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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in AUX International Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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;
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A letter from the Board is set out on pages 4 to 16 of this circular. A letter from the Independent Board Committee is set out on page 17 and 18 of this circular. A letter from Maxa Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 44 of this circular.

A notice convening the EGM to be held at Portion 2, 12/F., The Center, 99 Queen's Road Central, Central, Hong Kong on 17 January 2022 at 11:00 a.m., is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, please complete the form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than forty-eight (48) hours before the time appointed for holding the EGM (i.e. at or before 11:00 a.m. on Saturday, 15 January 2022) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

Special measures being taken to prevent and control the spread of the novel coronavirus ("COVID-19") at the EGM are set out below. For details, please refer to page ii of this circular.

- compulsory temperature screening
- requirement to wear surgical face mask
- no distribution of corporate gift and refreshment

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. Shareholders are encouraged to consider appointing the chairman of the EGM as your proxy to vote on the relevant resolutions, instead of attending the EGM in person.

31 December 2021

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PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing COVID-19 pandemic and recent requirements for prevention and control of its spread (as per guidelines issued by the Hong Kong government at <https://www.chp.gov.hk/en/features/102742.html>), the Company will implement necessary preventive measures at the EGM to protect attending Shareholders, proxy and other attendees from the risk of infection, including:

- (i) Compulsory body temperature check will be conducted on every Shareholder, proxy and other attendees at the entrance of the EGM venue. Any person with a body temperature of over 37.2 degrees Celsius may be denied entry into the EGM venue or be required to leave the EGM venue.
- (ii) Attendees are required to prepare his/her own surgical face masks and wear the same inside the EGM venue at all times, and to maintain a safe distance between seats.
- (iii) No corporate gifts will be distributed and no refreshments will be served.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all attendees' health and safety, the Company wishes to advise all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions duly completed, Shareholders may appoint the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

The proxy form, which can also be downloaded from the Company's website (www.auxint.com), is enclosed to this circular. If you are not a registered Shareholder (i.e., if your Shares are held via banks, brokers, custodians or Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“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;
“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 in respect of 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 together with 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;

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board which comprises all three independent non-executive Directors namely, Mr. Poon Chiu Kwok, Mr. Bau Siu Fung and Ms. Lou Aidong, established to advise the Independent Shareholders in respect of the Subscription Agreement and the connected transaction contemplated thereunder;
“Independent Financial Adviser” or “Maxa Capital”	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)”	Shareholder(s) other than the Subscriber and its respective associates;
“Last Trading Date”	26 October 2021, being the date of the Subscription Agreement, the date on which the Subscription Price was fixed and the date of announcement of the Subscription
“Latest Practicable Date”	23 December 2021, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular;
“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 circular, 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;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shares”	the ordinary share(s) of a nominal value of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;

DEFINITIONS

“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 between the Company and the Subscriber;
“Subscription Announcement”	the announcement dated 26 October 2021 made by the Company in relation to the Subscription;
“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.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Zheng Jiang (*Chairman*)

Mr. Chan Hon Ki

Ms. Shen Guoying

Mr. Liang Songluan

Registered office:

Windward 3,

Regatta Office Park

P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

Independent non-executive Directors:

Mr. Poon Chiu Kwok

Mr. Bau Siu Fung

Ms. Lou Aidong

Principal place of business in

Hong Kong:

Unit 1, 10th Floor,

Emperor Group Centre,

288 Hennessy Road

Hong Kong

31 December 2021

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF
NEW SHARES UNDER SPECIFIC MANDATE;
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Subscription Announcement dated 26 October 2021 in relation to the proposed Subscription of new Shares by the Subscriber under the Specific Mandate. The purpose of this circular is to provide you with, among other things, (i) details of the Subscription Agreement; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder; (iii) the letter of advice from Maxa Capital to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder; (iv) the notice of the EGM; and (v) other information as required under the Listing Rules.

LETTER FROM THE BOARD

The notice of the EGM is enclosed herein as part of this circular.

(1) 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 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 conditionally agreed to allot and issue (under to 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 existing issued share capital of the Company as at the date of this announcement and approximately 23.94% of the enlarged issued share capital of the Company upon the 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 the Completion).

LETTER FROM THE BOARD

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 represents:

- (i) a premium of approximately 1.6% over the closing price of HK\$0.62 per Share as quoted on the Stock Exchange on the Last Trading Date; and
- (ii) a premium of approximately 2.3% over 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 the Last Trading Date.

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 (including the independent non-executive Directors) considers that the Subscription Price is fair and reasonable in light of the prevailing market conditions and the recent price performance of the Shares.

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 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.

LETTER FROM THE BOARD

None of the Conditions Precedent is capable of being waived by any party to 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.

As at the Latest Practicable Date, none of the Conditions Precedent have been fulfilled. 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. Based on the EGM date of 17 January 2022, it is expected that the Completion will take place on or around 10 February 2022.

On or before 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 pursuant to 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.

LETTER FROM THE BOARD

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 the operation of clubbing business and restaurant and bar outlets in Hong Kong (the “**Lifestyle entertainment segment**”) and the 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 (which is in turn wholly and beneficially owned by Mr. Zheng Jian Jiang) and 10% by Ze Hong (which is in turn wholly and beneficially owned by Mr. Zheng Jiang).

REASONS FOR THE SUBSCRIPTION

Based on careful and thorough assessment, 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.

Lack of Cash Resources for the Group’s Hong Kong Operations

As disclosed in the financial statements 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 being temporarily closed or operating under restriction according to relevant COVID-19 prevention policies for approximately 230 days. As a result of the ongoing outbreak of COVID-19, the Group’s lifestyle entertainment segment suffered losses in the past 24 months. Although the Group had approximately HK\$227.2 million of cash at bank and in hand as at 31 March 2021, over 99% of such cash resources were owned by the subsidiaries of the Company established and operating in the PRC and therefore kept or deposited with banks in the PRC. Such cash resources maintained by the PRC subsidiaries are not freely at the disposal of the Company due to the controls imposed by the PRC government on the convertibility of RMB into foreign currencies and the remittance of currency out of the PRC. The Group is therefore in urgent need of cash resources in Hong Kong. Based on the recent financial performance of the lifestyle entertainment segment and the Group as a whole, it is estimated that approximately HK\$44.7 million of cash is required to support the Group’s Hong Kong operations, including HK\$12.5 million for supplementing the Company’s working capital to cover ordinary and usual expenses at the Company level such as directors’ fees and professional fees, and HK\$32.2 million mainly for meeting rental expenses to be incurred in the operations of the lifestyle entertainment segment.

LETTER FROM THE BOARD

While the impact of COVID-19 still lasts in 2021, however, the bar and restaurant industry in HK has shown sign 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. This represents tangible funding needs on the part of the Group.

Upcoming Maturity of the Offshore Loan from the Controlling Shareholder

The loan granted by Huiiri Limited, a company incorporated in the British Virgin Islands which is the controlling shareholder of the Company, with the principal amount of approximately HK\$89.6 million is due to be repaid in August 2022. By virtue of the restrictions imposed by the PRC government on the convertibility of RMB into foreign currencies and the remittance of currency out of the PRC, it will not be feasible to arrange for repayment of the total amount due to the controlling shareholder by the PRC subsidiaries on the Company's behalf or otherwise directly out of the cash resources maintained by the PRC subsidiaries. The Company's current proposal is to repay approximately 30.0% of the total amount due from the Controlling Shareholder (the "**Repayment**"), which gives rise to funding needs in the amount of HK\$29.0 million, and to seek consent from the controlling shareholder for extension of the balance of the loan (the "**Loan Extension**"). The Directors consider that after making the Repayment, the Company will enjoy stronger bargaining power when seeking the controlling shareholder's consent and will be in a better position to secure the Loan Extension.

Given the Group's lack of cash resources in Hong Kong as explained above, the Company needs to plan for the Repayment and explore the fundraising options. The Directors consider it advisable to attend to this in advance, to make sure that sufficient funds will be available for the Repayment by the time of maturity and defaults on payments can be avoided. As the Group is separately in need of additional cash resources to support its Hong Kong operations and the Subscription will have to be conducted in this connection, the Directors believe that this is also an opportune moment for raising the requisite funds for the Repayment. By combining the fundraising exercises and addressing the existing funding needs of the Group altogether in one go, related costs and expenses can be reduced and efficiency can be gained.

