b) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plan	**11,840**	4,876
Salaries, wages and other benefits	**61,640**	56,696
	73,480	61,572
(c) Property rentals		
Lease payments in respect of short-term leases	**38**	86
(d) Other operating expenses		
Impairment losses on trade receivables	**186**	472
Impairment losses on other receivables	**–**	538
Office expenses	**811**	825
Entertainment expenses	**982**	541
Travelling expenses	**878**	534
Legal and professional fees	**1,932**	2,644
Security costs	**968**	606
Gardening costs	**1,883**	2,135
Other tax expenses	**923**	826
Bank charges and credit card commissions	**710**	440
Community event costs	**589**	657
Other	**3,980**	3,936
	13,842	14,154
(e) Depreciation and amortisation		
Depreciation		
– owned property, plant and equipment	**665**	659
– right-of-use assets	**4,086**	7,796
Amortisation	**3,918**	3,596
	8,669	12,051

7 INCOME TAX

	Six months ended 30 September	
	2021	2020
	$'000	*$'000*
Current tax – the PRC Corporate Income Tax	**6,297**	7,123
Current tax – PRC withholding tax on dividend income	**–**	3,266
Deferred taxation	**(76)**	(3,326)
	6,221	7,063

(a) No provision for Hong Kong Profits Tax had been made for the six months ended 30 September 2021 and 2020, 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%.

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 2021.

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

(d) 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/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the Company of $8,641,000 (six months ended 30 September 2020: loss of $7,029,000) and the weighted average of 374,984,000 (six months ended 30 September 2020: 374,984,000) ordinary shares in issue during the interim period.

(b) Diluted earnings/(loss) per share

The diluted earnings/(loss) per share is the same as basic earnings/(loss) per share as there were no dilutive potential ordinary shares in existence during the six months ended 30 September 2021 and 2020.

9 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 September 2021, the Group entered into 2 lease agreements for use of restaurant and office premise for 2 years, and therefore recognised the additions to right-of-use assets of $4,458,000.

(b) Impairment losses

During the six months ended 30 September 2020, the operation of clubbing business and restaurant and bar outlets continued to be loss-making which indicated the relevant property, plant and equipment may not be recoverable. The Group had assessed the recoverable amount of the relevant property, plant and equipment. As a result, impairment losses of $1,500,000 were recognised in profit or loss to reduce the carrying amount of these property, plant and equipment to their recoverable amounts during that period.

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 2021 ***$'000***	At 31 March 2021 *$'000*
Property management business	**58,642**	57,680
Operation of restaurant and bar outlets*	**–**	–
	58,642	57,680

* *The goodwill allocated to operation of restaurant and bar outlets CGU is $7,261,000 and it was fully impaired during the six months ended 30 September 2020.*

During the six months ended 30 September 2021, 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 2021 $'000	At 31 March 2021 $'000
Trade receivables, net of loss allowance *(note)*	**72,234**	68,777
Deposits, prepayments and other receivables	**25,663**	20,887
	97,897	89,664

Note: At 30 September 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 $2,882,000 (31 March 2021: $3,193,000) and entities over which Mr. Zheng Jian Jiang has significant influence, of $5,143,000 (31 March 2021: $5,147,000). The amount represents 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 2021 $'000	At 31 March 2021 $'000
Within 1 month	**27,710**	30,009
Over 1 month to 3 months	**8,686**	8,832
Over 3 months to 6 months	**7,920**	6,256
Over 6 months to 1 year	**13,740**	8,801
Over 1 year	**14,178**	14,879
	72,234	68,777

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 $6,679,000 (31 March 2021: $6,805,000), which mainly represents rental deposits for club, restaurants and office premise of the Group (31 March 2021: rental deposits for club 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.

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 2021 *$'000*	At 31 March 2021 *$'000*
Trade creditors		
– within 3 months	**15,418**	13,957
– over 3 months to 6 months	**11,329**	10,546
– over 6 months to 1 year	**2,676**	2,480
– over 1 year	**1,504**	1,348
	30,927	28,331
Deposits received from property occupants/owners	**24,299**	22,585
Receipts on behalf of utilities companies	**18,267**	17,161
Amounts due to related parties *(note)*	**2,976**	3,041
Other payables and accrued charges	**52,806**	45,914
	129,275	117,032

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 $86,400,000 is unsecured, interest-bearing at 2% per annum and repayable in August 2022.

