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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)

**CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
PROVISION OF PROPERTY HOUSEKEEPING AND
TRANSPORTATION SERVICES**

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On 7 July 2017, Ningbo AUX Property as supplier and Ningbo Mingzhou Hospital as customer entered into the Service Agreement in relation to the provision of property housekeeping and transportation services by Ningbo AUX Property to Ningbo Mingzhou Hospital for a term commencing on 8 July 2017 and ending on 31 December 2017. It is expected that the aggregate amount of fees which may be charged by Ningbo AUX Property for the aforementioned period pursuant to the Service Agreement shall not exceed RMB6.5 million.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Ningbo Mingzhou Hospital is an indirectly wholly-owned subsidiary of a 30%-controlled company held indirectly by Mr. Zheng Jian Jiang, a controlling shareholder of the Company indirectly holding approximately 69.83% of the total number of issued Shares, and as such, Ningbo Mingzhou Hospital is an associate of Mr. Zheng Jian Jiang and a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Within the 12-month period prior to the date of the Service Agreement, before the date of completion of the acquisition of equity interests in Ningbo AUX Property by the Group, Ningbo AUX Property had entered into a framework agreement (the “**Prior Agreement**”) with an entity which is connected with Ningbo Mingzhou Hospital as at the date of this announcement in relation to the provision of property housekeeping services by Ningbo AUX Property. The transactions contemplated under the Prior Agreement constitute continuing connected transactions fully exempt from shareholders’ approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

Since the aggregate of the Annual Cap and the annual cap under the Prior Agreement (from the date of completion of the acquisition of equity interests in Ningbo AUX Property by the Group) for the year ending 31 December 2017 is expected to represent less than 25% of the applicable percentage ratios under the Listing Rules and the total consideration is less than HK\$10 million, the transactions contemplated under the Service Agreement and the Annual Cap are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and shareholders’ approval requirements under Chapter 14A of the Listing Rules.

SERVICE AGREEMENT

On 7 July 2017, Ningbo AUX Property as supplier and Ningbo Mingzhou Hospital as customer entered into the Service Agreement in relation to the provision of property housekeeping and transportation services by Ningbo AUX Property to Ningbo Mingzhou Hospital for a term commencing on 8 July 2017 and ending on 31 December 2017.

Further details of the Service Agreement are set out below:

Date

7 July 2017 (after trading hours)

Parties

- (1) Ningbo AUX Property, as supplier
- (2) Ningbo Mingzhou Hospital, as customer

Principal terms

Pursuant to the Service Agreement, during the period from 8 July 2017 to 31 December 2017, Ningbo AUX Property shall provide the following property housekeeping and transportation services to Ningbo Mingzhou Hospital:

Property housekeeping services

- daily housekeeping and cleaning in areas inside the hospital premises and in respect of, among others, medical equipments, furniture and fixtures therein;
- daily housekeeping and cleaning in all public areas occupied by Ningbo Mingzhou Hospital;
- collection and management of clinical and other wastes; and
- sanitisation of surgeries, hospital beds, equipments and disposable products

Transportation services

- ushering patients to appropriate areas for check-ups and treatments;
- delivery of testing samples and relevant paper records to respective departments of the hospital;
- preparation of sanitisation materials and delivery of sanitisation materials and disposable hygiene products;
- management of cleaning supplies;
- transportation of large volume parenteral (LVP) within the hospital area;
- management and transportation of pure water;
- transportation of furniture within the hospital area;
- transportation of blood; and
- ancillary management and data collection and reporting services

Pursuant to the Service Agreement, Ningbo AUX Property shall send 263 workers to provide property housekeeping and transportation services for Ningbo Mingzhou Hospital and charge a fixed monthly service fee of RMB3,595 per worker. Accordingly, a gross total service fee of RMB945,485 (without taking into account any penalty that may be imposed in case Ningbo AUX Property is found to be unable to meet any of the agreed service quality standards, as further elaborated below) is payable by Ningbo Mingzhou Hospital each month. In addition, Ningbo Mingzhou Hospital is required to pay an one-off preliminary property housekeeping fee of RMB755,791. Ningbo Mingzhou Hospital shall also pay fees for transportation of blood at the rate of RMB110 per delivery, and it is expected that no more than one delivery of blood will be required to be made by Ningbo AUX Property per day throughout the term of the Service Agreement. The fees payable by Ningbo Mingzhou Hospital under the Service Agreement shall be settled on a monthly basis and paid within 10 business days after receipt by Ningbo Mingzhou Hospital of the relevant invoice issued by Ningbo AUX Property.