LETTER FROM THE BOARD

From the financial perspective, the Repayment could serve to reduce the Group's interest expenses by approximately HK\$0.58 million annually. Apart from that, as the loan from the controlling shareholder is denominated in RMB, the financial performance of the Group is susceptible to fluctuations in the RMB-HK\$ exchange rate: in the financial years ended 31 March 2020 and 2021, there existed significant uncertainty surrounding the RMB-HK\$ exchange rate; while a net foreign exchange gain of approximately HK\$7.5 million was recorded during the financial year ended 31 March 2020, a net foreign exchange loss of HK\$6.1 million was recorded during the financial year ended 31 March 2021, where the year-on-year change amounted to HK\$13.6 million. Given the magnitude of the fluctuations, they create a significant degree of uncertainty for the Shareholders and the investors. By partially repaying the loan from the controlling shareholder, the Group can reduce its exposure to exchange rate fluctuations. The reduction in these expense items will be in the interests of the Company and the Shareholders as a whole in view of the relative magnitude of these items, especially the net foreign exchange loss, as compared with the earnings level of the Group, and their impacts on the Group's financial results in the recent financial years.

Timing of the Repayment

Assuming approval can be obtained from the Independent Shareholders at the EGM on 17 January 2022, the Directors expect that the net subscription proceeds will become available before the end of the financial year ending 31 March 2022 (“FY21/22”). It will be to the benefit of the Group and the Shareholders to minimise interest expenses and the impact of any unfavourable exchange rate fluctuation in FY21/22. If sufficient cash resources are available for the Group's Hong Kong operations as the business condition recovers, the Company is inclined to make the Repayment before the end of FY21/22.

Assuming the Group's Hong Kong operations will be subject to more stringent anti-pandemic restrictions under the worsening outbreak of COVID-19, the Company will withhold the financial resources originally designated for the Repayment in reserve to support the Group's Hong Kong operations, until the earlier of the due date of the loan or the lifting of the intensified anti-pandemic restrictions. Under such circumstances, the Company may seek consent from the controlling shareholder for extension of a larger part of the loan, where necessary. As disclosed in “Use of Proceeds” in this Letter from the Board, among the net proceeds from the Subscription, HK\$29.0 million is currently designated for partial repayment of the loan from the controlling shareholder. In the event of any reduction in the amount of net proceeds to be used for this purpose as a result of the worsening outbreak of COVID-19 or any other subsequent change to the use of the net proceeds as set forth in “Use of Proceeds” in this Letter from the Board, the Company will promptly make an announcement to keep the Shareholders informed about such change(s).

LETTER FROM THE BOARD

The Subscription as a Viable and Cost-effective Means to Address the Funding Needs

The Subscription is in itself a cost-effective means to address the Group's present funding needs. Based on the Company's estimation, the relevant expense to be incurred in connection with the Subscription will be approximately 0.81% of the aggregate gross proceeds from the Subscription; in other words, the cost of the Subscription to the Company will be approximately HK\$0.6 million. Taking into account the cost-effectiveness of the Subscription, the Directors consider it apt to obtain the requisite funds through the Subscription to support the Group's Hong Kong operations and partial repayment of the loan from the controlling shareholder, particularly when there is a lack of cash resources at the Company level.

In response to the funding needs of the Group, the Company has considered a number of alternative financing methods as follows:

- ***Debt financing***

Debt and bank financing usually requires the offer of properties and other assets as security, which is not feasible to the Company, and may give rise to additional interest burden to the Group, rendering it not the optimal financing method available under the prevailing market conditions;

- ***Other ways of equity financing (including open offer, rights issue and share placement to independent institutional and individual investors)***

Open offer and rights issue may impose financial burden on the existing Shareholders and will give rise to high underwriting commission, and thus may not be beneficial to the Company and the Shareholders as a whole.

As regards share placement, 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 that has clouded the full recovery timeline of the bar and restaurant and club industry and the net loss position of the Company for the year ended 31 March 2021.

In addition, all the above equity financing methods 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 quoted on the Stock Exchange on the date of the Subscription Agreement and with the average closing price of the Shares quoted on the Stock Exchange for the five consecutive trading days immediately preceding the date of the Subscription Agreement; and

LETTER FROM THE BOARD

- ***Dividend declaration and payment by the PRC subsidiaries***

The Company may rely on funds remitted from its PRC subsidiaries by way of dividend payments out of the PRC subsidiaries' distributable reserve. However, a dividend withholding tax at the rate of 10% may apply, and this represents an excessively high level of financing costs as compared with the Subscription (where the relevant expense will amount to approximately 0.8% of the aggregate gross proceeds only). Besides, the working capital available to the PRC subsidiaries will be reduced and its operating cash flows may be affected.

The Subscription by the Subscriber, being the controlling shareholder of the Company, also reflects the controlling shareholders' confidence in and commitment to the long-term and sustainable growth of the Group, and could thus project positivity and inspire confidence in the Shareholders and prospective investors in relation to the Group's future business development. The continuing support of the controlling shareholder would therefore be beneficial to the long-term development of the Group.

As disclosed in "Shareholding Structure of the Company" in this Letter from the Board, as a result of the Subscription, the shareholding percentage of the Company's public shareholders will be reduced from approximately 41.34% to 31.45%. On account of the factors discussed in the paragraphs above, the Directors consider that the Subscription is the most viable and cost-effective fundraising option available in the circumstances to address the Company's current concrete funding needs in the area of the Group's Hong Kong operations and in respect of loan repayment. The Company will resort to one or more of the alternative financing methods discussed above only in the event that the Subscription could not proceed. The Directors are of the view that the terms of the Subscription, including the Subscription Price which is set at a premium to the closing price of the Shares on the Last Trading Date and the average closing price of the Shares for the five consecutive trading days immediately prior to the Last Trading Date, are fair and reasonable and the Subscription will be conducted on normal commercial terms. Therefore, notwithstanding the dilution effect of the Subscription on the shareholding of the Company's public shareholders, the Directors believe that the Subscription, although not being in the ordinary and usual course of business of the Group, and its terms are in the interests of the Company and the Shareholders as a whole, and it is advisable to proceed with the Subscription.

As at the Latest Practicable Date, except for Mr. Zheng Jiang, who indirectly held 10% of the shares in the Subscriber, none of the Directors had any material interest in the Subscription Agreement and the connected transaction contemplated thereunder. Mr. Zheng Jiang have abstained from voting on the relevant Board resolutions approving the Subscription Agreement and the connected transaction contemplated thereunder.

LETTER FROM THE BOARD

USE OF PROCEEDS

The aggregate gross proceeds of 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 (the “**Net Proceeds**”), representing a net subscription price of approximately HK\$0.62 per Subscription Share. The Company intends to use the Proceeds from the Subscription for the following purposes:

- (1) approximately 17.0% of the Net 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 43.7% of the Net Proceeds or HK\$32.2 million will be mainly used for the rental expenses to be incurred under the operation of the lifestyle entertainment segment in the next 12 months; and
- (3) approximately 39.3% of the Net Proceeds or HK\$29.0 million will be used for the partial repayment of the loan from the controlling shareholder.

In the event of any subsequent change to the use of the Net Proceeds as set forth above, the Company will promptly make an announcement to keep the Shareholders informed about such change(s).

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.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structures of the Company (i) as at the Latest Practicable Date; 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), are summarised as follows:

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

LISTING RULES IMPLICATIONS

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 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 has been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Subscription.

LETTER FROM THE BOARD

EGM

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 EGM will be held on 17 January 2022 during which ordinary resolutions shall be proposed to the Independent Shareholders to approve the Subscription and the connected transaction contemplated thereunder. A notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular.

Pursuant to Rule 13.39 of the Listing Rules, the resolutions to be proposed at the EGM will be taken by poll, the results of which will be announced after the EGM.

To the best knowledge of the Directors after making all reasonable enquiries, the Subscriber, being a Shareholder with 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.

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not less than forty-eight (48) hours before the time appointed for holding the EGM (i.e. at or before 11:00 a.m. on Saturday, 15 January 2022) or any adjournment of such meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the form of proxy previously submitted shall be deemed to be revoked.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 16 to 17 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder; and (ii) the letter from Maxa Capital set out on pages 19 to 44 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder together with the principal factors and reasons considered by it in concluding its advice; and (iii) the additional information set out in the Appendix to this circular.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of Maxa Capital, considers that the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and that the Subscription is on normal commercial terms and in the interests of the Company and the Shareholders as whole.

Accordingly, the Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement are fair and reasonable, and that the Subscription is on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and therefore recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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)

31 December 2021

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company to the Shareholders dated 31 December 2021 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings when used in the letter.

We have been appointed by the Board as the Independent Board Committee to consider and advise you as to whether, in our opinion, (i) the Subscription Agreement and the connected transaction contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote at the EGM, after taking into account the recommendation of the Independent Financial Adviser.

