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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 2024**

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 2024 together with the comparative figures for the six months ended 30 September 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 September 2024 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended	
		30 September	
		2024	2023
	<i>Note</i>	\$'000	\$'000
			(restated)
Continuing operations			
Revenue	3	168,758	189,659
Other revenue	4	5,315	7,306
Other net loss	5	(2)	(135)
Cost of inventories sold		(15,908)	(39,096)
Property cleaning expenses		(29,492)	(33,839)
Staff costs	6(b)	(62,949)	(64,870)
Depreciation and amortisation	6(d)	(4,418)	(4,597)
Property rentals and related expenses		(249)	(281)
Utilities expenses		(6,985)	(7,966)
Repair and maintenance expenses		(9,039)	(8,825)
Other operating expenses	6(c)	(19,462)	(13,986)

		Six months ended	
		30 September	
		2024	2023
	<i>Note</i>	\$'000	\$'000
			(restated)
Profit from operations		25,569	23,370
Finance costs	6(a)	<u>(614)</u>	<u>(535)</u>
Profit before taxation	6	24,955	22,835
Income tax	7	<u>(8,180)</u>	<u>(7,428)</u>
Profit for the year from continuing operations		16,775	15,407
Discontinued operation			
Loss for the period from discontinued operation	15	<u>(2,466)</u>	<u>(6,940)</u>
Profit for the period		<u>14,309</u>	<u>8,467</u>
Attributable to shareholders of the Company arising from:			
Continuing operations		16,775	15,407
Discontinued operation		<u>(2,466)</u>	<u>(6,940)</u>
		<u>14,309</u>	<u>8,467</u>
Profit/(loss) per share – Basic and diluted	8		
Continuing operations		3.4 cents	3.1 cents
Discontinued operation		<u>(0.5) cents</u>	<u>(1.4) cents</u>
		<u>2.9 cents</u>	<u>1.7 cents</u>

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

for the six months ended 30 September 2024 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended	
	30 September	
	2024	2023
	\$'000	\$'000
		(restated)
Profit for the period	14,309	8,467
Other comprehensive income for the period		
<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 (nil tax effect)	<u>10,824</u>	<u>(20,035)</u>
Total comprehensive income for the period	<u>25,133</u>	<u>(11,568)</u>
Total comprehensive income for the period attributable to shareholders of the Company arising from:		
Continuing operations	27,599	(4,628)
Discontinued operation	<u>(2,466)</u>	<u>(6,940)</u>
	<u>25,133</u>	<u>(11,568)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2024 – unaudited

(Expressed in Hong Kong dollars)

		At 30 September 2024 <i>\$'000</i>	At 31 March 2024 <i>\$'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	9	3,009	3,384
Intangible assets	10	18,642	21,616
Goodwill	10	54,076	52,534
Non-current time deposit		56,041	–
Non-current rental deposits	11	–	65
Deferred tax assets		2,881	2,645
		134,649	80,244
		134,649	80,244
Current assets			
Inventories		1,508	2,111
Trade and other receivables	11	85,243	81,859
Restricted bank deposits		9,757	8,492
Time deposits with original maturity over three months		273,720	57,759
Cash at bank and in hand		57,925	298,651
		428,153	448,872
		428,153	448,872
Current liabilities			
Trade and other payables	12	105,396	97,704
Contract liabilities		48,320	63,873
Lease liabilities		2,815	5,913
Amount due to the controlling shareholder		6,283	5,694
Loans from the controlling shareholder	13	85,020	–
Current tax payable		3,787	5,236
		251,621	178,420
		251,621	178,420
Net current assets		176,532	270,452
Total assets less current liabilities		311,181	350,696

		At 30 September 2024 <i>\$'000</i>	At 31 March 2024 <i>\$'000</i>
	<i>Note</i>		
Non-current liabilities			
Loans from the controlling shareholder	<i>13</i>	39,320	104,840
Lease liabilities		59	114
Deferred tax liabilities		16,707	15,780
		<u>56,086</u>	<u>120,734</u>
NET ASSETS		<u>255,095</u>	<u>229,962</u>
CAPITAL AND RESERVES			
	<i>14</i>		
Share capital		4,930	4,930
Reserves		250,165	225,032
TOTAL EQUITY		<u>255,095</u>	<u>229,962</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 and related value-added 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 2024 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 2024.

