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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 2022**

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 2022 together with the comparative figures for the year ended 31 March 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2022 (Expressed in Hong Kong dollars)

	Note	2022 HK\$'000	2021 HK\$'000
Revenue	3	357,239	302,907
Other revenue	4	13,573	19,034
Other net loss	5	(3,960)	(5,996)
Cost of inventories sold	6(d)	(7,683)	(4,064)
Property cleaning expenses		(77,980)	(64,965)
Staff costs	6(b)	(158,509)	(129,949)
Depreciation and amortisation	6(d)	(17,731)	(22,620)
Property rentals and related expenses		(4,464)	(3,853)
Impairment losses on goodwill	10	–	(7,261)
Impairment losses on property, plant and equipment	9	(11,360)	(11,486)
Advertising and marketing expenses		(4,584)	(1,327)
Utilities expenses		(9,422)	(8,397)
Repair and maintenance expenses		(19,743)	(17,392)
Other operating expenses	6(c)	(34,543)	(35,187)
Profit from operations		20,833	9,444
Finance costs	6(a)	(2,350)	(2,386)
Profit before taxation	6	18,483	7,058
Income tax	7	(18,591)	(15,679)
Loss for the year		(108)	(8,621)
Attributable to:			
Equity shareholders of the Company		12,297	(8,621)
Non-controlling interests		(12,405)	–
Loss for the year		(108)	(8,621)
Profit/(loss) per share	8		
Basic and diluted		3.2 cents	(2.3) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022 (Expressed in Hong Kong dollars)

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year	(108)	(8,621)
Other comprehensive income for the year		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong (with nil tax effect)	<u>10,683</u>	<u>15,938</u>
Total comprehensive income for the year	<u>10,575</u>	<u>7,317</u>
Attributable to:		
Equity shareholders of the Company	22,756	7,317
Non-controlling interests	<u>(12,181)</u>	<u>–</u>
Total comprehensive income for the year	<u>10,575</u>	<u>7,317</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022 (Expressed in Hong Kong dollars)

	Note	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment	9	4,929	15,237
Intangible assets	10	40,748	46,826
Goodwill	10	60,067	57,680
Non-current time deposit		62,210	–
Deferred tax assets		3,062	3,020
		<u>171,016</u>	<u>122,763</u>
Current assets			
Inventories		568	519
Trade and other receivables	11	92,370	89,664
Current tax recoverable		3,553	3,553
Restricted bank deposits		4,598	3,550
Cash at bank and in hand		330,233	227,198
		<u>431,322</u>	<u>324,484</u>
Current liabilities			
Trade and other payables	12	130,196	117,032
Contract liabilities		73,707	59,675
Lease liabilities		12,284	14,285
Amount due to the controlling shareholder		6,113	4,373
Loans from the controlling shareholder	13	88,794	–
Current tax payable		7,718	7,013
		<u>318,812</u>	<u>202,378</u>
Net current assets		<u>112,510</u>	<u>122,106</u>
Total assets less current liabilities		<u>283,526</u>	<u>244,869</u>

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Non-current liabilities			
Loans from the controlling shareholder	13	22,060	85,266
Lease liabilities		1,002	8,759
Deferred tax liabilities		16,574	15,153
		<u>39,636</u>	<u>109,178</u>
NET ASSETS		<u>243,890</u>	<u>135,691</u>
CAPITAL AND RESERVES			
	14		
Share capital		4,930	3,750
Reserves		227,239	131,941
		<u>232,169</u>	<u>135,691</u>
Total equity attributable to equity shareholders of the Company		232,169	135,691
Non-controlling interests		11,721	–
		<u>243,890</u>	<u>135,691</u>
TOTAL EQUITY		<u>243,890</u>	<u>135,691</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 2022 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 beyond 30 June 2021*, issued by the HKICPA to the Group’s consolidated 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 to HKFRS 16 is discussed below:

Amendment to HKFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021*

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 early adopted the 2021 amendment in this financial year.

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Revenue from club and restaurant operations		
– Hong Kong	29,074	14,188
Revenue from property management contracts		
– Mainland China	328,165	288,719
	<u>357,239</u>	<u>302,907</u>

The Group's customer base is diversified and no individual customer had transactions which exceeded 10% of the Group's revenue during the year ended 31 March 2022. During the year ended 31 March 2021, one customer with whom transactions have exceeded 10% of the Group's revenue. 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 other revenue, other net loss and items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue, interest income from bank deposits and interest expenses from borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the most senior executives of the Group for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2022 and 2021 is set out below.