Maxa Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription. Details of the advice from the Independent Financial Adviser, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 19 to 24 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 4 to 16 of the Circular and the additional information set out in the Appendix to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Subscription Agreement and the situation of the Company, the interests of the Independent Shareholders and the advice of the Independent Financial Adviser, we are of the opinion that (i) the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and (ii) the Subscription is on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,

The Independent Board Committee

Mr. Poon Chiu Kwok

Mr. Bau Siu Fung

Ms. Lou Aidong

Independent Non-executive Directors

LETTER FROM MAXA CAPITAL

The following is the full text of the letter from Maxa Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders setting out its advice in respect of the terms of the Subscription Agreement and the connected transaction contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



Unit 1908, Harbour Center
25 Harbour Road
Wan Chai
Hong Kong

31 December 2021

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 31 December 2021 (the “**Circular**”), of which this letter forms parts. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

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 (payable in full on the date of the Completion). The Subscription Shares will be allotted and issued under the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

The total number of Subscription Shares is 118,000,000 Shares, which represents approximately 31.47% of the number of issued Shares as at the Latest Practicable Date 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 Latest Practicable Date and the date of the Completion).

LETTER FROM MAXA CAPITAL

LISTING RULES IMPLICATION

As at the Latest Practicable Date, the Subscriber is a controlling shareholder (as defined under the Listing Rules) of the Company and is, therefore, is 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 and 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 the Specific Mandate for the Directors to allot and issue the Subscription Shares. The Subscriber, being a Shareholder with 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.

INDEPENDENT BOARD COMMITTEE

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. We, Maxa Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company, its subsidiaries and any other parties that could reasonably be regarded as relevant to our independence in accordance with Rule 13.84 of the Listing Rules and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the connected transaction contemplated thereunder. In the past two years, except for the independent financial adviser engagement by the Company in relation to certain terms of the continuing connected transactions announced by the Company on 30 September 2021 (the "**Previous Engagement**"). Notwithstanding the Previous Engagement, we were not aware of any relationships or interests between the Company and us during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to our independence to act as the Independent Financial Adviser. Apart from the normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any fees or benefits from the Company, its subsidiaries, its associates or their respective associates.

LETTER FROM MAXA CAPITAL

Having considered the above, in particular (i) none of the circumstances as set out under Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the Previous Engagement was limited to providing one-off independent advisory service, of which we received normal professional fees. Accordingly, we do not consider the Previous Engagement gives rise to any conflict of interest for us in acting as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Group (the “**Management**”). We have also reviewed, *inter alia*, the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the Management. We have assumed that (i) all statements, information and representations provided by the Directors and the Management; and (ii) the information referred to in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations before the EGM. We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the representations and opinions expressed by the Company, its advisers and/or the Directors. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the Management nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

LETTER FROM MAXA CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Subscription Agreement and the connected transaction contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

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 “**property management segment**”).

Set out below is a summary of the consolidated financial information of the Group for the two years ended 31 March 2020 (“**FY2020**”) and 31 March 2021 (“**FY2021**”) as extracted from the Company’s annual report for the year ended 31 March 2021 (the “**2021 Annual Report**”) and the six months ended 30 September 2020 (“**1H2020**”) and 30 September 2021 (“**1H2021**”) as extracted from the Company’s interim results announcement for the six months ended 30 September 2021:

	For the year ended		For the six months ended	
	31 March		30 September	
	2020	2021	2020	2021
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	339,972	302,907	137,215	168,029
– Lifestyle entertainment	51,970	14,188	8,804	18,036
– Property management	288,002	288,719	128,411	149,993
Profit from operations	32,122	9,444	1,272	16,061
Profit/(loss) for the year/period	13,213	(8,621)	(7,029)	8,641

LETTER FROM MAXA CAPITAL

As illustrated in the above table, the Group's revenue amounted to approximately HK\$302.9 million for FY2021, representing a decrease of approximately 10.9% as compared to approximately HK\$340.0 million for FY2020. Such decrease was mainly attributable to the significant decrease of the revenue derived from the lifestyle entertainment segment by approximately 72.7% to approximately HK\$14.2 million for FY2021, resulting from the Group's bar and restaurants and club being temporarily closed or operation under restriction according to the relevant COVID-19 prevention policies. For FY2021, the Group's bar and club venues had been ordered to close in accordance with the COVID-19 prevention policies for approximately 230 days. As a result of the significant decrease in revenue for FY2021, the lifestyle entertainment segment recorded an increase in reportable segment loss (adjusted EBITDA and before allocation of head office and corporate expenses, other revenue and other net income or loss) by approximately 31.4% to approximately HK\$12.1 million for FY2021 as compared to FY2020. The Group's revenue amounted to approximately HK\$168.0 million for 1H2021, representing an increase of approximately 22.4% as compared to approximately HK\$137.2 million for 1H2020. Such increase was mainly attributable to the increase in revenue derived from the lifestyle entertainment segment by approximately 104.5% to approximately HK\$18.0 million for 1H2021, resulting from the gradual recovery of market and operating conditions of the Group's clubbing and restaurant business in Hong Kong from the outbreak of COVID-19.

For the property management segment, the Group positions itself as a complex property management service provider and provides complete services to various type of properties, including medium to high-end residential properties and non-residential properties such as A-class office buildings, commercial complexes, hospitals and industrial parks. As at 31 March 2021, the Group managed 63 projects with a slight increase in total contracted gross floor area ("GFA") by approximately 6.0% to approximately 7.62 million square meters ("sq.m.") as compared to approximately 7.19 million sq.m. as at 31 March 2020. The revenue from the property management segment remained fairly stable and recorded a slight increase of approximately 0.2% to approximately HK\$288.7 million for FY2021. The property management segment recorded reportable segment profit of approximately HK\$59.6 million for FY2021, representing an increase of approximately 19.3% as compared to FY2020, which was mainly benefited from optimisation of its property management portfolio by replacement of projects with low profitability and diversification of revenue stream. As at 30 September 2021, the Group managed over 60 projects with an increase in total contracted GFA by approximately 9.3% to approximately 7.74 million sq.m. as compared to approximately 7.08 million sq.m. as at 30 September 2020, and therefore the revenue derived from the property management segment recorded an increase of approximately 16.8% to approximately HK\$150.0 million for 1H2021.

LETTER FROM MAXA CAPITAL

The Group recorded loss for the year of approximately HK\$8.6 million for FY2021 as compared to the profit for the year of approximately HK\$13.2 million for FY2020. Such turnaround from profit to loss-making position in FY2021 was mainly due to (i) the decrease in revenue of the lifestyle entertainment segment by approximately 72.7% to HK\$14.2 million as its operations were under restriction according to the relevant COVID-19 prevention policies during FY2021; (ii) the net exchange loss of approximately HK\$6.1 million incurred in relation to the RMB-denominated loan from its controlling shareholder; and (iii) the increase in impairment losses on goodwill and property, plant and equipment of approximately HK\$16.9 million as a result of the negative impact of COVID-19 towards the restaurant and bar outlets and the club. The Group recorded profit for the period of approximately HK\$8.6 million for 1H2021 as compared to the loss for the period of approximately HK\$7.0 million for 1H2020. Such turnaround from loss-making position to profit for 1H2021 was mainly due to (i) the increase in the total revenue by approximately 22.4%; and (ii) the one-off impairment losses on goodwill of approximately HK\$7.3 million recognised as a result of the negative impact caused by the COVID-19 towards the restaurant and bar outlets of the Group for 1H2020.

	As at 31 March		As at
	2020	2021	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)
Non-current assets	130,614	122,763	121,454
Current assets	302,580	324,484	358,298
Total assets	433,194	447,247	479,752
Non-current liabilities	127,056	109,178	32,704
Current liabilities	177,764	202,378	298,821
Total liabilities	304,820	311,556	331,525
Net current assets	124,816	122,106	59,477
Net assets	128,374	135,691	148,227

LETTER FROM MAXA CAPITAL

The Group had total assets of approximately HK\$447.2 million as at 31 March 2021, which mainly comprised of (i) cash at bank and in hand, including restricted bank deposits, of approximately HK\$230.7 million; (ii) trade and other receivables of approximately HK\$89.7 million; (iii) goodwill of approximately HK\$57.7 million; and (iv) intangible assets of approximately HK\$46.8 million. The Group had total assets of approximately HK\$479.8 million as of 30 September 2021, which mainly comprised of (i) cash at bank and in hand, including restricted bank deposits, of approximately HK\$256.3 million; (ii) trade and other receivables of approximately HK\$97.9 million; (iii) goodwill of approximately HK\$58.6 million; and (iv) intangible assets of approximately HK\$43.7 million. Trade and other receivables mainly comprised of trade receivables of the property management segment and rental deposits of the club, restaurant and bar outlets in Hong Kong. The goodwill and intangible assets were mainly resulted from the acquisition of the entire equity interests of Ningbo AUX Property Management Services Co., Ltd. (“**Ningbo AUX**”) from Ningbo AUX Real Estate Co., Ltd., a company controlled by the controlling shareholder of the Company (the “**Ningbo AUX Acquisition**”), which was completed in May 2017.