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 2024, except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the financial year ending 31 March 2025. 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 2024. 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 the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* (“2020 amendments”)
- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants* (“2022 amendments”)
- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

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 and related value-added 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 and related value-added 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 executive management of the Group for the purposes of resource allocation and performance assessment, the Group has identified three reportable segments. No operating segments have been aggregated to form the following reportable segments.

Segment	Business
Continuing operations	
Property management – Mainland China	Provision of property management services
Property management related value-added services – Mainland China	Sales of living consumption and festive products and provision of household cleaning services and repair services in the community

Segment	Business
Discontinued operation	
Lifestyle entertainment – Hong Kong	Sales of food and beverages and tobacco products from operation of clubbing business and restaurant and bar outlets

The lifestyle entertainment business in Hong Kong was ceased to operate and classified as discontinued operation and the related information has been set out in note 15.

(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	
	2024	2023
	\$'000	\$'000
		(restated)
Revenue from contracts with customers within the scope of HKFRS 15		
Continuing operations		
Revenue from property management contracts [#]		
– Mainland China	148,431	148,831
Revenue from property management related value-added services* – Mainland China	20,327	40,828
	168,758	189,659
Discontinued operation		
Revenue from club and restaurant operations* – Hong Kong	–	10,216

* The revenue is recognised at a point in time.

The revenue is recognised over time.

The Group's customer base is diversified and no individual customer with whom transactions have exceeded 10% of the Group's revenue for current and prior interim periods.

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

Information regarding the Group's reportable segments as provided to the most senior executive management of the Group for the purposes of resource allocation and assessment of segment performance for the six months ended 30 September 2024 and 2023 is set out below.

	Continuing operations						Discontinued operation			
	Property management related value-added									
	Property management – Mainland China		services – Mainland China		Sub-total		Lifestyle entertainment – Hong Kong		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
For the six months ended 30 September										
Revenue from external customers and reportable segment revenue	<u>148,431</u>	<u>148,831</u>	<u>20,327</u>	<u>40,828</u>	<u>168,758</u>	<u>189,659</u>	<u>–</u>	<u>10,216</u>	<u>168,758</u>	<u>199,875</u>
Reportable segment (loss)/profit (adjusted EBITDA)	<u>25,539</u>	<u>23,599</u>	<u>4,302</u>	<u>1,228</u>	<u>29,841</u>	<u>24,827</u>	<u>(2,455)</u>	<u>(6,853)</u>	<u>27,386</u>	<u>17,974</u>
	At 30 September 2024 \$'000	At 31 March 2024 \$'000	At 30 September 2024 \$'000	At 31 March 2024 \$'000	At 30 September 2024 \$'000	At 31 March 2024 \$'000	At 30 September 2024 \$'000	At 31 March 2024 \$'000	At 30 September 2024 \$'000	At 31 March 2024 \$'000
Reportable segment assets	<u>547,036</u>	<u>512,212</u>	<u>4,265</u>	<u>7,536</u>	<u>551,301</u>	<u>519,748</u>	<u>6,403</u>	<u>4,637</u>	<u>557,704</u>	<u>524,385</u>
Reportable segment liabilities	<u>151,982</u>	<u>152,977</u>	<u>143</u>	<u>614</u>	<u>152,125</u>	<u>153,591</u>	<u>2,865</u>	<u>10,100</u>	<u>154,990</u>	<u>163,691</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 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	
	2024	2023
	\$'000	\$'000
		(restated)
Profit or loss from continuing operations		
Reportable segment profit derived from the Group's external customers (adjusted EBITDA)	29,841	24,827
Other revenue	5,315	7,306
Other net loss	(2)	(135)
Depreciation and amortisation	(4,418)	(4,597)
Finance costs	(614)	(535)
Unallocated head office and corporate expenses	(5,167)	(4,031)
	<u>24,955</u>	<u>22,835</u>

4 OTHER REVENUE FROM CONTINUING OPERATIONS

	Six months ended 30 September	
	2024	2023
	\$'000	\$'000
		(restated)
Bank interest income	4,467	4,845
Government grants (<i>note</i>)	369	773
Others	479	1,688
	<u>5,315</u>	<u>7,306</u>

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

5 OTHER NET LOSS FROM CONTINUING OPERATIONS

	Six months ended 30 September	
	2024	2023
	\$'000	\$'000
Loss on disposal of property, plant and equipment	(2)	(111)
Net foreign exchange loss	–	(24)
	<u>(2)</u>	<u>(135)</u>