Ningbo Mingzhou Hospital shall assess the property housekeeping and transportation services provided by Ningbo AUX Property from time to time based on the parameters set out in the appendices to the Service Agreement. Where Ningbo AUX Property is found to be unable to meet any of the agreed service quality standards, a penalty of an amount depending on the type of non-compliance will be imposed; in each such instance, Ningbo AUX Property shall deduct the applicable penalty from the gross amount of monthly service fees payable by Ningbo Mingzhou Hospital for the month in which such instance of non-compliance occurs in the invoice it issues to Ningbo Mingzhou Hospital.

Where Ningbo AUX Property fails to meet any of its obligations under the Service Agreement, it shall carry out rectification within 24 hours after receipt of notice in writing from Ningbo Mingzhou Hospital to ensure compliance with the relevant requirements in the Service Agreement, failing which Ningbo Mingzhou Hospital shall be entitled to terminate the Service Agreement, in which case Ningbo Mingzhou Hospital shall not be liable for any losses whatsoever on the part of Ningbo AUX Property. Where there are two instances of non-compliance with the service quality standards as agreed in the Service Agreement by Ningbo AUX Property within a calendar month and such instances of non-compliance result in material adverse impacts on and losses suffered by Ningbo Mingzhou Hospital, Ningbo Mingzhou Hospital shall be entitled to terminate the Service Agreement and Ningbo AUX Property shall indemnify Ningbo Mingzhou Hospital and hold it indemnified against any losses arising out of or in connection with such non-compliance.

Annual Cap

It is expected that the aggregate amount of fees which may be charged by Ningbo AUX Property for the provision of property housekeeping and transportation services to Ningbo Mingzhou Hospital for the period commencing on 8 July 2017 and ending on 31 December 2017 pursuant to the Service Agreement, shall not exceed RMB6.5 million, being the Annual Cap. The Annual Cap represents the sum of all the fees chargeable by Ningbo AUX Property under the Service Agreement as described in the paragraphs headed “Service Agreement – Principal terms” in this announcement.

The Annual Cap is jointly determined by the Directors and Ningbo Mingzhou Hospital taking into account the expected demand for property housekeeping and transportation services of Ningbo Mingzhou Hospital based on the current size of its hospital area and its scale of operation, the fees paid by Ningbo Mingzhou Hospital for similar services from other providers in the past, the estimated inflation rate in the PRC and the prevailing market price for provision of similar services.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

Reference is made to the circular of the Company dated 28 February 2017.

As one of the prominent brands in the clubbing and entertainment industry in Hong Kong, the Group has been principally engaged in clubbing business in Hong Kong. However, since the target customer’s spending desire has been dampened by the volatile and uncertain economic conditions, the Group’s revenue has been declining in recent years and net losses were recorded for the financial years ended 31 March 2016 and 2017. The Group has been actively exploring investment opportunities that are beneficial to the Group’s long term development, with a view to broadening its income sources and bringing stable and additional cash inflows to the Group. In this connection and in the light of the promising growth in the PRC property management industry, the Company acquired the entire equity interests in Ningbo AUX Property, a provider of property management services which holds grade 1 property management qualification in the PRC.

Property management services currently provided by Ningbo AUX Property primarily include (i) security, cleaning, gardening, repair and maintenance services provided to residential communities, which include mixed-use properties containing residential units and ancillary facilities that are non-residential in nature; (ii) pre-sale services provided to property developers, including cleaning, security and maintenance of the pre-sale display units; and (iii) parking services provided in residential communities. During the financial years ended 31 December 2013, 2014 and 2015, Ningbo AUX Property had recorded revenue of RMB40.9

million, RMB70.4 million and RMB87.6 million respectively, representing yearly increase of 72.1% and 24.4% respectively. To maintain the revenue growth momentum of Ningbo AUX Property and to diversify its income streams so as to further enhance the earning profile of the Group as a whole, since completion of the acquisition of Ningbo AUX Property, the Directors have been seeking to extend the property management services currently provided by Ningbo AUX Property to new market segments. The Directors consider that the entering into of the Service Agreement is an excellent opportunity for Ningbo AUX Property to explore the medical property management market and will pave the way for Ningbo AUX Property's and the Group's long-term growth.