The Group had total liabilities of approximately HK\$311.6 million as at 31 March 2021, which mainly comprised of (i) loan from the controlling shareholder and interests accrued thereon of approximately HK\$89.6 million; (ii) trade and other payables of approximately HK\$117.0 million; and (iii) contract liabilities of approximately HK\$59.7 million. The Group had total liabilities of approximately HK\$331.5 million as at 30 September 2021, which mainly comprised of (i) loan from the controlling shareholder and interests accrued thereon of approximately HK\$99.2 million; (ii) trade and other payables of approximately HK\$129.3 million; and (iii) contract liabilities of approximately HK\$56.9 million. As at 30 September 2021, the loan from the controlling shareholder represented (i) loan of approximately HK\$86.4 million granted by Huiji Limited to the Company to finance the Ningbo AUX Acquisition, which will fall due in August 2022; and (ii) loans of approximately HK\$12.8 million from the controlling shareholder which are repayable in April and September 2023. Trade and other payables mainly represented payables arising from the operations of the property management segment.

The increase in the total assets by approximately HK\$14.1 million to approximately HK\$447.2 million as at 31 March 2021 as compared to 31 March 2020 was mainly attributable to the increase in cash at bank and in hand, including restricted bank deposits, of approximately HK\$21.4 million; and was partially offset by the decrease in intangible assets and goodwill of approximately HK\$3.4 million and HK\$2.8 million, respectively. The increase in the total liabilities by approximately HK\$6.7 million to approximately HK\$311.6 million as at 31 March 2021 as compared to 31 March 2020 was mainly due to (i) the increase in trade and other payables of approximately HK\$16.3 million; and (ii) the increase in contract liabilities of approximately HK\$14.3 million; and was partially offset by the decrease in loan from the controlling shareholder of approximately HK\$23.9 million.

LETTER FROM MAXA CAPITAL

The increase in the total assets by approximately HK\$32.6 million to approximately HK\$479.8 million as at 30 September 2021 as compared to 31 March 2021 was mainly attributable to (i) the increase in cash at bank and in hand, including restricted bank deposits, of approximately HK\$25.5 million; and (ii) the increase in trade and other receivables by approximately HK\$8.2 million. The increase in the total liabilities by approximately HK\$19.9 million to approximately HK\$331.5 million as at 30 September 2021 as compared to 31 March 2021 was mainly due to (i) the additional loans from the controlling shareholder of approximately \$12.8 million; and (ii) the increase in trade and other payables of approximately HK\$12.2 million; and was partially offset by the decrease in lease liabilities of approximately HK\$3.6 million.

The Group's current ratios remained fairly stable at approximately 1.7 times and 1.6 times as at each of 31 March 2020 and 31 March 2021 respectively. The Group's current ratio decreased to 1.2 times as at 30 September 2021, which was attributable to the loans from the controlling shareholder of approximately HK\$86.0 million to be repayable in August 2022. The Group's gearing ratios, which are calculated by dividing total interest-bearing borrowings by total equity, as at 31 March 2020, 31 March 2021 and 30 September 2021 were approximately 1.02, 0.80 and 0.71, respectively. The decrease in gearing ratio from 31 March 2020 to 31 March 2021 was mainly due to the partial repayment of the loans from the controlling shareholders during FY2021; whereas the gearing ratio as at 30 September 2021 slightly decreased as compared to 31 March 2021 due to the increase in the Group's total equity during the period.

2. Background information of the Subscriber

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).

3. Reasons for and benefits of the Subscription

3.1 Background and reasons for the Subscription

As stated in the Letter from the Board, the Group's lifestyle entertainment segment for FY2021 recorded a decrease in revenue of approximately HK\$37.8 million, representing a year-on-year decrease of approximately 72.7%. Such decrease in the revenue from the lifestyle entertainment 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 the relevant COVID-19 prevention policies. For FY2021, the Group's bar and club venues had been ordered to close in accordance with the COVID-19 prevention policies for approximately 230 days. The Group's lifestyle entertainment segment recorded reportable segment loss of approximately

LETTER FROM MAXA CAPITAL

HK\$12.1 million and made impairment loss on goodwill and property, plant and equipment of approximately HK\$18.7 million. As a result of the less than satisfactory performance of the lifestyle entertainment segment, the Group recorded loss of approximately HK\$8.6 million for FY2021 as compared to profit of approximately HK\$13.2 million for FY2020. While the impact of COVID-19 still lasts in 2021, however, the bar and restaurant industry in Hong Kong has shown sign of improvement according to the value index of restaurant receipt of 2nd quarter 2021 published by the Census and Statistic Department. As discussed in the section headed “1. Background information of the Group” above, the lifestyle entertainment segment’s revenue increased by approximately 104.5% to approximately HK\$18.0 million for 1H2021 and reportable segment loss reduced by approximately 94.4% to approximately HK\$0.3 million for 1H2021 as compared to 1H2020. In light of the above, the Group intends to contribute more funds and resources to satisfy the working capital requirements for the Group’s lifestyle entertainment segment and prepare for the market recovery.

As of 31 March 2021, the Group had cash at bank and in hand, including restricted bank deposits, of approximately HK\$230.7 million. We understand from the Management that approximately HK\$227.2 million of such cash and bank balance was owned by the PRC subsidiaries of the property management segment and therefore kept or deposited with banks in the PRC. Having considered the aforesaid cash resources are kept or deposited with banks in the PRC, we have conducted further research regarding the feasibility of transferring the cash resources out of the PRC, and we notice that such cash resources maintained by the PRC subsidiaries are not freely transferable at the disposal of the Company due to the controls imposed by the PRC government on the convertibility of RMB into foreign currencies and the remittance of currency out of the PRC under the current PRC foreign exchange regulations, of which international payments of current account items, such as profits distribution, interest payments and trade and service-related foreign currencies foreign exchange transactions, cannot be made in foreign currencies without prior approval from the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) provided that certain procedural requirements are compiled for. We have discussed with the Management and understand that there is no trade or service-related foreign currencies transaction between the PRC subsidiaries and the offshore entities of the Group. Accordingly, the Group can only rely on the distribution of dividends from its PRC subsidiaries in order to transfer fund out of the PRC, of which the Management estimates, based on its past experience, that it would take approximately three to four months to obtain the relevant authority’s permission for transferring the fund from the PRC operating entities to the Group’s offshore accounts.

LETTER FROM MAXA CAPITAL

As a result of the negative impact of COVID-19 on the operations of the Group's lifestyle entertainment segment as mentioned above, the lifestyle entertainment segment had negative operating cashflows in the past two financial years and the aggregated amount of cash and bank balance available to the lifestyle entertainment segment and other offshore entities of the Group was approximately HK\$1.9 million as of 31 March 2021. As advised by the Management, in order to ensure that the Group has sufficient liquidity to fulfill the working capital requirement of the lifestyle entertainment segment and cover the overhead expenses of the Hong Kong head office, the Company approached Hui Limited, the controlling shareholder of the Company, in April 2021 for financial support. Against this backdrop, Hui Limited advanced a shareholder's loan of approximately HK\$9.0 million to the Company in April 2021 (the "**April 2021 Shareholder's Loan**") to replenish the Group's working capital and prevent disruption to the lifestyle entertainment segment's operation. Given the COVID-19 prevention measures were still in place throughout the first half of 2021, the Management considers that it will take longer than expected for the lifestyle entertainment segment to recover from the negative impact of COVID-19. The Management advises that, as at 30 September 2021, the Group's total cash and bank balance available to the lifestyle entertainment segment and offshore entities amounted to approximately HK\$1.3 million. In order to improve the liquidity position of the lifestyle entertainment segment, Hui Limited advanced another shareholder's loan of approximately HK\$3.8 million in September 2021 to the Group (the "**September 2021 Shareholder's Loan**", together with the April 2021 Shareholder's Loan, the "**2021 Shareholder's Loans**"). The 2021 Shareholder's Loans are unsecured, interest free and repayable in April and September 2023, respectively. In view of the above, the Director considers that it is essential for the Group to have access to additional funding and resources in order to satisfy the working capital requirements for the lifestyle entertainment segment and prepare for the market recovery.