During the six months ended 30 September 2021, there are additional loans from the controlling shareholder of $12,760,000. These additional loans are unsecured, interest-free, and repayable on 28 April 2023 and 28 September 2023.

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 2021 and 2020.

(b) Share capital

	At 30 September 2021		At 31 March 2021	
	No. of shares *'000*	**Amount** *$'000*	No. of shares *'000*	Amount *$'000*
Authorised:				
Ordinary shares of $0.01 each	**10,000,000**	**100,000**	10,000,000	100,000
Ordinary shares, issued and fully paid:				
At 1 April 2020, 31 March 2021, 1 April 2021 and 30 September 2021	**374,984**	**3,750**	374,984	3,750

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The principal business activities of AUX International Holdings Limited (the "**Company**") and its subsidiaries (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 2021, the Group managed over 60 projects with a gross floor area of approximately 7.74 million square metres.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of approximately HK$168.0 million for the six months ended 30 September 2021, representing an increase of 22.4% as compared with approximately HK$137.2 million for the six months ended 30 September 2020. Such increase is attributable to increase in revenue of approximately HK$9.2 million of the lifestyle entertainment segment for the six months ended 30 September 2021, which resulted mainly from the gradual recovery of market and operating conditions of the Group's clubbing and restaurant business in Hong Kong from the outbreak of COVID-19.

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 increased by approximately 19.3% or HK$11.9 million to approximately HK$73.5 million for the six months ended 30 September 2021 from approximately HK$61.6 million for the six months ended 30 September 2020. The increase was mainly due to increase in the Group's number of staff in the lifestyle entertainment segment to cope with increase in operation scale.

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 increased by approximately 177.8% or HK$1.6 million to HK$2.5 million for the six months ended 30 September 2021 from approximately HK$0.9 million for the six months ended 30 September 2020. The increase in advertising and marketing expenses was mainly due to the marketing activities of the Group's clubbing business.

Utilities Expenses and Repair and Maintenance Expenses

The utilities expenses increased by approximately HK$3.7 million or 57.8% and repair and maintenance expenses increased by approximately HK$1.1 million or 13.3% for the six months ended 30 September 2021. The increase in repair and maintenance expenses was mainly due to new hygiene measures provided to cope with the outbreak of COVID-19 for the customers of the Group's property management segment.

Other Operating Expenses

Other operating expenses includes gardening costs, security costs and other miscellaneous expenses. The other operating expenses decreased by approximately 2.8% or HK$0.4 million to approximately HK$13.8 million for the six months ended 30 September 2021 from approximately HK$14.2 million for the six months ended 30 September 2020. The decrease was mainly attributable to the decrease in number of property management projects managed and cost saving exercise conducted by the Group in the property management segment.

Results for the period

The Group recorded net profit for the six months ended 30 September 2021 of approximately HK$8.6 million as compared to net loss for the six months ended 30 September 2020 of approximately HK$7.0 million. This was mainly due to (i) the increase in revenue from the lifestyle entertainment segment, and (ii) the one-off impairment losses on goodwill of approximately HK$7.3 million recognised as a result of the negative impact caused by the COVID-19 towards the restaurant and bar outlets of the Group for the six months ended 30 September 2020.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 30 September 2021, the Group's total current assets and current liabilities were approximately HK$358.3 million (31 March 2021: HK$324.4 million) and HK$298.8 million (31 March 2021: HK$202.4 million) respectively, while the current ratio was 1.2 times (31 March 2021: 1.6 times).

As at 30 September 2021, the Group maintained cash at bank and in hand of approximately HK$252.2 million (31 March 2021: HK$227.1 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 2021 was approximately HK$105.9 million (31 March 2021: HK$108.3 million), which mainly represented the unsecured loan of RMB100 million, of which a principal amount of RMB72 million was outstanding as at 30 September 2021, with a term of five years and an interest rate of 2% per annum granted by the controlling shareholder of the Company to Starry Chance Limited, 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) ("**Ningbo AUX Property**"). The gearing ratio, which is calculated by dividing total interest-bearing borrowings by total equity, as at 30 September 2021 was approximately 0.71 (31 March 2021: 0.80).