The terms and conditions of the Service Agreement were negotiated between the parties thereto on an arm's length basis. The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Service Agreement and the Annual Cap are fair and reasonable and in the interests of the Shareholders as a whole, and the continuing connected transactions contemplated under the Service Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Except for Mr. Zheng Jiang, the chairman of the Board and an executive Director who is the brother of Mr. Zheng Jian Jiang whose association with Ningbo Mingzhou Hospital is set out in the paragraphs headed "Implications under the Listing Rules" in this announcement, Ms. Chen Huajuan, an executive Director who is the deputy superintendent of Ningbo Mingzhou Hospital, and Ms. Shen Guoying, an executive Director who is a director of an intermediate holding company of Ningbo Mingzhou Hospital, none of the Directors has or is deemed to have a material interest in the Service Agreement and the transactions contemplated thereunder, including the Annual Cap. Mr. Zheng Jiang, Ms. Chen Huajuan and Ms. Shen Guoying have abstained from voting on the relevant resolutions at the board meeting.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Ningbo Mingzhou Hospital is an indirectly wholly-owned subsidiary of a 30%-controlled company held indirectly by Mr. Zheng Jian Jiang, a controlling shareholder of the Company indirectly holding approximately 69.83% of the total number of issued Shares, and as such, Ningbo Mingzhou Hospital is an associate of Mr. Zheng Jian Jiang and a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Within the 12-month period prior to the date of the Service Agreement, before the date of completion of the acquisition of equity interests in Ningbo AUX Property by the Group, Ningbo

AUX Property had entered into a Prior Agreement with an entity which is connected with Ningbo Mingzhou Hospital as at the date of this announcement in relation to the provision of property housekeeping services by Ningbo AUX Property. The transactions contemplated under the Prior Agreement constitute continuing connected transactions fully exempt from shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

Since the aggregate of the Annual Cap and the annual cap under the Prior Agreement for the year ending 31 December 2017 (from the date of completion of the acquisition of equity interests in Ningbo AUX Property by the Group) is expected to represent less than 25% of the applicable percentage ratios and the total consideration is less than HK\$10 million, the transactions contemplated under the Service Agreement and the Annual Cap are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Company is an investment holding company. The activities of its principal operating subsidiaries include operation of clubbing business in Hong Kong and provision of property management services in the PRC.

Ningbo Mingzhou Hospital is principally engaged in provision of medical treatments and services.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“30%-controlled company” has the meaning ascribed to it under the Listing Rules

“Annual Cap” the maximum of RMB6.5 million which the aggregate amount of fees that may be charged by Ningbo AUX Property for the provision of property housekeeping and transportation services to Ningbo Mingzhou Hospital for the period commencing on 8 July 2017 and ending on 31 December 2017 pursuant to the Service Agreement expected not to exceed, as referred to in the section headed “Service Agreement – Annual Cap” in this announcement

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| “associate” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Company” | AUX International Holdings Limited (奧克斯國際控股有限公司), 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 |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “continuing connected transaction” | 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 |
| “Group” | collectively, the Company and its subsidiaries for the time being |
| “HK\$” | Hong Kong Dollars, the lawful currency of Hong Kong |
| “Hong Kong” | Hong Kong Special Administrative Region of the People’s Republic of China |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Ningbo AUX Property” | 寧波奧克斯物業服務有限公司 (Ningbo AUX Property Management Service Co., Ltd.*), a limited liability company established in the PRC and an indirectly wholly-owned subsidiary of the Company |
| “Ningbo Mingzhou Hospital” | 寧波明州醫院有限公司 (Ningbo Mingzhou Hospital Company Limited*), a limited liability company established in the PRC |

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| “PRC” | the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Service Agreement” | the service agreement entered into between Ningbo AUX Property as supplier and Ningbo Mingzhou Hospital as customer on 7 July 2017 in relation to the provision of property housekeeping and transportation services by Ningbo AUX Property to Ningbo Mingzhou Hospital for a term commencing on 8 July 2017 and ending on 31 December 2017 |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the capital of the Company |
| “Shareholder(s)” | holder(s) of Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “%” | per cent. |

* *for identification purpose only*

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

Hong Kong, 7 July 2017

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