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# AUX

**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)**

**CONNECTED TRANSACTION  
INVOLVING SUBSCRIPTION OF  
NEW SHARES UNDER SPECIFIC MANDATE**

On 26 October 2021, the Company entered into the Subscription Agreement with 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 Subscription Shares at the Subscription Price of HK\$0.63 per Subscription Share for a total consideration of HK\$74,340,000.

The Subscription Shares represent approximately 31.47% of the number of issued Shares as at the date of this announcement and approximately 23.94% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares upon Completion (assuming that there are no other changes in the share capital of the Company between the date of the Subscription Agreement and the date of Completion).

The aggregate gross proceeds from the Subscription will amount to HK\$74,340,000 and the aggregate net proceeds, after deduction of the related expenses, will be approximately HK\$73,730,000, representing a net subscription price of approximately HK\$0.62 per Subscription Share. The Company intends to apply the net proceeds from the Subscription in the manner set out in the paragraph headed “Reasons for the Subscription” and “Use of Proceeds” in this announcement. Application will be made to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought at the EGM.

As at the date of this announcement, the Subscriber is a controlling shareholder (as defined under the Listing Rules) of the Company, and is, therefore, a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a connected transaction of the Company under the Listing Rules and is subject to the announcement, circular, Independent Shareholders' approval and reporting requirements under Chapter 14A of the Listing Rules.

The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Subscription Agreement and the connected transaction contemplated thereunder, including the grant of Specific Mandate for the Directors to allot and issue the Subscription Shares. The Subscriber, being a Shareholder with a material interest in the Subscription Agreement and the connected transaction contemplated thereunder, and its associates shall abstain from voting on the resolutions in relation to such matters at the EGM.

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on the Subscription Agreement and the connected transaction contemplated thereunder, and Maxa Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Circular containing (i) details of the Subscription Agreement; (ii) the letter of recommendations from the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement and the connected transaction contemplated thereunder; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the connected transaction contemplated thereunder; and (iv) the notice of the EGM and proxy form, will be despatched to the Shareholders. It is expected that the Circular will be despatched on or before 16 November 2021.

**As Completion of the Subscription is subject to the satisfaction of the Conditions Precedent as set out in the Subscription Agreement, the Subscription may or may not proceed. Shareholders and prospective investors of the Company are advised to exercise caution when dealing in the Shares.**

## **THE SUBSCRIPTION AGREEMENT**

On 26 October 2021, the Company entered into the Subscription Agreement with 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 Subscription Shares at the Subscription Price of HK\$0.63 per Subscription Share for a total consideration of HK\$74,340,000.

The Subscription Agreement constitutes a connected transaction of the Company and is subject to the announcement, circular, Independent Shareholders' approval and reporting requirements under Chapter 14A of the Listing Rules.

The major terms and conditions of the Subscription Agreement are set out as follows:

### **PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT**

#### **Date**

26 October 2021

#### **Parties to the Subscription Agreement**

- (i) the Company; and
- (ii) the Subscriber.

#### **The Subscription**

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue (under the Specific Mandate), and the Subscriber has conditionally agreed to subscribe for, 118,000,000 Subscription Shares at the Subscription Price for each Subscription Share. The total cash consideration payable by the Subscriber shall be HK\$74,340,000 (payable in full on the date of the Completion).

#### **The Subscription Shares**

The total number of the Subscription Shares is 118,000,000 Shares, which represents approximately 31.47% of the number of issued Shares as at the date of this announcement and approximately 23.94% of the enlarged issued share capital of the Company upon Completion (assuming that there are no other changes in the share capital of the Company between the date of this announcement and the date of the Completion).

The nominal value of the Subscription Shares is HK\$1,180,000.

## **The Subscription Price**

The Subscription Price of HK\$0.63 per Subscription Share:

- (i) approximately at par to the closing price of HK\$0.62 per Share as quoted on the Stock Exchange on 26 October 2021, being the date on which the terms of the Subscription are fixed and the Subscription Agreement is entered into; and
- (ii) approximately at par to the average closing price of HK\$0.616 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to 26 October 2021, being the date on which the Subscription Price is fixed and the Subscription Agreement is entered into by the parties therein, and the date of this announcement.