	Lifestyle entertainment		Property management		Total	
	– Hong Kong		– Mainland China			
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers and reportable segment revenue	29,074	14,188	328,165	288,719	357,239	302,907
Reportable segment (loss)/profit (adjusted EBITDA)	(5,291)	(12,117)	70,158	59,642	64,867	47,525
Interest income from bank deposits	1	1	6,683	4,925	6,684	4,926
Interest expenses	(566)	(392)	(10)	(23)	(576)	(415)
Depreciation and amortisation	(7,342)	(12,911)	(9,210)	(8,760)	(16,552)	(21,671)
Impairment losses on goodwill	–	(7,261)	–	–	–	(7,261)
Impairment losses on property, plant and equipment	(7,711)	(11,486)	–	–	(7,711)	(11,486)
Reportable segment assets	8,294	18,698	442,243	420,331	450,537	439,029
Additions to non-current segment assets during the year (note)	5,447	23,025	1,403	871	6,850	23,896
Reportable segment liabilities	19,158	27,928	188,760	167,080	207,918	195,008

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

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

	2022	2021
	HK\$'000	HK\$'000
Revenue		
Reportable segment revenue and consolidated revenue (note 3(a))	357,239	302,907
	2022	2021
	HK\$'000	HK\$'000
Profit or loss		
Reportable segment profit derived from the Group's external customers	64,867	47,525
Other revenue	13,573	19,034
Other net loss	(3,960)	(5,996)
Depreciation and amortisation	(17,731)	(22,620)
Finance costs	(2,350)	(2,386)
Impairment losses on goodwill	–	(7,261)
Impairment losses on property, plant and equipment	(11,360)	(11,486)
Unallocated head office and corporate expenses	(24,556)	(9,752)
Consolidated profit before taxation	18,483	7,058

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Assets		
Reportable segment assets	450,537	439,029
Deferred tax assets	3,062	3,020
Current tax recoverable	3,553	3,553
Unallocated head office and corporate assets	145,186	1,645
	<u>602,338</u>	<u>447,247</u>
Consolidated total assets	<u>602,338</u>	<u>447,247</u>
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Liabilities		
Reportable segment liabilities	207,918	195,008
Current tax payable	7,718	7,013
Deferred tax liabilities	16,574	15,153
Unallocated head office and corporate liabilities	126,238	94,382
	<u>358,448</u>	<u>311,556</u>
Consolidated total liabilities	<u>358,448</u>	<u>311,556</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	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong (place of domicile)	29,074	14,188	1,219	11,698
Mainland China	328,165	288,719	104,525	108,045
	<u>357,239</u>	<u>302,907</u>	<u>105,744</u>	<u>119,743</u>

4 OTHER REVENUE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank interest income	7,215	4,946
Government grants (note)	4,464	8,816
COVID-19-related rent concessions received	867	4,382
Others	1,027	890
	<u>13,573</u>	<u>19,034</u>

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

5 OTHER NET LOSS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss on disposal of property, plant and equipment	(438)	(129)
Net foreign exchange loss	(3,522)	(6,117)
Reversal of provision for reinstatement costs	–	250
	<u>(3,960)</u>	<u>(5,996)</u>

6 PROFIT BEFORE TAXATION

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(a) Finance costs		
Interest on loan from the controlling shareholder	1,740	1,938
Interest on lease liabilities	610	448
	<u>2,350</u>	<u>2,386</u>
(b) Staff costs		
Contributions to defined contribution retirement plans	23,206	12,484
Salaries, wages and other benefits	135,303	117,465
	<u>158,509</u>	<u>129,949</u>

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(c) Other operating expenses		
(Reversal of)/impairment losses on trade receivables	(552)	4,312
Impairment losses on other receivables	–	1,382
Impairment losses on intangible asset	33	–
Impairment losses on prepayment for property, plant and equipment	3,391	–
Auditors' remuneration		
– audit services	2,927	2,706
– non-audit services	41	26
Office expenses	2,973	1,663
Entertainment expenses	1,986	1,203
Travelling expenses	1,766	1,482
Legal and professional fees	3,383	4,102
Security costs	1,952	1,381
Gardening costs	4,424	4,071
Government surcharges	2,036	1,989
Bank charges and credit card commissions	1,347	930
Community event costs	2,241	1,887
Other	6,595	8,053
	<u>34,543</u>	<u>35,187</u>
(d) Other items		
Depreciation charge (<i>note 9</i>)		
– owned property, plant and equipment	1,628	1,431
– right-of-use assets	8,215	13,741
	<u>9,843</u>	<u>15,172</u>
Amortisation	7,888	7,448
Cost of inventories sold	7,683	4,064
Gain on termination of lease agreement	(12)	–