Reference is made to the Company's circular dated 28 February 2017 in relation to the Ningbo AUX Acquisition. In order to finance the consideration payable for the Ningbo AUX Acquisition, Hui Limited granted an unsecured loan of RMB100 million with a term of five years at the interest rate of 2% per annum to the Company (the "**2017 Shareholder's Loan**"), which will fall due in August 2022. As the principal amount of the 2017 Shareholder's Loan is denominated in RMB and the presentation currency of the Company's financial statements is Hong Kong dollar, the translation of the 2017 Shareholder's Loan from RMB to Hong Kong dollar is recognised as foreign exchange gain or loss in the Company's income statement. As advised by the Management, due to the exchange rate fluctuation between RMB and Hong Kong dollar, the Company's financial results have been impacted by the foreign exchange gain or loss arising from the currency translation of the 2017 Shareholder's Loan. We note from the 2021 Annual Report that the Company recorded net foreign exchange loss of approximately HK\$6.1 million and gain of approximately HK\$7.5 million for FY2021 and FY2020, respectively. For 1H2021, the Company recorded net

LETTER FROM MAXA CAPITAL

foreign exchange loss of approximately HK\$1.1 million. In order to reduce the Group's exposure to currency risk and minimise its financial impact, the Company early repaid approximately RMB28.0 million of the principal amount of the 2017 Shareholder's Loan in August 2020. The outstanding principal amount together with accrued interests of the 2017 Shareholder's Loan was approximately HK\$89.6 million and HK\$86.4 million as at 31 March 2021 and 30 September 2021, respectively. Therefore, it is the Management's intention to early repay in whole or part of the outstanding principal amount of the 2017 Shareholder's Loan in order to reduce the currency exposure mentioned above, alleviate the Group's financial burden by reducing the amount of interest expenses incurred for the 2017 Shareholder's Loan and lower its gearing ratio.

The total gross proceeds from the Subscription are expected to be approximately HK\$74.3 million. The Company intends to use the net proceeds of approximately HK\$73.7 million from the Subscription for the following purposes: (i) approximately HK\$12.5 million or 17.0% of the net proceeds will be used for the working capital of the Company for purposes including but not limited to the directors' fees and professional fees; (ii) approximately HK\$32.2 million or approximately 43.7% of the net proceeds will be mainly used for the rental expenses and salary expenses to be incurred under the operation of the lifestyle entertainment segment in the next 12 months; and (iii) approximately HK\$29.0 million or approximately 39.3% of the net proceeds will be used for the partial repayment of the loan from the controlling shareholder. We have reviewed breakdown of the intended use of proceeds prepared by the Management and note that the net proceeds of approximately HK\$12.5 million will be used to settle the directors' fee, professional fees (including audit fee, legal advisory fee and internal control advisory fee, etc.) and other overhead costs (including financial printing cost, listing fee, etc.), at the Company level for the next 12 months. The net proceeds of approximately HK\$32.2 million will be used to settle the rental expenses for Zentral, a club located in Central, and two restaurant and bar outlets across Causeway Bay and Mongkok under the brand of "Mini Club" and the related staff expenses for the next 12 months. We have obtained and reviewed the monthly management accounts of the lifestyle entertainment segment between April and August 2021 and note that the average monthly rental, property management fee and related staff expenses amounted to approximately HK\$2.5 million. Therefore, we consider that the net proceeds of approximately HK\$32.2 million raised from the Subscription would be sufficient to cover such expenses for the next twelve months. Based on the management accounts provided by the Management, we note that the cash at bank and in hand as at 30 September 2021 amounted to approximately HK\$1.3 million. We have reviewed the cost breakdown of the Hong Kong head office and note that the monthly expenses of the Hong Kong head office, which mainly comprised of the salary expenses of certain Directors and senior managements of the Group, amounted to approximately HK\$0.4 million per month, which implies that the cash at bank and in hand, would only be sufficient to cover the aforementioned costs for the next two to three months assuming the current COVID-19 outbreak remains.

LETTER FROM MAXA CAPITAL

As disclosed in the Letter from the Board, the Company's current proposal is to make partial repayment of the 2017 Shareholder's Loan (the "**Repayment**"), and to seek consent from the controlling shareholder for extension of the balance of the loan (the "**Loan Extension**"). The Directors consider that after making the Repayment, the Company will enjoy stronger bargaining power when seeking the controlling shareholder's consent and will be in a better position to secure the Loan Extension. Regarding the timing of the Repayment, the Directors expect that the net proceeds will become available before the end of the financial year ending 31 March 2022 ("**FY2022**"). It will be to the benefit of the Group and the Shareholders to minimise interest expenses and the impact of any unfavourable exchange rate fluctuation in FY2022. If sufficient cash resources are available for the Group's Hong Kong operations as the business condition recovers, the Company is inclined to make the Repayment before the end of FY2022. Assuming the Group's Hong Kong operations will be subject to more stringent anti-pandemic restrictions under the worsening COVID-19 outbreak, the Company will withhold the financial resources originally designated for the Repayment in reserve to support the Group's Hong Kong operations, until the earlier of the due date of the loan or the lifting of the intensified anti-pandemic restrictions. Under such circumstances, the Company may seek consent from the controlling shareholder for extension of a larger part of the 2017 Shareholder's Loan, where necessary. Therefore, we consider that the net proceeds raised from the Subscription provides the Group with financial flexibility regarding the timing of the Repayment.

We have enquired with the Management whether the Company has considered to replenish the working capital of the Company by way of distribution of dividend from the PRC operating entities. The Management advises that, based on the PRC statutory accounts of Ningbo AUX, being the major operating subsidiary and holding company of the property management segment in the PRC, for the year ended 31 March 2021, the distributable reserve of Ningbo AUX was approximately RMB39.8 million (equivalent to approximately HK\$47.8 million). Whilst the distribution of dividend from Ningbo AUX can satisfy part of the Company's funding needs, the Management estimates, based on its past experience, that it would take approximately three to four months to obtain the relevant authority's permission for transferring the fund from the PRC operating entities to the Group's offshore accounts. Also, the dividend income from the PRC operating entities to the Group's Hong Kong subsidiary will be subject to withholding tax rate of 5% if HK tax residency certificate can be provided. For the previous dividend income from the PRC operating entities declared in FY2021, the Group is still waiting for the tax residency certificate to be approved by the Hong Kong Inland Revenue Department. Therefore, the Management considers that the Subscription is a more viable option for the Group to have immediate access to additional financial resources in order to satisfy its imminent funding needs.

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While we note that approximately HK\$29.0 million, representing approximately 39.3% of the net proceeds, will be applied for the Repayment, we consider that such intended use of the net proceeds is fair and reasonable having taken into account:

- (i) the net proceeds of approximately HK\$44.7 million, representing approximately 60.7% of the net proceeds, would be sufficient to cover the Hong Kong head office expenses and the working capital of the lifestyle entertainment segment for the next twelve months;
- (ii) the net proceeds would enable the Group to have greater financial flexibility regarding the timing of the Repayment and reduce the Group's financial burden and foreign exchange exposure arising from the 2017 Shareholder's Loan; and
- (iii) the outstanding principal amount together with accrued interests of the 2017 Shareholder's Loan was HK\$86.4 million as at 30 September 2021. In the event that the Loan Extension was not granted by the controlling shareholder, the proposed use of net proceeds of approximately HK\$29.0 million together with the distributable reserve of Ningbo AUX amounted to approximately RMB39.8 million (equivalent to approximately HK\$47.8 million), in aggregate can be utilised in settling a substantial portion of the outstanding principal amount together with accrued interests of the 2017 Shareholder's Loan.

3.2 Alternative financing

We understand from the Management that the Company has considered other fund-raising alternatives available to the Group before resolving to the Subscription, such as (i) debt financing; (ii) rights issue or open offer; and (iii) placing of new Shares. Regarding debt financing, the Management considers that it usually requires security of properties and other assets, which is not feasible to the Company, given that the Hong Kong head office and the lifestyle entertainment segment do not possess any material tangible assets as collaterals for borrowing. We have reviewed the management accounts of the lifestyle entertainment segment and note that the segment assets mainly comprised of rental deposits, rights of use assets and trade and other receivables, which are usually not accepted by financial institutions as collaterals for borrowing. The Management advises that it would be impracticable to secure financing from offshore financial institutions without incurring relatively high financing cost, which would result in additional interest burden to the Group. Regarding rights issue or open offer, the Management considers that both would involve listing documentary, possible underwriting, other application and administrative procedures, which, together with the time required to arranged for a shareholders' meeting if shareholders' approval is required, would be relatively more

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time-consuming and cost-inefficient as compared with a placing of new shares. Also, the Management considers that pre-emptive rights would be difficult to maintain given (i) the small market capitalisation of the Company; (ii) relatively low trading volume of the Shares (please refer to the section headed “4.2 Evaluation of the Subscription Price – Liquidity of the Shares” below for details); and (iii) the loss-making position of the Group for FY2021 and 1H2021 (please refer to the section headed “1. Background information of the Group” above for details). We understand from the Management that, prior to entering into of the Subscription Agreement, the Company had on confidential basis solicited several securities firms to explore the feasibility of acting as placing agent for the placing of new Shares. However, due to the lack of market demand for the Shares for the reasons mentioned above, the Management was given to understand that the Company may face challenges in locating investors for share placements at a reasonable price. We have reviewed the relevant correspondences between the Company and the independent securities firms and note that none of the securities firms are willing to act as placing agent for a proposed placement of new shares or underwriter for a proposed rights issue or open offer.

