THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 or registered institution in securities, 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 and the accompanying form of proxy to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the 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)

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF PROPERTY MANAGEMENT COMPANY; (2) POTENTIAL CONTINUING CONNECTED TRANSACTION; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

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

Prosperity 惠豐資本

A notice convening the Extraordinary General Meeting of AUX International Holdings Limited to be held at 9/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong on Monday, 20 March 2017 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the Extraordinary General Meeting is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to 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 as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude Shareholders from attending and voting at the meeting if they so wish.

28 February 2017

CONTENTS

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

"Acquisition"	the acquisition of the Sale Shares by the Purchaser pursuant to the Agreement
"Agreement"	the equity transfer agreement dated 7 November 2016 entered into among the Target Company, the Vendor and the Purchaser in relation to the Acquisition
"associate(s)"	shall have the same meaning as ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business"	the business of the Target Company as permitted under the applicable laws and regulations
"Company"	AUX International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the Stock Exchange (stock code: 2080)
"Completion"	completion of the Acquisition pursuant to the terms of the Agreement
"Completion Date"	upon the satisfaction or waiver of the conditions precedent and the fifth working day after completion of the registration of transfer of the Sale Shares and the issue of a revised business registration certificate of the Target Company by the relevant regulatory authority or such later date as agreed between the Vendor and the Purchaser
"Consideration"	RMB153,000,000 (equivalent to approximately HK$174,420,000), subject to adjustment
"Continuing Connected Transaction"	the continuing connected transactions as contemplated under the Property Services Framework Agreement
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Core Senior Management Team"	He Jianglin (何江林), Dai Wanhong (戴萬宏), Zhang Debao (張德寶), and Zhao Baohua (趙寶華)
"Director(s)"	the director(s) of the Company

"EGM"	the extraordinary general meeting of the Company to be held at 9/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong on Monday, 20 March 2017 for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder and the Continuing Connected Transaction
"Enlarged Group"	the Company and its subsidiaries as enlarged by the Acquisition upon Completion
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board comprising of Mr. Poon Chiu Kwok, Mr. Bau Siu Fung and Ms. Lou Aidong, being all the independent non-executive Directors, appointed by the Board to advise the Independent Shareholders in relation to the Acquisition and the transactions contemplated under the Agreement and the Continuing Connected Transaction
"Independent Financial Adviser"	Prospertiy Capital Holdings Limited, a licensed corporation under the SFO to carry out type 6 (advise on corporate finance) regulated activities, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and potential Continuing Connected Transaction
"Independent Shareholder(s)"	Shareholder(s) that is not required to abstain from voting at the EGM
"Independent Valuer"	American Appraisal China Limited
"Latest Practicable Date"	24 February 2017, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication.

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Net Profit"	the net profit after tax of the Target Company as to be shown in its audited financial statements to be prepared according to the Hong Kong Financial Reporting Standards
"PRC"	the People's Republic of China, excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region and Taiwan
"Profit Guarantee"	the guarantee given by the Vendor to the Company that subject to the terms of the Agreement, the Net Profit for the financial years ending 31 December 2016 and 31 December 2017 shall be not less than RMB15 million and RMB18 million respectively, details of which are set out in the paragraph headed "Profit Guarantee" in the section headed "Letter from the Board" in this circular
"Property Services Framework Agreement"	the framework agreement dated 7 November 2016 entered into between the Target Company and the Vendor in relation to the Continuing Connected Transaction
"Purchaser"	Starry Chance Limited (寶星有限公司), a limited liability company established in Hong Kong and an indirect wholly owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	100% equity interest of the Target Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of nominal value of HK$0.01 each in the capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Target Company"	寧波奧克斯物業服務有限公司 (Ningbo AUX Property Management Service Co., Ltd.*), a limited liability company established in the PRC
"Vendor"	寧波奧克斯置業有限公司（Ningbo AUX Real Estate Co., Ltd.*), a limited liability company established in the PRC
"%"	per cent.

* *All English translation of the Chinese names of the Companies established in the PRC is for identification purpose only.*

For the purpose of the this circular, unless otherwise indicated, conversion of RMB and HK$ is calculated at the exchange rate of RMB1 to HK$1.14. The exchange rate is for illustrative purpose only and does not constitute a representation that any amount has been, could have been, may be exchanged at this or any other rate or at all.