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax – PRC Corporate Income Tax		
Provision for the year	17,730	16,123
Current tax – PRC withholding tax on dividend income		
Provision for the year	–	3,266
Deferred tax		
Origination and reversal of temporary differences	861	(3,710)
	<u>18,591</u>	<u>15,679</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 2022 and 2021, 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% (2021: 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 2022 and 2021.

During the year ended 31 March 2021, dividend paid by subsidiaries of the Group in the PRC were subject to a 5% withholding tax. Management considered that the retained profits of these subsidiaries in the PRC might be distributed in the foreseeable future. Consequently, deferred tax liabilities of HK\$6,387,000 (2021: HK\$3,447,000) for temporary differences relating to undistributed profits of subsidiaries were recognised as at 31 March 2022.

8 PROFIT/(LOSS) PER SHARE

(a) Basic profit/(loss) per share

The calculation of basic profit/(loss) per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$12,297,000 (2021: loss of HK\$8,621,000) and the weighted average number of 388,181,000 (2021: 374,984,000) ordinary shares in issue during the year.

Weighted average number of ordinary shares

	2022 Number of shares '000	2021 Number of shares '000
Issued ordinary shares at the beginning of the year	374,984	374,984
Effect of share issued	13,197	–
	<u>388,181</u>	<u>374,984</u>
Weighted average number of ordinary shares at the end of the year	<u>388,181</u>	<u>374,984</u>

(b) Diluted profit/(loss) per share

The diluted profit/(loss) per share is the same as basic profit/(loss) per share as there were no dilutive potential ordinary shares in existence during the years ended 31 March 2022 and 2021.

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

	Properties leased for own use HK\$'000	Furniture, fixtures and equipment HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
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	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>

The amount mainly represented the impairment losses on property, plant and equipment in relation to lifestyle entertainment segment of \$7,711,000 (2021: \$11,486,000).

During the years ended 31 March 2022 and 2021, 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\$5,291,000 (2021: HK\$12,117,000) and the Group has assessed the recoverable amount of the relevant property, plant and equipment. As a result, impairment losses of HK\$7,711,000 (2021: HK\$11,486,000) were recognised as “impairment losses on property, plant and equipment” in the consolidated statement of profit or loss to reduce the carrying amount of these property, plant and equipment to their recoverable amount of HK\$Nil (2021: HK\$11,313,000). 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% (2021: 13%). The discount rate used was pre-tax and reflected specific risks relating to the operation of clubbing business and restaurant and bar outlets.

10 INTANGIBLE ASSETS AND GOODWILL

These balances arose from the acquisitions of Ningbo AUX in May 2017 and Mini Club Hong Kong Limited (“Mini Club”) in April 2019.

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

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Property management business	60,067	57,680
Operation of restaurant and bar outlets*	—	—
	<u>60,067</u>	<u>57,680</u>

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

Property management business

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated weighted average growth rates of 3% (2021: 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% (2021: 21%). The discount rates used are pre-tax and reflects specific risks relating to the relevant segment.

During the year ended 31 March 2022, the operation of 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables, net of loss allowance (note)	72,386	68,777
Deposits, prepayments and other receivables	19,984	20,887
	<u>92,370</u>	<u>89,664</u>

Note: At 31 March 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 HK\$3,177,000 (2021: HK\$3,193,000) and entities over which Mr. Zheng Jian Jiang has significant influence, of HK\$5,303,000 (2021: HK\$5,147,000). 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\$2,638,000 (2021: HK\$6,805,000), which mainly represent rental deposits for office premises and restaurants of the Group (2021: rental deposits for a club and a 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	29,230	30,009
Over 1 month to 3 months	11,157	8,832
Over 3 months to 6 months	7,400	6,256
Over 6 months to 1 year	9,886	8,801
Over 1 year	14,713	14,879
	<u>72,386</u>	<u>68,777</u>

12 TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade creditors	29,944	28,331
Deposits received from property owners/occupants	26,242	22,585
Receipts on behalf of utilities companies	17,728	17,161
Amounts due to related parties	2,040	3,041
Other payables and accrued charges	54,242	45,914
	<u>130,196</u>	<u>117,032</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 3 months	14,819	13,957
Over 3 months to 6 months	11,131	10,546
Over 6 months to 1 year	2,587	2,480
Over 1 year	1,407	1,348
	<u>29,944</u>	<u>28,331</u>

13 LOANS FROM THE CONTROLLING SHAREHOLDER

The loans from the controlling shareholder are unsecured. At 31 March 2022, the current portion of the loans of HK\$88,794,000 is interest-bearing at 2% per annum and repayable in August 2022. The non-current portion is interest-free and repayable after one year but within two years. At 31 March 2021, the loan was 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 2022 (2021: HK\$Nil).