6 PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS

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

	Six months ended	
	30 September	
	2024	2023
	\$'000	\$'000
		(restated)
(a) Finance costs		
Interest on loans from the controlling shareholder	588	522
Interest on lease liabilities	26	13
	<u>614</u>	<u>535</u>
(b) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plan	10,756	10,932
Salaries, wages and other benefits	52,193	53,938
	<u>62,949</u>	<u>64,870</u>
(c) Other operating expenses		
Impairment losses/(reversal of impairment losses) on trade receivables	2	(372)
Office expenses	456	409
Entertainment expenses	742	666
Travelling expenses	559	555
Legal and professional fees	2,401	2,448
Security costs	6,625	1,947
Gardening costs	2,184	2,394
Other tax expenses	591	1,110
Bank charges and credit card commissions	227	112
Community event costs	1,220	1,029
Others	4,455	3,688
	<u>19,462</u>	<u>13,986</u>
(d) Depreciation and amortisation		
Depreciation		
– owned property, plant and equipment	383	434
– right-of-use assets	517	595
Amortisation	3,518	3,568
	<u>4,418</u>	<u>4,597</u>

7 INCOME TAX FROM CONTINUING OPERATIONS

	Six months ended 30 September	
	2024	2023
	\$'000	\$'000
Current tax – the PRC Corporate Income Tax	7,883	6,971
Deferred taxation	297	457
	<u>8,180</u>	<u>7,428</u>

- (a) No provision for Hong Kong Profits Tax had been made for the six months ended 30 September 2024 and 2023, as the subsidiaries of the Group in Hong Kong sustained a loss for taxation purpose or do not generate any assessable profit.
- (b) According to the PRC Corporate Income Tax Law, the PRC's statutory income tax rate is 25% (2023: 25%).

Among the branches of Shuyi Property Management Services Co., Ltd (“**Shuyi**”), 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 2024.

- (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 PROFIT/(LOSS) PER SHARE

(a) Basic profit/(loss) per share

The calculation of basic profit/(loss) per share is based on the profit of \$16,775,000 (six months ended 30 September 2023: \$15,407,000) and loss of \$2,466,000 (six months ended 30 September 2023: \$6,940,000) attributable to ordinary equity shareholders of the Company arising from continuing operations and discontinued operation respectively and the weighted average of 492,984,000 (six months ended 30 September 2023: 492,984,000) ordinary shares in issue during the interim period.

(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 six months ended 30 September 2024 and 2023.

9 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 September 2024, the Group entered into a lease agreement for use of head office and therefore recognised the addition to right-of-use assets of \$32,000 (six months ended 30 September 2023: \$1,333,000).

Right-of-use assets of five lease agreements were disposed of upon the lease expired (with net book value of \$Nil) during the six months ended 30 September 2024 (six months ended 30 September 2023: \$Nil).

(b) Acquisitions and disposals of owned assets

During the six months ended 30 September 2024, the Group acquired items of furniture and fixture, and motor vehicles with a cost of \$402,000 (six months ended 30 September 2023: \$362,000), and \$6,000 (six months ended 30 September 2023: \$22,000) respectively.

Items of furniture and fixture with a net book value of \$2,000 were disposed of during the six months ended 30 September 2024 (six months ended 30 September 2023: \$111,000), resulting in a loss on disposal of \$2,000 (six months ended 30 September 2023: \$111,000).

Items of motor vehicles with a net book value of \$Nil were disposed of during the six months ended 30 September 2024.

10 INTANGIBLE ASSETS AND GOODWILL

These balances mainly arose from the acquisitions of Shuyi in May 2017.

The intangible assets represent property management contracts and customer relationships.

The goodwill is attributable to (1) the workforce of Shuyi 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 2024 \$'000	At 31 March 2024 \$'000
Property management business	54,076	52,534
Operation of restaurant and bar outlets*	—	—
	<u>54,076</u>	<u>52,534</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 2024, 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 NON-CURRENT RENTAL DEPOSITS AND TRADE AND OTHER RECEIVABLES

	At 30 September 2024 \$'000	At 31 March 2024 \$'000
Non-current assets		
Rental deposits	–	65
Current assets		
Trade receivables, net of loss allowance (<i>note</i>)	63,246	59,680
Deposits, prepayments and other receivables	21,997	22,179
	85,243	81,859

Note: At 30 September 2024, trade and other receivables of the Group included amounts due from entities controlled by Mr. Zheng Jian Jiang, the Company's controlling shareholder, of \$1,680,000 (31 March 2024: \$4,888,000) and entities over which Mr. Zheng Jian Jiang has significant influence, of \$2,151,000 (31 March 2024: \$6,052,000). 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 2024 \$'000	At 31 March 2024 \$'000
Within 1 month	15,533	28,856
Over 1 month to 3 months	12,230	13,084
Over 3 months to 6 months	10,876	6,796
Over 6 months to 1 year	11,681	5,267
Over 1 year	12,926	5,677
	63,246	59,680