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. Chen Huajuan
Ms. Shen Guoying

Independent non-executive Directors:
Mr. Poon Chiu Kwok
Mr. Bau Siu Fung
Ms. Lou Aidong

Registered office:
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Principal place of business in Hong Kong:
Room 506B, 5th Floor
Tower 1, Admiralty Centre
18 Harcourt Road
Hong Kong

28 February 2017

To the Shareholders

Dear Sir or Madam

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF PROPERTY MANAGEMENT COMPANY; (2) POTENTIAL CONTINUING CONNECTED TRANSACTION; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 7 November 2016 in relation to the possible acquisition of a property management company and the Continuing Connected Transaction. The Vendor and the Purchaser entered into the Agreement on 7 November 2016 pursuant to which the Vendor have agreed to sell and the Purchaser has agreed to acquire the Sale Shares, representing 100% of the equity interests of the Target Company, for the Consideration of RMB153,000,000 (equivalent to approximately HK$174,420,000), subject to adjustment as described below.

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition; (ii) the Continuing Connected Transaction; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Acquisition and Continuing Connected Transaction; (iv) a letter of advice from Prosperity Capital Holdings Limited to the Independent Board Committee and Independent Shareholders in relation to the Acquisition and Continuing Connected Transaction; (v) financial information of the Group; (vi) financial information of the Target Company; (vii) the unaudited pro forma financial information of the Enlarged Group; and (viii) notice of the EGM to be convened and held for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder.

THE AGREEMENT

A summary of the principal terms of the Agreement are set out below:

Date:	7 November 2016
Parties:	(1) Vendor (2) Purchaser (3) Target Company
Assets to be acquired:	Pursuant to the Agreement, the Vendor have agreed to sell and the Purchaser has agreed to acquire the Sale Shares, representing 100% of the equity interests of the Target Company, on the terms and conditions as set out therein. As at the Latest Practicable Date, the Target Company and its branches (the "**Target Company**") provides property management services to 21 property developments and residences in the PRC.
Consideration:	The Consideration for the Acquisition is RMB153,000,000 (equivalent to approximately HK$174,420,000), subject to adjustments set out below:

The maximum amount of the Consideration for the Acquisition is RMB153,000,000. If details of the property management projects as of Completion deviates from those agreed in the Agreement, the Consideration shall be reduced accordingly. According to the Agreement, the property management company involves 21 developments and residences in the PRC. In case of any decrease in the number of projects delivered (a project shall be regarded as delivered upon the obtaining of control over the management of the project, the corresponding service fee income is consolidated into the financial statements as the risk and rewards of ownership flows to the Company), the corresponding adjustment shall be made to the Consideration according to the profit of relevant project(s) concerned and the Consideration shall be adjusted pursuant to the formula below:

(profit of the relevant project(s)/Total profit of the 21 property developments and residences in the PRC) x the Consideration

Profit of the project is equivalent to the income of service fees deducted by operating cost such as costs related to cleaning, security, greening and maintenance work, which shall be audited by auditors. The final Consideration shall be fixed and determined upon the consummation of the change of shareholding filing to be made with the local Industrial and Commercial bureau in Ningbo.

Part of the Consideration (RMB53,000,000) will be financed by the Company's internal resources. Huiri Limited, the controlling shareholder of the Company, will grant to the Purchaser an unsecured loan of RMB100,000,000 with a term of 5 years at the interest rate of 2% per annum to finance the Consideration. As a financial assistance to be provided by the connected person of the Company on normal commercial terms without security imposed on the assets of the Company, the loan is fully exempt from the reporting, announcement and independent shareholders approval requirements under Chapter 14A of the Listing Rules.

The Consideration shall be paid in two instalments as set forth below:

(i) as to RMB50,000,000 (equivalent to approximately HK$57,000,000), being 32.68% of the Consideration, to the designated account of the Vendor on the Completion Date; and

(ii) the remaining balance of the Consideration, to the designated account of the Vendor within three months after the Completion Date.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser and took into account, amongst other things, (a) the net asset value of the Target Company of RMB43.5 million (equivalent to approximately HK$49.6 million) as at 30 September 2016 as shown in the audited financial statements of the Target Company prepared in accordance with HKFRS; (b) the property management contracts entered into by the Target Company in respect of 21 property developments and residences in the PRC; (c) future business prospect taking into consideration the growth in China's property management industry; (d) the Profit Guarantee and (e) the fair value of the Target Company pursuant to the business valuation carried out by the Independent Valuer under the market approach.