(b) Share capital

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

The Group has achieved an 17.9% increase in revenue and improved its performance compared to last year in a business environment where the outbreak of COVID-19 continues to create significant difficulties. With the efforts of all employees, the Group was awarded the 2022 China's Top 100 Best Property Management Service Companies award and the Management Excellence in Hospital Premises China 2022 award.

The Hong Kong economy in the past year was still adversely affected by the COVID-19 outbreak, and various social distance measures on the Group's lifestyle entertainment segment remained in effect.

While the Group's lifestyle entertainment segment continued to be bound by various social distance restrictions, its revenue contribution to the Group recorded an increase of approximately HK\$14.9 million from HK\$14.2 million in the last financial year to HK\$29.1 million in the financial year ended 31 March 2022.

Although the Group's revenue from lifestyle entertainment segment has increased by approximately HK\$14.9 million this year, various segment costs also increased compared to last year. With often limited operating hours imposed by COVID-19 prevention measures, the Group's advertising expenses have been increased by HK\$3.3 million from HK\$1.3 million to HK\$4.6 million to encourage changes in customers' behaviors and remain competitive in the market.

Due to the further tightening of government and financial regulations in the real estate industry, the real estate industry in China slowed down last year. Therefore, the property management industry, a highly correlated business operation with the real estate industry, was expected to be generally affected. Fortunately, with the Group's brand reputation, the Group's property management segment continued to provide growth momentum to the Group this year.

Ningbo AUX Property Management Service Co., Ltd. ("**Ningbo AUX**") continued to optimise and expand its project portfolio to focus on projects with a larger service area. As a result, the number of projects managed by the Group as of 31 March 2022 had increased from 63 projects to 65 projects, while aggregate contracted gross floor area increased from 7.62 million square meters ("**sq.m.**") to 8.68 million sq.m.

Revenue contribution from Ningbo AUX was approximately HK\$328.2 million in the current year compared to HK\$288.7 million in the financial year ended 31 March 2021. As a result, the Group's total revenue increased by approximately 17.9%, from HK\$302.9 million last year to HK\$357.2 million this year.

To provide better services and assurance to its customers against the COVID-19 pandemic, Ningbo AUX had contributed more resources to enhance its sanitary measures. As a result, the Group's property cleaning expenses have increased by 20.0%, or approximately HK\$13.0 million, from HK\$65.0 million last year to HK\$78.0 million this year.

Along with the increase in revenue across segments this year, the Group's staff costs also increased by approximately 22.0% to approximately HK\$158.5 million for the year ended 31 March 2022.

The COVID-19 outbreak appeared to persist in Hong Kong, and it has created uncertainty in the future outlook of the lifestyle entertainment segment. As a result, the Group's life entertainment segment recorded an impairment loss on property, plant, and equipment of HK\$7.7 million. Furthermore, the Group has decided not to pursue in the photovoltaics products subsequent to the year end. The Group recorded an impairment losses on property, plant and equipment of HK\$3.6 million, prepayment of property, plant and equipment of HK\$3.4 million and intangible asset of HK\$33,000.

In addition, the Group incurred a net exchange loss of HK\$3.5 million under the RMB-denominated loan from the controlling shareholder.

As a result, profit before taxation of the Group has increased from HK\$7.1 million last year to HK\$18.5 million this year.

OPERATING COSTS

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 increased by approximately 22.0% or HK\$28.6 million to approximately HK\$158.5 million for the year ended 31 March 2022 from approximately HK\$129.9 million for the year ended 31 March 2021. The increase was mainly due to increase in staff costs incurred from the property management segment.

Utilities Expenses and Repair and Maintenance Expenses

The utilities expenses and repair and maintenance expenses increased by approximately HK\$3.4 million or 13.1% for the year ended 31 March 2022. The increase was mainly attributable to the increase in expenses incurred from the property management segment during the year.