CAPITAL STRUCTURE

On 26 October 2021, the Company entered into a subscription agreement (the "**Subscription Agreement**") with Huiri Limited (the "**Subscriber**"), pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 118,000,000 shares of the Company (the "**Subscription Shares**") at the subscription price of HK$0.63 per Subscription Share for a total consideration of HK$74,340,000.

The Subscriber is a controlling shareholder (as defined under the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")) of the Company and is, therefore, a connected person of the Company under Chapter 14A of the Listing Rules.

The Subscription Agreement and the connected transaction contemplated thereunder, together with the proposed specific mandate for the Directors to allot and issue the Subscription Shares, are subject to the approval by the shareholders of the Company (the "**Shareholders**") in the forthcoming extraordinary general meeting of the Company (the "**EGM**"), other than the Subscriber and its associates (as defined under the Listing Rules) who shall abstain from voting at the EGM. Details of the Subscription Agreement were set out in the announcement of the Company dated 26 October 2021. As disclosed in the announcement of the Company dated 17 November 2021, a circular in respect of the foregoing matters, together with a notice convening the EGM and the relevant proxy form, is expected to be despatched to the Shareholders on or before 7 December 2021.

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$148.2 million (31 March 2021: HK$135.7 million) and loans from the controlling shareholder of approximately HK$99.2 million as at 30 September 2021 (31 March 2021: HK$85.3 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 2021.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES OR JOINT VENTURES

As disclosed in the announcement of the Company dated 9 September 2021, Ningbo Po Tai Hengmao Trading Co., Ltd.* (寧波寶泰恒茂貿易有限公司), an indirect wholly-owned subsidiary of the Company ("**Ningbo Hengmao**"), entered into a joint venture agreement (the "**JV Agreement**") with five independent third parties in relation to the formation of a limited liability company to be established under the laws of the PRC and to primarily engage in the development and production of photovoltaics products (the "**JV Company**"). Pursuant to the JV Agreement, Ningbo Hengmao shall own 35% of the equity interests in the JV Company upon its formation.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies during the six months ended 30 September 2021.

CHARGE ON ASSETS

As at 30 September 2021, the Group did not have any pledged assets (31 March 2021: Nil).

SIGNIFICANT INVESTMENT HELD DURING THE PERIOD

To maximise the utilisation of the idle cash without affecting its operational liquidity and fund security, Ningbo AUX Property had subscribed for a structural deposit offered by a Ningbo sub-branch of a commercial bank during the six months ended 30 September 2021. Such structural deposit had been fully redeemed on 28 September 2021. Please refer to the announcements of the Company dated 23 April 2021 and 22 June 2021 for further details.

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" in this announcement, the Group did not have other plans for material investment or capital assets as at 30 September 2021.

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 Listing Rules where appropriate.

FOREIGN EXCHANGE EXPOSURE

The Group operates in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from Renminbi ("**RMB**"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities denominated in RMB for the entities with a functional currency in Hong Kong dollars ("**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 2021, the Group had 1,239 employees (31 March 2021: 1,077 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 the local infection rate of COVID-19 remaining at a low level in Hong Kong in the past months, the Group will continue to fortify the branding and market position of its lifestyle entertainment segment. The Group is dedicated to providing a safe and hygienic environment for its customers to enjoy their leisure time and brings a variety of entertainment activities to its customers in supreme quality.

While the Group looks forward to revitalise its customer base, the Group remains cautious and alert of any adverse change of the COVID-19 outbreak situation.

Property Management Segment

The Group's property management segment has continued to be a consistent performer and a stable of source income to the Group. The Group will continue to seek opportunities to expand its service portfolio to include different customers and geographical regions and strengthen its brand advantage in the management of hospital and industrial park premises.

In September this year, the Group, through Ningbo Hengmao, has entered into the JV Agreement with third parties to form the JV Company which is intended to primarily engage in the development and production of photovoltaics products such as solar micro-invertors. The Group considered it is a great business opportunity to further expand the Company's business portfolio and a substantial growth driver to the Company in the future.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2021 (for the six months ended 30 September 2020: 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 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set forth in 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 2021.

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

During the six months ended 30 September 2021, 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 2021.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 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 interim report for the six months ended 30 September 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 November 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.

* *for identification purpose only*