According to the business valuation carried out by the Independent Valuer under the market Approach, the fair value of the Target company is in the range of RMB135 million to RMB153 million. As disclosed above, the Company has considered various factors (including but not limited to the results of the business valuation) in the course of determining the Consideration. In addition, it was understood that the Target Company are having some new contracts under discussion and negotiation which would bring about additional source of revenue to the Target Company annually (including contracts related to certain projects located in Ningbo and Nanchang which were obtained through public bidding and are currently in the process of negotiation of specific contract terms and which would bring about not less than 1 million square meters under management (which will be the additional source of revenue) to the Target Company). Moreover, the Target Company has a Grade 1 Qualification of Property Services in the PRC, which is a rare resource in the industry as there are only approximately 1.4% of all the property management companies in the PRC that have this Grade 1 Qualification. The lower grade qualifications has a more limited scope of licensed business activities and those newly established property management companies can only apply for the Grade 3 Qualification. Normally it has to take 4 to 5 years in business for a property management company to be eligible to apply for the Grade 1 Qualification subject to various additional regulatory requirements. Therefore, the Acquisition will enable the Group to gain a rapid access into the property management market in the PRC. Given the above factors, the Directors are of the view that RMB153 million is a fair and reasonable price which is in the interests of the Company and the shareholders as a whole.

Conditions precedent: Completion is conditional upon satisfaction (or waiver, as the case may be and where applicable) of the following conditions:

(a) the issue of the audited financial statements of the Target Company for the years ended 31 December 2013, 2014 and 2015 and for the nine months ended 30 September 2016;

(b) the Purchaser being satisfied in its absolute discretion with the results of the due diligence review in respect of, among other things, the Vendor, the Target Company and its business, legal status and financial position upon completion of the due diligence review conducted by the Purchaser and its advisors;

(c) the Purchaser and the Company having obtained all necessary or appropriate approvals, authorisations, consents and licences as a company listed on the Main Board of the Stock Exchange, including but not limited to the approval of the Independent Shareholders for the Agreement and the transactions contemplated thereunder at EGM;

(d) having obtained all other necessary or appropriate approvals, authorisations, consents, filings and licences which may be required by the Vendor, Target Company or under any existing contractual arrangements of the Vendor or Target Company for the consummation of the transactions contemplated under the Agreement;

(e) having obtained all other necessary or appropriate approvals, authorisations, consents and licences which may be required by the Vendor, Target Company from any governmental or regulatory authorities for the consummation of the transactions contemplated under the Agreement, and having satisfied all statutory requirements to which the Vendor or the Target Company may be required to comply with for the consummation of the transaction contemplated under the Agreement;

(f) having obtained a business valuation report issued by the Independent Valuer nominated by the Purchaser confirming the value of the Target Company and the substance of which shall be satisfactory to the Company in its absolute discretion;

(g) all representations and warranties given by the Vendor under the Agreement remaining true and accurate in all material respects and not misleading as if the representations and warranties are repeated by the Vendor at all times from the date of the Agreement to the Completion Date; and

(h) relevant documents in relation to the Acquisition (including the Agreement and the Articles of Association of the Target Company) having been duly executed, and both parties having complied with all provisions and obligations thereunder in all material aspects on or before the Completion Date.

In the event that the above conditions precedent cannot be fulfilled (or waived), the Agreement shall be terminated and the Vendor shall refund all sums paid by the Purchaser under the Agreement together with interest accrued thereon.

The condition precedents (a), (b) and (d) above have been fulfilled as at the Latest Practicable Date.

Completion: Subject to satisfaction (or waiver, as the case may be and where applicable) of the above conditions precedent, Completion shall take place on the Completion Date. Upon registration of transfer of the Sale Shares by the relevant regulatory authority, the Target Company will become a wholly-owned subsidiary of the Company.