The net subscription price, after deduction of relevant expenses, is estimated to be approximately HK\$0.62 per Subscription Share. The total cash consideration of HK\$74,340,000 is payable in cash by the Subscriber on the date of Completion. The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber taking into account the prevailing market price of the Shares and the Group's historical performances as well as current market condition. The Directors (other than the independent non-executive Directors, whose opinions will be set out in the Circular) that the Subscription Price is fair and reasonable in light of the prevailing market conditions and the recent price performance of the Shares. The independent non-executive Directors will consider the advice from the Independent Financial Adviser and will include their opinions in the Circular.

## **Ranking**

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with the other Shares in issue as at the date of the Completion.

## **Conditions Precedent**

Completion is conditional upon, among other things, each of the following conditions being satisfied:

- (i) the listing of and permission to deal in all the Subscription Shares on the Main Board of the Stock Exchange being granted by the Listing Committee, and such listing and permission not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares; and
- (ii) the Independent Shareholders approving (a) the Subscription Agreement and the transactions contemplated thereunder, including the Subscription and the issue and allotment of the Subscription Shares; and (b) the grant of the Specific Mandate to the Company to allot and issue the Subscription Shares, at the EGM.

None of the Conditions Precedent is capable of being waived by any party to the Subscription Agreement. The Company shall use its best endeavours to procure the fulfillment of the above Conditions Precedent.

In the event that the Conditions Precedent are not fulfilled on or before 31 January 2022, the Subscription Agreement shall terminate and neither of the parties will have any claim against the other for compensation save for any antecedent breach of the Subscription Agreement.

### **Completion**

Completion of the Subscription shall take place on the fifteenth (15th) Business Day after the date on which all the Conditions Precedent are fulfilled, or such later time and/or date as the parties to the Subscription Agreement may agree in writing.

On the date of the Completion, the Subscriber shall pay to the Company the total cash consideration of HK\$74,340,000 under the Subscription Agreement for the subscription of the Subscription Shares.

On the date of the Completion, the Company shall allot and issue to the Subscriber and/or its nominee(s) the Subscription Shares, procure that the Subscriber and/or its nominee(s) be registered as member(s) of the Company in respect of the Subscription Shares, and cause to be delivered to the Subscriber definitive share certificate(s) in respect of the Subscription Shares.

### **Specific Mandate to Issue Subscription Shares**

The Subscription Shares will be allotted and issued under the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

### **APPLICATION FOR LISTING**

An application will be made by the Company to the Listing Committee for the listing of, and the permission to deal in, the Subscription Shares on the Main Board of the Stock Exchange.

### **INFORMATION OF THE COMPANY AND THE SUBSCRIBER**

The Company is a company incorporated under the laws of the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange. The Company is an investment holding company. The principal business activities of its principal operating subsidiaries include operation of clubbing business and restaurant and bar outlets in Hong Kong (the “lifestyle entertainment segment”) and provision of property management services in the PRC.

The Subscriber, Hui Limited (匯日控股有限公司), is an investment holding company incorporated in the British Virgin Islands with limited liability which is owned as to 90% by Ze Hui Limited (which is in turn wholly and beneficially owned by Mr. Zheng Jian Jiang) and 10% by Ze Hong Limited (which is in turn wholly and beneficially owned by Mr. Zheng Jiang).

## **REASONS FOR THE SUBSCRIPTION**

As disclosed in the financial statement of the Group for the year ended 31 March 2021, the Group's lifestyle entertainment segment recorded a decrease in revenue of approximately HK\$37,782,000, representing a year-on-year decrease of approximately 72.7%. The decrease in revenue in the segment was due to the fact that the Group's restaurant and bar outlets and club had been temporarily closed or operating under restriction according to relevant COVID-19 prevention policies. For the year ended 31 March 2021, the Group's bar and club venue had been ordered to close in accordance with the COVID-19 prevention policies for approximately 230 days. While the impact of COVID-19 still lasts in 2021, however, the bar and restaurant industry in Hong Kong has shown signs of improvement according to the value index of restaurant receipt of the second quarter of 2021 published by the Census and Statistic Department of Hong Kong.

