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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)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus issued by AUX International Holdings Limited (the “**Company**”), dated 13 January 2014 (the “**Prospectus**”) for the initial public offering (the “**IPO**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Prospectus.

USE OF PROCEEDS FROM THE IPO

It was disclosed in the section headed “Future Plans, Reasons for Listing and Use of Proceeds” in the Prospectus that the net proceeds from the IPO amounting to approximately HK\$80.4 million (assuming the Over-allotment Option would not be exercised) were intended to be applied as follows:

- approximately HK\$40.2 million, representing approximately 50% of the net proceeds, would be used for opening costs of Zentral;
- approximately HK\$16.1 million, representing approximately 20% of the net proceeds, would be used for marketing purposes;
- approximately HK\$16.1 million, representing approximately 20% of the net proceeds, would be used for the research of expansion plan in regions other than Hong Kong; and
- approximately HK\$8.0 million, representing 10% of the net proceeds, would be used for additional working capital and other general corporate purposes.

The net proceeds received from the IPO (after exercise of the Over-allotment Option (as defined in the Prospectus), excluding listing related expenses, amounted to approximately HK\$105.6 million. On the basis as disclosed in the Prospectus, the actual amount of net proceeds from the IPO shall be applied as follows:

- approximately HK\$52.8 million, representing approximately 50% of the net proceeds, would be used for opening costs of Zentral;
- approximately HK\$21.1 million, representing approximately 20% of the net proceeds, would be used for marketing purposes;
- approximately HK\$21.1 million, representing approximately 20% of the net proceeds, would be used for the research of expansion plan in regions other than Hong Kong; and
- approximately HK\$10.6 million, representing 10% of the net proceeds, would be used for additional working capital and other general corporate purposes.

As of 31 March 2017, the Group had used approximately HK\$19.5 million and approximately HK\$10.4 million respectively for the decoration and other opening costs for Zentral and for additional working capital and other general corporate purposes. The remaining net proceeds from the IPO of approximately HK\$75.7 million remained unutilised and have been deposited at licensed financial institutions in Hong Kong.

CHANGE IN USE OF PROCEEDS AND REASONS FOR THE CHANGE

After careful consideration and detailed evaluation of the Group's operations, the Directors of the Company had resolved to change the use of the unutilised net proceeds from the IPO as follows:

- approximately HK\$57 million will be used for the settlement of consideration payable for acquisition of Ningbo AUX Property;
- approximately HK\$10.7 million will be used for the research of business expansion including but not limited to clubbing business and property management business; and
- approximately HK\$8.0 million will be used for capital expenditures, working capital, other capital requirements and other general corporate purposes.

In considering the change in use of proceeds, the Directors have taken into account the following factors:

- (i) as a result of the effective cost control measures adopted by the Company, the actual amount of proceeds required and utilized for development of Zentral was smaller than estimated;
- (ii) banks in Hong Kong have been persistently offering low interest rates for deposits;
- (iii) the Company has been actively exploring investment opportunities that are beneficial to the Company's long term development, with a view to broadening its income source and bringing stable and additional cash inflow to the Company, and the Directors consider that the acquisition of Ningbo AUX Property will diversify the Company's income streams and enhance the Company's earning profile;
- (iv) the Group has applied its internal resources (other than net proceeds from the IPO) to fund its marketing activities since the listing of the Company and it is expected that the Group will continue to have sufficient internal resources (other than next proceeds from the IPO) to meet the relevant funding requirements;
- (v) the Group has applied its internal resources (other than net proceeds from the IPO) to fund its research on business expansion since the listing of the Company and it is expected that the Group will be able to meet part of the expenses to be incurred in further research on business expansion with its internal resources (other than net proceeds from the IPO);
- (vi) the Company has reviewed the financial statements for previous years and noted that approximately HK\$8.0 million will be needed for capital expenditures, working capital, other capital requirements and other general corporate purposes per annum;

As such, the Company made the above change in use of proceeds to better utilise the remaining net proceeds from IPO. The Board considers that the change will allow the Company to deploy its financial resources more effectively and is in the best interest of the Company and its shareholders as a whole.

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

Hong Kong, 22 June 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.