Having considered the reasons and factors above, including (i) the proposed use of proceeds of the Subscription by the Group; (ii) the financial position of the Group as at 30 September 2021; (iii) the Subscription would strengthen the capital base and improve the liquidity position of the Group; and (iv) the Subscription reflects the confidence of the Subscriber towards the long-term and sustainable growth of the Group, we concur with the Directors’ view that the Subscription is in the interests of the Company and the Shareholders as a whole.

4. Subscription

4.1 Principal terms of the Subscription Agreement

The principal terms of the Subscription Agreement are summarised below:

Date

26 October 2021

Parties to the Subscription Agreement

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

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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 Latest Practicable Date 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 the Subscription Agreement and the date of the Completion).

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

Ranking

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and 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 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 transaction contemplated thereunder, including the Subscription and 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.

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None of the Conditions Precedent is capable of being waived by any parties 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 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 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.

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4.2 Evaluation of the Subscription Price

As set out in the Letter from the Board, the Subscription Price of HK\$0.63 per Subscription Share 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.

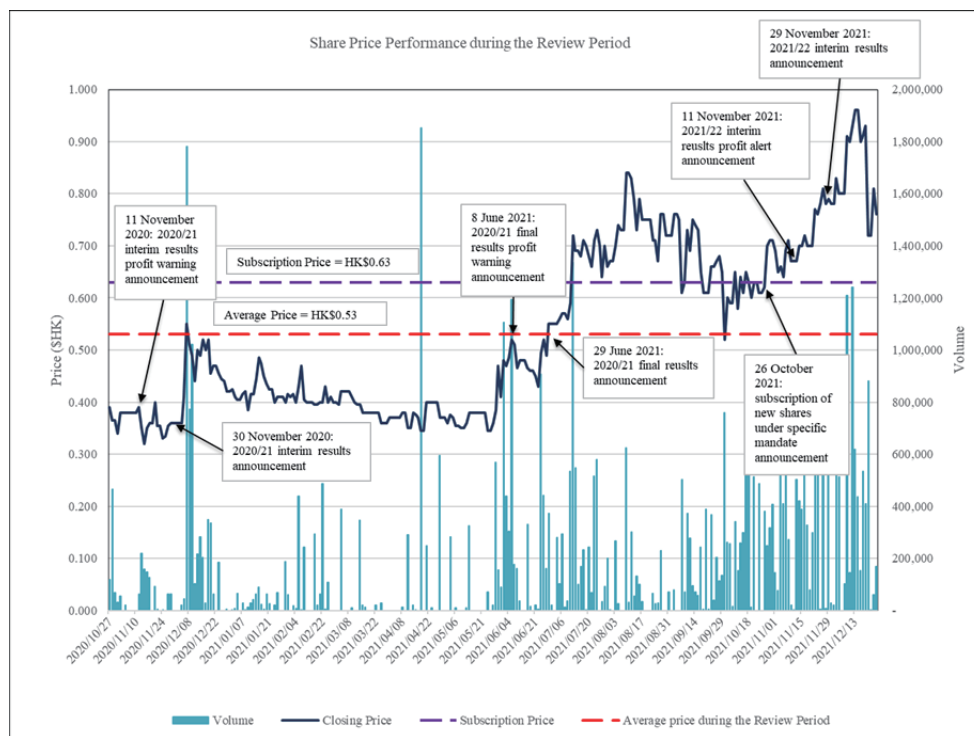
We note that the Subscription Price of HK\$0.63 per Subscription Share represents:

- (i) a premium of approximately 1.6% to the closing price of HK\$0.62 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement (the "**Last Trading Day**");
- (ii) a premium of approximately 2.3% to the average closing price of approximately HK\$0.616 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Day;
- (iii) a premium of approximately 1.8% to the average closing price of approximately HK\$0.619 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the Last Trading Day; and
- (iv) a premium of approximately 74.1% to the audited consolidated net asset value per Share of approximately HK\$0.36 (based on the latest published audited consolidated net asset value of the Group of approximately HK\$135.7 million as at 31 March 2021 and 374,984,000 Shares in issue as at the Latest Practicable Date).

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a. *Review of the historical Share price performance*

We have reviewed the daily closing prices of the Shares for the period from 26 October 2020 (being the 12-month period prior to the Last Trading Day) and up to the Latest Practicable Date, (the “**Review Period**”). We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices prior to the Latest Practicable Date and such comparison is relevant for the assessment of the fairness and reasonableness of the Subscription Price. The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:



Source: The Stock Exchange

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As illustrated in the chart above, during the Review Period, the closing Share price traded at an average of approximately HK\$0.53. On 11 November 2020, the Company issued a profit warning announcement for the six months ended 30 September 2020 due to (i) the decrease in revenue of the lifestyle entertainment segment resulting from the undesirable market and operation of the Group's clubbing and restaurant business in Hong Kong caused by the COVID-19 outbreak; (ii) incurrence of a net exchange loss in respect of the RMB denominated loan from controlling shareholder as a result of the appreciation of RMB against Hong Kong dollar; and (iii) the impairment loss on goodwill as a result of the negative impact caused by the COVID-19 outbreak toward the restaurant and bar outlets. Shortly after the abovementioned profit warning announcement, the Share price dropped to the lowest point of HK\$0.32 on 13 November 2020. On 30 November 2020, the Company announced its interim results for the six months ended 30 September 2020 and the Share price subsequently surged to HK\$0.55 on 7 December 2020. Since then, the Share price demonstrated a general declining trend between December 2020 and May 2021 which we believe could be due to the less than satisfactory financial performance of the Group. We note that the Share price demonstrated an increasing trend between June and August 2021 and reached its second highest point of HK\$0.84 on 9 and 10 August 2021. We have reviewed the announcements made by the Company between June and August 2021. Saved for the profit warning announcement and the final results announcement for the year ended 31 March 2021 published on 8 and 29 June 2021 respectively, we are not aware of any material information released by the Company that might trigger that Share price fluctuations during that period. We note that the Share price subsequently fluctuated within the region of approximately HK\$0.52 to HK\$0.76 from beginning of September 2021 and up to the Last Trading Day.

Subsequent to the release of announcement in relation to the Subscription (the "**Announcement**"), the Share price began to rise and reached the highest closing price of HK\$0.96 on 13 and 14 December 2021, which we believe is primarily attributable to the release of the positive profit alert announcement of the interim results for the six months ended 30 September 2021 that was released on 11 November 2021. The Company expects to record an unaudited consolidated profit for the six months ended 30 September 2021 as compared to the unaudited consolidated loss for the six months ended 30 September 2020 as a result of (i) the gradual recovery of market and operating conditions of the lifestyle entertainment segment from the outbreak of COVID-19; and (ii) the removal of impact caused by the one-off impairment loss on goodwill of approximately HK\$7.3 million that was recorded in the interim results for the six months ended 30 September 2020. The Subscription Price represents premium of approximately 96.9% and 17.8% to the lowest and average Share prices, respectively, and a discount of approximately 34.4% to the highest Share price during the Review Period.

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b. Liquidity of the Shares

The following table sets out the total trading volume per month and the average daily trading volume per month of the Shares during the Review Period:

Months	Historical monthly trading volume of the Shares			% of average daily trading volume to total issued Shares (Note 2)
	Total trading volume of Shares for the month/period	Number of trading days	Average daily trading volume (Note 1)	
2020				
October (26th to 31st)	686,000	4	171,500	0.0457%
November	1,020,000	21	48,571	0.0130%
December	5,410,000	22	245,909	0.0656%
2021				
January	738,000	20	36,900	0.0098%
February	1,750,100	18	97,228	0.0259%
March	832,000	23	36,174	0.0096%
April	3,032,000	19	159,579	0.0426%
May	1,444,000	20	72,200	0.0193%
June	5,782,000	21	275,333	0.0734%
July	5,386,000	21	256,476	0.0684%
August	1,996,000	22	90,727	0.0242%
September	3,786,000	21	180,286	0.0481%
October	5,094,000	18	283,000	0.0755%
November	7,886,000	22	358,455	0.0956%
December (1st to 23th)	7,233,000	17	425,471	0.1135%
Minimum				0.0096%
Average				0.0487%
Maximum				0.1135%

Source: the Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.
2. It is calculated by dividing the average daily trading volume for the month/period by the total number of Shares in issue at the end of each month/period. The total number of issued shares was 374,984,000 during the Review Period.