Profit Guarantee:	The Vendor guarantees to the Purchaser that, subject to the terms of the Agreement, the Net Profit for the financial years ending 31 December 2016 and 31 December 2017 shall be not less than RMB15 million (equivalent to approximately HKD17.1 million) and RMB18 million (equivalent to approximately HKD20.5 million) (the "**Guaranteed Profit**") respectively. The amount of Profit Guarantee was determined with reference to historical performance of the Target Company, the amount attributable to the contracts on hand for the Target Company and the expected business growth of the Target Company. The Guaranteed Profit is determined taking into account the revenue of the 21 developments and residences in the PRC of the Target Company (such revenue income of the Target Company for the financial years of 2016 and 2017 will be determined upon audited by auditors according to the HKFRS) and the expected new contracts from the Vendor under the Property Services Framework Agreement, less the expected operational cost relating to the property projects. The profit and loss of the Target Company are determined based on the audited net profit after tax (not including the cost and expenses of the special non-recurring items, and such exclusion shall be considered and approved by the independent non-executive directors of the Company) prepared according to the HKFRS. The compensation, if any, shall be paid in cash within 30 days upon the Vendor's receipt of the annual audited financial statements for the years ended 31 December 2016 and 31 December 2017 prepared according to the HKFRS.

In the event that the actual Net Profit is less than the Guaranteed Profit (the "**Shortfall**") for the financial years ending 31 December 2016 and 2017, the Vendor shall pay to the Purchaser the sum representing the Shortfall. In considering conducting the Acquisition and entering the domestic property management service market, the Company was taking into account and attaching considerable value to the promising prospect of the property management industry in China as well as the Grade 1 Qualification of the Target Company. Since the Profit Guarantee is only one of the factors in determining the Consideration and the Guaranteed Profit, by itself, is unable to be entirely and accurately reflective of the whole value of the Target Company, the Purchase and the Vendor considers the adoption of dollar-for-dollar basis as the compensation method is appropriate. In the event that the Target Company has incurred any net losses within the period, the maximum amount of compensation shall be the amount of Guaranteed Profit for the year concerned. The Shortfall, if any, shall be paid by the Vendor. In this event, the Company will make announcement in accordance with Rule 2.07C of the Listing Rules regarding the Shortfall and will include details in its next published annual report and accounts containing the opinion of the independent non-executive Directors as whether the Vendor has fulfilled his obligations under the Profit Guarantee.

The Vendor has undertaken to procure members of the Core Senior Management Team to enter into service contracts with the Target Company to retain their existing positions as members of the Core Senior Management Team of the Target Company for a period of at least three years from the Completion Date. These service contracts are currently expected to allow the Target Company to terminate under certain prescribed circumstances triggered by events such as serious breach of the Target Company's regulations, misconduct or fraud which results in significant losses to the Target Company, concurrent employment with third parties, commission of criminal offence.

Accordingly, it is possible that members of the Core Senior Management Team would cease to be responsible for operating the Target Company within the first three years immediately after the Completion Date if (amongst other things) any of the above circumstances take place, and there is no guarantee that any or all of the Core Senior Management Team members will continue to be employed by the Target Company after such service contracts expire.

Additional undertaking: Pursuant to the Agreement, the Vendor has undertaken to the Company that:

(i) the Vendor will indemnify the Purchaser, the Target Company or their respective beneficial owners, shareholders, directors, senior management and employees (the "**indemnified persons**") against any penalties, administrative penalties, claims, payments, damages or any sums and penalties requested by governmental bodies, regulatory authorities and any third parties after the Completion Date which may be incurred by the indemnified persons resulting from any non-compliance or partial non-compliance of any requirement under laws and regulations by the Target Company in relation to their operation and assets (including but not limited to property interest, intellectual properties, insurance and employment of labour) prior to the Completion Date; and