Other Operating Expenses

The other operating expenses remained stable at approximately HK\$34.5 million for the year ended 31 March 2022 (2021: approximately HK\$35.2 million). Such expenses include gardening costs, security costs and other miscellaneous expenses.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 31 March 2022, the Group's total current assets and current liabilities were approximately HK\$431.3 million (31 March 2021: approximately HK\$324.5 million) and approximately HK\$318.8 million (31 March 2021: approximately HK\$202.4 million) respectively, while the current ratio was about 1.4 times (31 March 2021: 1.6 times).

As at 31 March 2022, the Group maintained cash at bank and in hand of approximately HK\$330.2 million (31 March 2021: approximately HK\$227.2 million). In the foreseeable future, the Group expects to fund its capital expenditures, working capital and other capital requirements from cash generated from its operations and other financing means which the Company may from time to time consider appropriate.

Total interest-bearing borrowing of the Group as at 31 March 2022 was approximately HK\$102.1 million (31 March 2021: HK\$108.3 million), which was mainly represented by the loan of RMB72 million 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 2022 was 0.4 (31 March 2021: 0.8).

CAPITAL STRUCTURE

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

The Group manages its capital to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders through maintaining the equity and debt in a balanced position.

As at 31 March 2022, the capital structure of the Group consists of equity of approximately HK\$243.9 million (31 March 2021: approximately HK\$135.7 million) and loans from the controlling shareholder of approximately HK\$110.9 million (31 March 2021: HK\$85.3 million). Except for the loans from the controlling shareholder (current portion) and lease liabilities, the Group had no interest-bearing bank borrowings, debt securities or other capital instruments as at 31 March 2022.

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 2022.

CHARGE ON ASSETS

As at 31 March 2022, the Group did not have any pledged assets (31 March 2021: nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the year, the Group's indirect wholly-owned subsidiary, Ningbo Po Tai Hengmao Trading Co., Ltd ("**Ningbo Hengmao**"), entered into a joint venture agreement with various investors to expand into the development and production of photovoltaics products business. The Group was expecting that the expansion would provide another stable income source when the Group's lifestyle entertainment segment gradually broke away from the shadow cast by the COVID-19 outbreak. However, as the business development of the joint venture business is not as expected, and more resources are required to support the lifestyle entertainment segment, the Group has decided not to pursue further in the photovoltaics products business in April 2022.

The Group intends to conduct more in-depth reviews on the suitable development strategies for the Group, including the feasibility of diversifying the income stream of the Group by exploring different business and investment opportunities in different business areas such as trading, property management, internet information technology and other 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 2022, the Group did not have any material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 31 March 2022, the Group employed approximately 1,089 employees (31 March 2021: 1,077 employees). The Group offers competitive remuneration packages to its staff, including share option scheme, mandatory provident fund scheme and discretionary bonus.

PROSPECTS

The Group is conservative on the outlook of its lifestyle entertainment segment as the Group expected the COVID-19 outbreak situation would persist in the next 12 months. However, the Group is optimistic that when the COVID-19 outbreak subsided in Hong Kong, it will provide growth momentum to the Group's lifestyle entertainment segment. To cope with the change in the business environment, the Group will focus on improving efficiency in the lifestyle entertainment segment through streamlining operation procedures.

At the same time, the Group continues to enhance its brand image as one of the most reputable hospital property management company and expand its portfolio to include industrial park projects.

While the Group is waiting for the business environment of its lifestyle entertainment segment to improve, the Group believes that the performance of its property management segment will continue to be strong. The Group will continue enhancing its balanced earning portfolio, regularly reviewing its business performance, and identifying favourable investment opportunities.

Lifestyle entertainment segment

With the COVID-19 outbreak still clouding Hong Kong, the Group will emphasis on its cost-conscious and delicately allocate resources to prepare for further business restrictions towards the segment. However, while the Group has been conservative in the coming months, it still believes that demand for its goods and services will surge when these restrictions are relaxed and the Group will significantly benefit from the rebound of the industry.

Property management segment

The Group's property management segment has continued to increase its contracted gross floor area and improved its revenue size. The Group will continue its focus on building its brand reputation and look for opportunities to provide community value-added services to its residential customers to enrich its income source.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2022 (31 March 2021: 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 2022.

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 2022.

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

During the year ended 31 March 2022, 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 2022. 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 2022 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 2022 will be dispatched to the shareholders of the Company and published on the above websites in due course.

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

Hong Kong, 29 June 2022

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