The amount of the Group's deposits, prepayment and other receivables expected to be recovered or recognised as expense after more than one year is \$Nil (31 March 2024: \$65,000, which mainly represented rental deposits for staff accommodation and office 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 2024 \$'000	At 31 March 2024 \$'000
Trade creditors		
– within 3 months	19,181	13,756
– over 3 months to 6 months	2,872	8,019
– over 6 months to 1 year	134	549
– over 1 year	656	500
	<u>22,843</u>	<u>22,824</u>
Deposits received from property occupants/owners	15,193	14,589
Receipts on behalf of utilities companies	24,046	15,510
Amounts due to related parties	3,114	1,524
Other payables and accrued charges	40,200	43,257
	<u>105,396</u>	<u>97,704</u>

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 loans from the controlling shareholder are unsecured.

The current portion loan of \$71,860,000 is interest bearing at 2% per annum and repayable within one year. The remaining current portion loan of \$13,160,000 is interest-free and repayable within one year.

The non-current portion loan of \$39,320,000 is interest-free and 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 2024 and 2023.

(b) Share capital

	At 30 September 2024		At 31 March 2024	
	No. of shares '000	Amount \$'000	No. of shares '000	Amount \$'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 30 September 2023, 1 April 2023, 31 March 2023 and 1 April 2022	<u>492,984</u>	<u>4,930</u>	<u>492,984</u>	<u>4,930</u>

15 DISCONTINUED OPERATION

On 29 December 2023, the Group announced that the lifestyle entertainment business have been experiencing a downturn in recent years. In view of the outlook of the business, the Board of Directors decided not to renew the tenancy agreement of Zentral upon expiry in June 2024 and ceased the operation. In addition, the restaurant and bar outlet also ceased to operate in view of the imminent expiration of the relevant tenancy agreement. Accordingly, this business was classified as discontinued operation.

(a) The results of discontinued operation are as follows:

	Six months ended	
	30 September 2024 \$'000	2023 \$'000 (restated)
Revenue	–	10,216
Other revenue	8	23
Cost of inventories sold	–	(3,594)
Staff costs	(1,156)	(7,330)
Depreciation and amortisation	–	(2)
Property rentals and related expenses	(778)	(1,570)
Advertising and marketing expenses	–	(2,506)
Utilities expenses	(20)	(232)
Repair and maintenance expenses	–	(96)
Other operating expenses	<u>(501)</u>	<u>(1,610)</u>

	Six months ended	
	30 September	
	2024	2023
	\$'000	\$'000
		(restated)
Loss from operations	(2,447)	(6,701)
Finance costs	<u>(19)</u>	<u>(239)</u>
Loss before taxation	(2,466)	(6,940)
Income tax	<u>–</u>	<u>–</u>
Loss for the period from discontinued operation	<u>(2,466)</u>	<u>(6,940)</u>
Attributable to:		
Equity shareholders of the Company	<u>(2,466)</u>	<u>(6,940)</u>

(b) The cash flows of discontinued operation are as follows:

	Six months ended	
	30 September	
	2024	2023
	\$'000	\$'000
		(restated)
Cash flows used in operating activities	(6,829)	(2,393)
Cash flows generated from/(used in) investing activities	2	(925)
Cash flows used in financing activities	<u>(2,700)</u>	<u>(4,910)</u>
Net cash flows	<u>(9,527)</u>	<u>(8,228)</u>

16 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to the disclosure requirement in respect of the discontinued operation set out in note 15 to the announcement of interim result. The comparative figures in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income have been restated as if the operation discontinued during the current period had been discontinued at the beginning of the prior period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The principal business activities of AUX International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) are (i) provision of property management services in the People’s Republic of China (the “**PRC**” or “**China**”) (the “**Property Management Segment**”); and (ii) provision of property management related value-added services in the PRC (the “**Property Management Related Value-Added Services**”) (the “**Continuing Operations**”).