In view of the above, the Group would like to contribute more funds and resources to satisfy the working capital requirements for the lifestyle entertainment segment of the Group and prepare for the market recovery.

Apart from that, as the RMB-denominated loan from controlling shareholder was susceptible to RMB to Hong Kong dollar exchange rate fluctuation, the Group's performance in the previous financial years were greatly affected by exchange rate fluctuation.

Hence, the Group recorded a net exchange gain of approximately HK\$7.5 million in the financial year ended 31 March 2020 and a net exchange loss of HK\$6.1 million in the financial year ended 31 March 2021.

To minimise the impact from future exchange rate fluctuation and to decrease interest expenses, the Group would like to partially repay the loan before its due date in the third quarter of 2022.

In response to the funding needs of the Group, the Company has considered a number of financing methods such as debt financing and other ways of equity financing (including open offer, rights issue and share placements to independent institutional and individual investors). Debt and bank financing usually require security of properties and other assets which is not feasible to the Company and will give rise to additional interest burden to the Group, rendering it not the optimal financing method under the prevailing market conditions. Open offer and rights issue may impose financial burden on the existing Shareholders and will give rise to high underwriting commission expenses, thus may not be beneficial to the Company and the Shareholders as a whole. Based on recent

communications with securities firms, the Directors are given to understand that the Company may encounter difficulty in locating investors for share placements due to the recent market sentiment, the uncertainty clouded the full recovery timeline of bar and restaurant and club industry and the net loss position of the Company for the year ended 31 March 2021. In addition, such other equity financing methods, including open offer, rights issue and share placements to independent institutional and individual investors, customarily involve the issue of new shares at a discount to the market price. In contrast, the Subscription Price has been set at HK\$0.63, which is approximately on par with the closing price of the Shares as quoted on the Stock Exchange on the date of the Subscription Agreement and this announcement and approximately on par with the average closing price of the Share quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement and this announcement. The Subscription by the Subscriber, being the controlling shareholder of the Company, reflects the confidence of the Subscriber towards the long-term and sustainable growth of the Group, and the continuing support of the Subscriber would be beneficial to the long-term business development of the Group. Based on the aforesaid, the Directors (other than the independent non-executive Directors who will express their views after receiving advice from the Independent Financial Adviser) are of the view that the terms of the Subscription are fair and reasonable and in the interests of the Shareholders as a whole, and that the Subscription, although not being in the ordinary and usual course of business of the Group, is based on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, except for Mr. Zheng Jiang, who indirectly holds 10% of the shares in the Subscriber, none of the Directors has any material interest in the Subscription Agreement and the connected transaction contemplated thereunder. Mr. Zheng Jiang had abstained from voting on the relevant Board resolutions approving the Subscription Agreement and the connected transaction contemplated thereunder.

The aggregate gross proceeds of the Subscription will amount to HK\$74,340,000 and the aggregate net proceeds, after the deduction of the related expenses, will be approximately HK\$73,730,000, representing a net subscription price of approximately HK\$0.62 per Subscription Share.

## **USE OF PROCEEDS**

The Company expects to raise total net proceeds (the “**Proceeds**”) of approximately HK\$73,730,000 from the Subscription. The Company intends to use the Proceeds from the Subscription for the following purposes:

- (1) approximately 16.96% of the Proceeds or HK\$12.5 million will be used for the working capital of the Company for purposes including but not limited to directors’ fees and professional fees;

- (2) approximately 43.69% of the Proceeds or HK\$32.2 million will be mainly used for the rental expenses and salary expenses to be incurred under the operations of the lifestyle entertainment segment in the next 12 months; and
- (3) approximately 39.35% of the Proceeds or HK\$29.0 million will be used for partial repayment of the loan from the controlling shareholder.

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS PRIOR TO THE DATE OF THIS ANNOUNCEMENT

The Company has not conducted any equity fund raising exercise in the past twelve months immediately preceding the date of this announcement.

## SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon Completion (assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to the date of Completion), is summarised as follows:

	As at the date of this announcement		Immediately following the Completion	
	<i>Approximate Number of Shares</i>	<i>shareholding percentage %</i>	<i>Approximate Number of Shares</i>	<i>shareholding percentage %</i>
<b>Substantial Shareholder</b>				
Huiji Limited (the “Subscriber”)	219,950,000	58.66%	337,950,000	68.55%
<b>Public</b>				
Public Shareholders	<u>155,034,000</u>	<u>41.34%</u>	<u>155,034,000</u>	<u>31.45%</u>
<b>Total:</b>	<u><u>374,984,000</u></u>	<u><u>100.0%</u></u>	<u><u>492,984,000</u></u>	<u><u>100.0%</u></u>

## IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Subscriber is a controlling shareholder (as defined under the Listing Rules) of the Company and is, therefore, a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a connected transaction of the Company under the Listing Rules and is subject to the announcement, circular, Independent Shareholders’ approval and reporting requirements under Chapter 14A of the Listing Rules.



## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Poon Chiu Kwok, Mr. Bao Siu Fung and Ms. Lou Aidong, has been established to consider the terms of the Subscription Agreement and the connected transaction contemplated thereunder, and to advise the Independent Shareholders as to whether the terms of the Subscription Agreement are fair and reasonable, whether the Subscription is on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and how to vote on the resolutions relating to the Subscription at the EGM.

Maxa Capital Limited is proposed to be appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Subscription.

## **GENERAL**

The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Subscription Agreement and the connected transaction contemplated thereunder, including the grant of the Specific Mandate for the Directors to allot and issue the Subscription Shares. The Subscriber, being a Shareholder with a material interest in the Subscription Agreement and the connected transaction contemplated thereunder, and its associates shall abstain from voting on the resolutions in relation to such matters at the EGM.

The Circular containing (i) details of the Subscription Agreement; (ii) the letter of recommendations from the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement and the connected transaction contemplated thereunder; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the connected transaction contemplated thereunder; and (iv) the notice of the EGM and a proxy form, will be despatched to the Shareholders. It is expected that the Circular will be despatched on or before 16 November 2021.

**As Completion of the Subscription is subject to the satisfaction of the Conditions Precedent as set out in the Subscription Agreement, the Subscription may or may not proceed. Shareholders and prospective investors of the Company are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

Unless the context otherwise requires, the following expressions shall have the following meanings in this announcement:

“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Business day”	a day (other than Saturday, Sunday and any other public holiday in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are open for general banking business;
“Circular”	a circular to be issued and published by the Company together with the notice of the EGM in connection with, among others, the Subscription;
“Company”	AUX International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange;
“Completion”	Completion of the Subscription pursuant to the Subscription Agreement;
“Conditions Precedent”	the conditions precedent to the Completion set out in the Subscription Agreement;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and if thought fit, approving the Subscription Agreement and the connected transaction contemplated thereunder, including the grant of the Specific Mandate to allot and issue the Subscription Shares;
“Group”	collectively, the Company and its subsidiaries;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	the independent committee of the Board which comprises all the independent non-executive Directors, namely Mr. Poon Chiu Kwok, Mr. Bau Siu Fung and Ms. Lou Aidong, established to advise the Independent Shareholders on the Subscription Agreement and the connected transaction contemplated thereunder;
“Independent Financial Adviser” or “Maxa Capital Limited”	Maxa Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the proposed independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription;
“Independent Shareholder(s)”	the Shareholder(s) other than the Subscriber and its associates;
“Listing Committee”	has the meaning ascribed to it under the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shares”	the ordinary shares of a nominal value HK\$0.01 each in the issued share capital of the Company;
“Shareholder(s)”	the holder(s) of the Shares;
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM for the Directors to allot and issue the Subscription Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber”	Huiiri Limited, a controlling shareholder of the Company;

“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the terms and subject to the conditions of the Subscription Agreement;
“Subscription Agreement”	the conditional subscription agreement dated 26 October 2021 entered into between the Company and the Subscriber;
“Subscription Price”	the subscription price of HK\$0.63 per Subscription Share;
“Subscription Share(s)”	the 118,000,000 new and fully paid Shares to be allotted and issued by the Company to the Subscriber; and
“%”	per cent.

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

Hong Kong, 26 October 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.*