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As illustrated in the table above, the percentage of average daily trading volume of the Share per month to the total issued Shares as at the relevant month/period end during the Review Period ranged from approximately 0.0096% to 0.1135%, with the average daily trading volume of the Share to the total issued Shares of approximately 0.0487% during the Review Period. We note that the average daily trading liquidity of the Shares were thin during the Review Period, with the majority of months/period were less than 0.08% to the total number of issued Shares as at the end of their respective month/period. Subsequent to the Announcement, the average daily trading volume to total issued Shares surged to approximately 0.1135% in December 2021 and reached the highest throughout the Review Period. Nevertheless, we consider that it would still be difficult for the Company to pursue sizeable equity financing alternatives in the capital market without providing considerable discount and/or placing/underwriting fees as an incentive.

c. Comparable issues analysis

In assessing the fairness and reasonableness of the Subscription Price, we have identified a list of transactions in relation to the subscription of new shares (excluding new shares to be issued under any convertible or derivative instrument) (“**Comparable Issues**”) conducted by companies listed on the Stock Exchange that announced during the Review Period. The selection of the Comparable Issues is based on the following criteria: (i) subscription of new shares under specific mandate carried out by the companies listed on the Main Board of the Stock Exchange with market capitalization of less than HK\$1.0 billion at the date of announcing the Comparable Issues; (ii) excluding issues under share award plan or for emolument or restructuring scheme or acquisition purposes; and (iii) excluding issues of A shares or domestic shares. To the best of our knowledge and as far as we are aware of, we identify an exhaustive list of 18 transactions which meet the aforesaid criteria by searching the website of Stock Exchange. Although the business, operation and prospects of the Group are not the same as the listed issuers of the Comparable Issues, we consider that the Comparable Issues can provide a fair and representative reference of the recent market practices (i.e. the Review Period) in relation to subscription of new shares conducted by companies listed on the Stock Exchange.

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We compare the respective premium to/discount of the closing price of the shares of the Comparable Issues prior to/on the relevant last trading day (the “**Premium/Discount**”) and the last five consecutive trading days immediately prior to/on the relevant last trading day (the “**Five Days Premium/Discount**”) as represented by the subscription price of such Comparable Issues with the corresponding Premium/Discount and Five Days Premium/Discount represented by the Subscription Price. However, Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparable Issues.

The following table sets out the details of the Comparable Issues:

Date of announcement	Company name	Stock code	Connected transactions or not	Premium/(Discount) over/of the subscription price to closing price per share on the last trading day prior to/on the date of the respective subscription announcement	Premium/(Discount) over/of the subscription price to closing price per share on the last five trading days prior to/on the date of the respective subscription announcement
10-Dec-21	China Saite Group Company Limited	153	No	(3.80)%	(2.70)%
11-Nov-21	Lingbao Gold Group Company Ltd.	3330	Yes	(12.40)%	(10.90)%
17-Aug-21	Man Sang International Limited	938	Yes	5.26%	1.90%
21-Jul-21	Persta Resources Inc. (Note 1)	3395	Yes	78.00%	64.00%
19-Jul-21	Elife Holdings Limited	223	Yes	5.77%	3.00%
31-May-21	Hong Kong Resources Holdings Company Limited	2882	Yes	(15.25)%	(15.25)%
28-May-21	New Focus Auto Tech Holdings Limited	360	No	(30.59)%	(23.97)%
10-May-21	New Concepts Holdings Limited	2221	No	(44.34)%	(17.37)%
20-Apr-21	Seec Media Group Limited	205	No	3.17%	3.34%
7-Apr-21	Qidian International Co., Ltd	1280	Yes	0.00%	(3.68)%
25-Mar-21	TATA Health International Holdings Limited	1255	No	(27.70)%	(31.29)%
8-Mar-21	Carrianna Group Holdings Company Limited	126	Yes	(10.00)%	(12.45)%
2-Mar-21	Huazhang Technology Holding Limited	1673	No	(22.62)%	(23.17)%
1-Mar-21	Culturecom Holdings Limited	343	No	(34.78)%	9.49%
25-Jan-21	Risecomm Group Holdings Limited	1679	Yes	18.80%	14.80%
20-Jan-21	Pat Tak International Limited	2668	Yes	(1.96)%	(10.15)%
15-Dec-20	Kinergy Corporation Ltd.	3302	Yes	(17.80)%	(19.80)%
3-Nov-20	Kiu Hung International Holdings Limited	381	No	6.80%	(0.37)%
			Mean	(10.67)%	(8.15)%
			Median	(10.00)%	(10.15)%
			Maximum	18.80%	14.80%
			Minimum	(44.34)%	(31.29)%
			Subscription Price	1.6%	2.3%

Source: the Stock Exchange

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Note:

1. We have excluded the share subscription of Persta Resources Inc. (3395.hk) (“**Persta**”) conducted on 21 July 2021 when arriving to these figures as we are of the view that this is an outlier. The subscription price of the shares of Persta in the subscription represents an exceptional high premium over the closing price per share on last trading day and over the average closing price for the last five consecutive trading days prior to the last trading day as compared with those of the other Comparable Issues (premium of 78% over the closing price per share on the last trading day, and premium of 64% over the average closing price for the last five consecutive trading days prior to the last trading day).

As illustrated by the table above and after excluding the outlier, we note that the Premium/Discount of the Comparable Issues ranged from a premium of approximately 18.80% to a discount of approximately 44.34%, with the mean and median discounts of approximately 10.67% and 10.00%, respectively. In addition, the Five Days Premium/Discount of the Comparable Issues ranged from a premium of approximately 14.80% to a discount of approximately 31.29%, with the mean and median discounts of approximately 8.15% and 10.15%, respectively.

As shown by the market comparison above, the (a) premium to the Subscription Price of approximately 1.6% to the closing price per Share on the Last Trading Day is within the range of the Premium/Discount of the Comparable Issues, and above the mean and median discounts of the Comparable Issues; and (b) premium to the Subscription Price of approximately 2.3% to the average closing price per Share for the last five consecutive trading days immediately prior to the Last Trading Day is within the range of the Five Days Premium/Discount of the Comparable Issues, and above the mean and median discounts of the Comparable Issues.

In view of the above and further taking into account that (i) the Subscription Price is determined at a level that is close to the prevailing market price of the Share on the Last Trading Day; and (ii) the Subscription Price represents a premium of approximately 74.1% to the audited consolidated net asset value per Share of the Company of approximately HK\$0.36 per Share as at 31 March 2021, we consider that the Subscription Price is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

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5. Potential dilution effect to the existing public Shareholders

The Subscription would dilute shareholding of the existing Shareholders. The shareholding structure of the Company (i) as at the Last Practicable Date; and (ii) immediately upon Completion (assuming that there is no change in the issued share capital of the Company as at the Latest Practicable Date and up to the date of Completion), are set out as follows:

	As at Latest Practicable Date		Immediately following the Completion	
	Number of Shares	%	Number of Shares	%
Substantial Holder				
Huiji Limited (Note 1)	219,950,000	58.66	337,950,000	68.55
Public				
Public Shareholders	<u>155,034,000</u>	<u>41.34</u>	<u>155,034,000</u>	<u>31.45</u>
Total:	<u><u>374,984,000</u></u>	<u><u>100.00</u></u>	<u><u>492,984,000</u></u>	<u><u>100.00</u></u>

Note:

1. Huiji Limited 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 Jian Jiang).

As illustrated in the table above, the Subscriber will continually to be the single largest Shareholder of the Company, with approximately 68.55%, upon Completion. The shareholding of the existing public Shareholders as at the Latest Practicable Date was approximately 41.34% and will be diluted to approximately 31.45% immediately upon Completion. In this regard, in view of

- (i) the Subscription, which the net proceeds of approximately HK\$44.7 million will be utilised to cover the Hong Kong head office expenses and fulfill the working capital needs of the lifestyle entertainment segment and approximately HK\$29.0 million will be utilised for the Repayment, is expected to have positive financial effects on the net assets, liquidity and gearing ratio of the Group. Please refer to the reason for and benefit of the Subscription as mentioned in the sections headed “3.1 Background and reasons for the Subscription” and “6. Possible financial effects of the Subscription” for details;

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- (ii) given the thin trading volume of the Share during the Review Period (please refer to the section headed “4.2 Evaluation of the Subscription Price – Liquidity of the Shares” above for details), the Group has practical difficulty in identifying an independent securities firm to act as placing agent or underwriter for the Group’s proposed equity financing activities (please refer to the section headed “3.2 Alternative financing” above for the analysis of financing alternative methods); and
- (iii) the Subscription Price, which is determined at premium to each of the Share price on the Last Trading Day and the average Share prices for the last five consecutive trading days prior to the Last Trading Day, is more favourable as compared to the mean and median discounts of the Comparable Issues. Also, the Subscription Price, representing a premium of approximately 74.1% to the audited consolidated net asset value per Share as at 31 March 2021, is expected to enhance the net asset value per Share upon Completion (please refer to the section headed “4.2 Evaluation of the Subscription Price – Comparable issues analysis” above for details),

we consider that the dilution to the shareholding of the existing Shareholders resulting from the Subscription is acceptable.