The macroeconomic environment during the six months ended 30 September 2024 (the “**Reporting Period**”) presented a complex landscape influenced by several ongoing challenges such as further slowdown in economic growth, changes in the economic structure and uncertainties in interest rates. The real estate sector, a significant pillar of China’s economy, continued to undergo a period of adjustments. Consequently, the property management sector in China, which is positively correlated to the real estate sector in China, faced a challenging environment during the Reporting Period, experiencing a decrease in the number of new contracts and an increase in operational costs. Fortunately, the Group’s strategic decision to discontinue its lifestyle entertainment business (the “**Discontinued Operation**”) has proved to be forward-looking and favorably impacted the Group’s overall financial performance. The club operated under the brand name “Zentral” had closed down as the tenancy agreement for the leased premises on which “Zentral” was operated expired on 30 June 2024, marking the cessation of the Group’s lifestyle entertainment business. As such, the Group recorded a significant decrease in the reportable segment loss during the Reporting Period, compared to that recorded for the corresponding prior period, resulted in a commendable increase in net profits by HK\$5.8 million and recorded an unaudited consolidated profit of HK\$14.3 million during the Reporting Period.

With the cessation of the Discontinued Operation in Hong Kong, the Group is able to concentrate its efforts in optimizing its property management project portfolio and expanding the range of its value-added services offered.

Continuing Operations

Over the years, the Group has established a comprehensive portfolio of services catering to a diverse range of properties, including residential projects, class-A office buildings, commercial complexes, hospitals, and industrial parks. In response to the downturn in China’s real estate sector, in which a decline in number of property management contracts has been observed, the Group has strategically shifted its focus towards managing non-residential ventures, particularly industrial parks.

As of 30 September 2024, the number of projects managed by Shuyi Property Management Services Co., Ltd, an indirect wholly-owned subsidiary of the Company, decreased to 55 projects from 69 projects, and the aggregated contract gross floor area decreased from 11.3 million square meters as of 30 September 2023 to 9.6 million square meters. The decrease in number of projects managed was mainly due to the decrease in relatively short-term property management services, such as sales office management and pre-sale management services and projects that demanded extensive human resources. Having foreseen the decreasing trend, the Group continued to work towards optimizing its project combination to secure projects that generate greater revenue. As a result, the Group recorded revenue from property management contracts of approximately HK\$148.4 million for the six months ended 30 September 2024, which remained stable as compared with approximately HK\$148.8 million for the six months ended 30 September 2023.

However, revenue from property management related value-added services has decreased by HK\$20.5 million, from HK\$40.8 million for the six months ended 30 September 2023 to HK\$20.3 million for the six months ended 30 September 2024. The decrease is mainly resulted from the Company's deliberate decision to reallocate resources from retail of low-margin home living products to focus on providing more profitable services and products to property owners.

In line with the decrease in the Group's property management related value added services, the cost of inventories sold attributable to the Continuing Operations decreased by HK\$23.2 million from HK\$39.1 million for the six months ended 30 September 2023 to HK\$15.9 million during the Reporting Period.

As a result, profit for the year generated from the Continuing Operations increased by HK\$1.4 million from HK\$15.4 million in the six months ended 30 September 2023 to HK\$16.8 million in the six months ended 30 September 2024.

Discontinued Operation

Following the lease expiration for the premises on 30 June 2024, the club known as "Zentral" ceased operations, signaling the cessation of the Group's lifestyle entertainment business. The Group recorded an unaudited loss from its discontinued operation of approximately HK\$2.5 million for the six months ended 30 September 2024 as compared to HK\$6.9 million for the six months ended 30 September 2023.

Overall, the Group recorded a net profit for the six months ended 30 September 2024 of approximately HK\$14.3 million as compared to net profit for the six months ended 30 September 2023 of approximately HK\$8.5 million. Such increase was mainly attributable to the cessation of the Group's lifestyle entertainment business.

OPERATING COSTS

Property Cleaning Expenses

The property cleaning expenses decreased by HK\$4.3 million to approximately HK\$29.5 million for the six months ended 30 September 2024 from approximately HK\$33.8 million for the six months ended 30 September 2023. The decrease was mainly due to the adjustments in the Company's property management project portfolio by decreasing the number of projects requiring extensive cleaning services.

Staff Costs

The staff costs comprised 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 2.9% or HK\$1.9 million to approximately HK\$63.0 million for the six months ended 30 September 2024 from approximately HK\$64.9 million for the six months ended 30 September 2023. The decrease was mainly due to the decrease in the number of property management projects managed and the decrease in number of security staff hired as the Group has subcontracted out most of its security services during the Reporting Period.

Utilities Expenses and Repair and Maintenance Expenses

The utilities expenses and repair and maintenance expenses decreased by 4.8% or HK\$0.8 million to approximately HK\$16.0 million for the six months ended 30 September 2024 from approximately HK\$16.8 million for the six months ended 30 September 2023. The utilities expenses and repair and maintenance expenses decreased mainly due to implementation of energy saving programme.

Other Operating Expenses

Other operating expenses included gardening costs, security costs and other miscellaneous expenses. The other operating expenses increased by approximately 39.3% or HK\$5.5 million to approximately HK\$19.5 million for the six months ended 30 September 2024 from approximately HK\$14.0 million for the six months ended 30 September 2023. The increase was mainly due to the increase in security costs of HK\$4.7 million from HK\$1.9 million for the six months ended 30 September 2023 to HK\$6.6 million for the six months ended 30 September 2024 as the Group subcontracted out most of its security services.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 30 September 2024, the Group's total current assets and current liabilities were approximately HK\$428.2 million (31 March 2024: HK\$448.9 million) and HK\$251.6 million (31 March 2024: HK\$178.4 million) respectively, while the current ratio was 1.7 times (31 March 2024: 2.5 times).

As at 30 September 2024, the Group maintained cash at bank and in hand of approximately HK\$57.9 million (31 March 2024: HK\$298.7 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 2024 was approximately HK\$74.7 million (31 March 2024: HK\$58.4 million), which mainly represented the unsecured loan of HK\$52.4 million outstanding as at 30 September 2024, 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 Shuyi Property Management Services Co., Ltd* (曙一物業服務有限公司) and unsecured loan of HK\$19.5 million outstanding as at 30 September 2024, with a term expiring within one year and an interest rate of 2% per annum. The gearing ratio, which is calculated by dividing total interest-bearing borrowings by total equity, as at 30 September 2024 was approximately 0.3 (31 March 2024: 0.3).

CAPITAL STRUCTURE

On 26 October 2021, the Company entered into a subscription agreement with Huirui 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 2024, please refer to the interim report for the six months ended 30 September 2024 to be published by the Company. 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 its shareholders through maintaining the equity and debt in a balanced position. The capital structure of the Group consisted of equity of approximately HK\$255.1 million (31 March 2024: HK\$230.0 million) and loans from the controlling shareholder of approximately HK\$124.3 million as at 30 September 2024 (31 March 2024: HK\$74.4 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 2024.

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

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 2024.

CHARGE ON ASSETS

As at 30 September 2024, the Group did not have any pledged assets (31 March 2024: 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 2024.

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 or divestment 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 the PRC 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 2024, the Group had 923 employees (31 March 2024: 952 employees). The Group offers competitive remuneration packages to its staff, including share option scheme, mandatory provident fund schemes and discretionary bonus.

PROSPECTS

The Group remains optimistic about the generation of profit from its property management business, even in the face of a decelerating real estate market in China. Capitalizing on its vast knowledge and proficiency, the Group is dedicated to delivering superior property management solutions across various property types, such as residential, commercial, industrial, and healthcare facilities.

Moreover, the Group has successfully concluded the discontinuation of its lifestyle entertainment operations in Hong Kong, enabling the allocation of resources and expertise to sectors with higher growth prospects.

Maintaining its dedication to capitalizing on its established brand and proficiency, the Group actively seeks new ventures to broaden its business scope. Emphasizing on property management and associated value-added services remains the focus in the Group's growth strategy. Confident in its approach, the Group is well-equipped to thrive in the prevailing economic conditions and ensure continuous value creation for its shareholders. With a foundation of strong client relationships and commitment to enhancing service quality, the Group is poised to accelerate its growth and provide enduring value to its shareholders.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2024 (for the six months ended 30 September 2023: Nil).

EVENTS AFTER THE SIX MONTHS ENDED 30 SEPTEMBER 2024

There is no important events affecting the Company occurred since the end of the six months ended 30 September 2024 to the date of this announcement.

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 C3 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 2024.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set forth in Appendix C1 to the Listing Rules as its corporate governance code of practices. The Board is of the opinion that the Company had complied with the code provisions in Part 2 of the CG Code during the six months ended 30 September 2024.

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

During the six months ended 30 September 2024, 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, treatments and practices adopted by the Group, with no disagreement, and the unaudited consolidated results of the Group for the six months ended 30 September 2024, and discussed the relevant financial reporting matters.

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 2024 will be despatched (as appropriate) 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 November 2024

As at the date of this announcement, the executive Directors are Mr. Zheng Jiang, Mr. Zheng Jian 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 Mr. Chau Siu Lun.

* *for identification purpose only*