6. Possible financial effects of the Subscription

Pursuant to the 2021 Annual Report, the net assets of the Group amounted to approximately HK\$135.7 million as at 31 March 2021. Upon Completion, it is expected that (i) the aggregate gross proceeds from the Subscription will be recorded and the net assets of the Group will increase by approximately HK\$73.7 million; (ii) the current ratio of the Group will increase from approximately 1.6 times to 2.0 times; and (iii) the gearing ratio will decrease from approximately 0.8 times to 0.6 times.

It should be noted that the above analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon Completion. Based on the analyses above, the net asset position and the financial ratios in relation to the liquidity of the Company would be improved as a result of the Subscription. As such, we are of the view that the Subscription is in the interest of both the Company and Shareholders as a whole.

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RECOMMENDATION

Having taken into consideration the principal factors and reasons discussed above, we are of the view that (i) the terms of the Subscription Agreement and the connected transaction contemplated thereunder, are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Subscription, although is not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions to be proposed for approving the Subscription Agreement and the connected transaction contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Maxa Capital Limited
Sammy Leung
Managing Director

Mr. Sammy Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 10 years of experience in the corporate finance industry.

(1) RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

(2) SHARE CAPITAL**(a) Share capital of the Company**

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of the Completion) as follows:

(i) Share capital as at the Latest Practicable Date

	Nominal Value per Share HK\$	Number of Shares	Amount HK\$
Authorised:			
As at the Latest Practicable Date	0.01	10,000,000,000	100,000,000.00
Issued and fully paid:			
As at the Latest Practicable Date	0.01	374,984,000	3,749,840.00

(ii) *Share capital immediately upon Completion (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of the Completion)*

	Nominal Value per Share HK\$	Number of Shares	Amount HK\$
Authorised:			
As at the date of Completion	0.01	10,000,000,000	100,000,000.00
Issued and fully paid:			
Immediately before the date of Completion	0.01	374,984,000	3,749,840.00
Subscription Shares to be issued pursuant to the Subscription	0.01	118,000,000	1,180,000.00
Shares in issue upon Completion	0.01	492,984,000	4,929,840.00

All issued Shares rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and return of capital.

The Subscription Shares to be allotted and issued will, when issued, rank *pari passu* in all respects with the Shares in issue at the time of allotment and issue of the Subscription Shares. The Subscriber will be entitled to receive all dividends and distributions which may be declared, made or paid on or after the date of issue of the Subscription Shares. As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

The issued Shares are listed on the Stock Exchange. None of the equity and debt securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought on any other stock exchange.

(3) DISCLOSURE OF INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF DIRECTORS AND CHIEF EXECUTIVE

To the best of knowledge of the Directors, as at the Latest Practicable Date, the following Director had interests in the shares of the associated corporations (within the meaning of Part XV of the SFO) of the Company which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which he was taken or deemed to have under such provisions of the SFO); (ii) recorded in the register maintained by the Company referred to in section 352 of the SFO pursuant thereto; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as adopted by the Company:

Name of associated corporation	Name of Director	Capacity/Nature of interest	Number and class of shares	Approximately percentage of the issued share capital
Huiiri Limited (<i>Note 1</i>)	Zheng Jiang	Interest of a controlled corporation	0.1 ordinary share	10%

Notes:

- As at the Latest Practicable Date, Ze Hong Limited, a company wholly-owned by Mr. Zheng Jiang, was interested in 10% of the issued share capital of Huiiri Limited, the holding company of the Company which beneficially owned 219,950,000 Shares, representing approximately 58.66% of the total number of Shares in issue as at the Latest Practicable Date.

Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register maintained by the Company referred to in section 352 of the SFO pursuant thereto; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

So far as was known to the Directors, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(4) DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Director had any existing or proposed service contract with any member of the Group, excluding service contracts expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

(5) INTERESTS IN ASSETS AND CONTRACTS AND COMPETING INTERESTS

None of the Directors had any interest, direct or indirect, in any asset which had, since 31 March 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, been acquired or disposed of by or leased to any member of the Group or which were, as at the Latest Practicable Date, proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in any business which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

(6) MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

(7) QUALIFICATION AND CONSENTS OF EXPERT

The following are the qualifications of the expert who has given advice, letter or opinion contained in this circular:

Name	Qualifications
Maxa Capital	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the expert identified above had no shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The expert identified above did not have any interest, direct or indirect, in any asset which had, since 31 March 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, been acquired or disposed of by or leased to any member of the Group or which were, as at the Latest Practicable Date, proposed to be acquired or disposed of by or leased to any member of the Group.

The expert identified above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.

(8) LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration proceedings of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

(9) DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.auxint.com>) for a period of 14 days from the date of this circular:

- a. the Subscription Agreement;
- b. the letter from the Independent Board Committee, the text of which is set out in this circular;
- c. the letter of advice from Maxa Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;
- d. the written consent from Maxa Capital referred to in the paragraph headed “(7) Qualification and consents of expert” in this Appendix; and
- e. this circular.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the “**EGM**”) of AUX International Holdings Limited (the “**Company**”) will be held at Portion 2, 12/F., The Center, 99 Queen’s Road Central, Central, Hong Kong on 17 January 2022 at 11:00 a.m., for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

“THAT

- (a) the conditional subscription agreement dated 26 October 2021 (the “**Subscription Agreement**”) entered into by the Company with Huiiri Limited (the “**Subscriber**”), in relation to the subscription of 118,000,000 new shares of the Company (the “**Subscription Shares**”) by the Subscriber, a copy of which has been produced to the EGM marked “A” and signed by the Chairman for the purpose of identification, pursuant to which the Company is to allot and issue to the Subscriber the Subscription Shares at the subscription price of HK\$0.63 per Subscription Share, be and is hereby approved, confirmed and ratified;
- (b) conditional upon, among others, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares, the grant of the specific mandate to the Directors to allot and issue the Subscription Shares (the “**Specific Mandate**”) be and is hereby approved; the Specific Mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the directors of the Company (the “**Director(s)**”) by the shareholders of the Company prior or subsequent to the passing of this resolution; and

NOTICE OF EGM

- (c) any one or more of the Directors be and is/are hereby authorised to do all such further acts and things and to sign and execute all such documents and to take all such steps which in his/her opinion may be necessary, appropriate, desirable or expedient to implement and/or give effect to the transactions contemplated under the Subscription Agreement.”

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

Hong Kong, 31 December 2021

Registered Office:

Windward 3, Regatta Office Park
P. O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Principal Place of Business in

Hong Kong:
Unit 1, 10/F,
Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

Notes:

1. Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.
2. A form of proxy for the extraordinary general meeting is enclosed. In order to be valid, a form of proxy, together with the power of attorney or other authority (if any), under which the form is signed must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time fixed for the holding of the EGM (i.e. at or before 11: 00 a.m. on Saturday, 15 January 2022 (Hong Kong time)) or any adjournment of such meeting (as the case may be).
3. Completion and return of the form of proxy will not preclude shareholders of the Company from attending and voting in person at the meeting or any adjourned meeting or upon the poll concerned if the shareholders of the Company so wish. In such event, the instrument appointing the proxy shall be deemed to be revoked.
4. Where there are joint holders of any share any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

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5. A member of the Company entitled to more than one vote need not, if he votes on a poll, use all his votes or cast all the votes he uses in the same way.
6. The resolution is to be voted on by way of poll.
7. For determining the entitlement to attend and vote at the extraordinary general meeting, the transfer book and register of members will be closed from Wednesday, 12 January 2022 to Monday, 17 January 2022, both days inclusive, during which period no share transfers can be registered. In order to qualify for attending and voting at the meeting, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4: 00 p.m. on Tuesday, 11 January 2022.

As at the date of this notice, the board of directors comprises Mr. Zheng Jiang, Mr. Chan Hon Ki, Mr. Liang Songluan and Ms. Shen Guoying as executive directors, and Mr. Poon Chiu Kwok, Mr. Bau Siu Fung and Ms. Lou Aidong as independent non-executive directors.