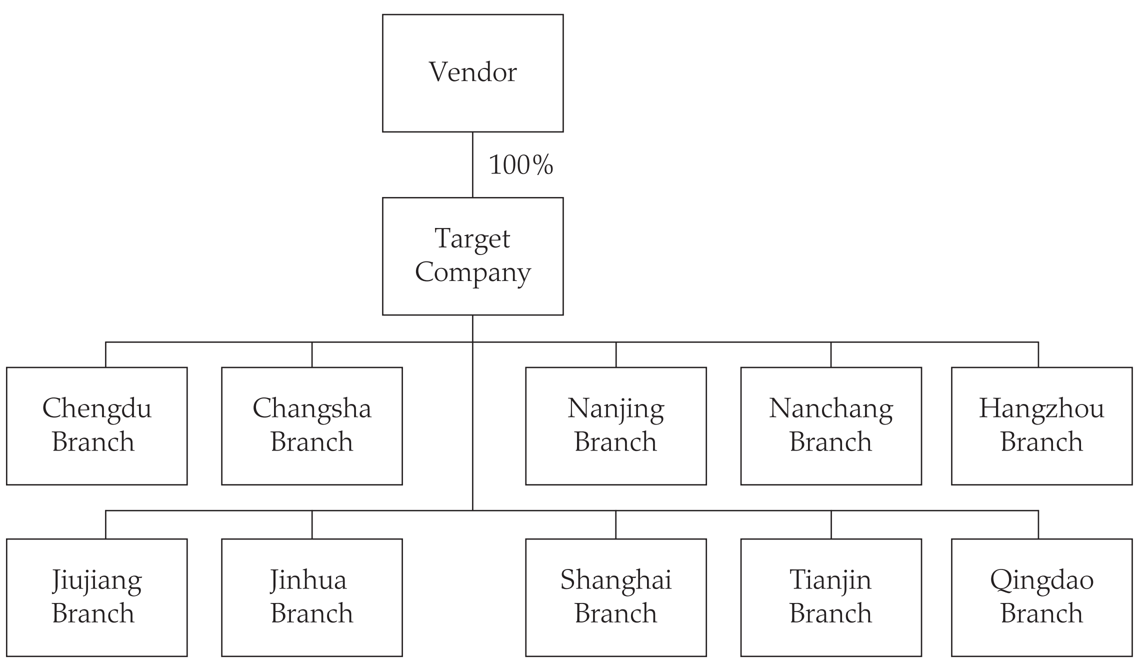
(ii) within 3 years from the date of Agreement, except by way of holding the Shares or being the management of the Company (if applicable), the Vendor and its associates shall not, directly or indirectly engaged in the Business (regardless of via shareholding or by contract).

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC with a registered share capital of RMB5 million. The Target Company is principally engaged in property management business and provides property management services to 21 property developments and residences in the PRC. The Vendor have confirmed that, as at the latest practicable date, the Target Company managed 21 communities (including residential properties and residential properties with ancillary commercial units) in 11 cities in the PRC with an aggregate contracted gross floor area of approximately 3.14 million square metres.

The Target Company's property management services primarily include: (i) services such as security, cleaning, gardening, repair and maintenance provided to residential communities, which include mixed-use properties containing residential units and ancillary facilities that are non-residential in nature; (ii) pre-sale services provided to property developers, including cleaning, security and maintenance of the pre-sale display units; and (iii) parking service provided in residences.

Set out below is the shareholding structure of the Target Company as at the Latest Practicable Date:



The Target Company was incorporated on 15 July 2008 (with an initial share capital of RMB1.5 million). A summary of the key financial statements line items (prepared under HKFRS) of the Target Company for the relevant periods are as follows:

	For the year ended 31 December 2013	For the year ended 31 December 2014	For the year ended 31 December 2015	For the nine months ended 30 September 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(audited)
Revenue	40,926	70,438	87,629	78,256
Profit before tax	5,586	16,864	13,705	15,889
Profit after tax	4,177	13,180	10,650	12,288

	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015	As at 30 September 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(audited)
Total assets	42,650	66,689	89,192	112,870
Total liabilities	37,272	46,131	57,984	69,374
Net assets	5,378	20,558	31,208	43,496

FINANCIAL EFFECTS OF THE ACQUISITION

Upon registration of transfer of the Sale Shares by the relevant regulatory authority, the Target Company will become a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Company will be consolidated into the Group's consolidated financial statements.

Revenue

Upon the Completion, the Target Company will become a wholly owned subsidiary of the Group and the financial result of the Target Company will be consolidated into the consolidated financial statements of the Group. It is expected that the Company will be able to record additional revenue stream from the Target Company upon Completion.

Assets and liabilities

The consolidated total assets and total liabilities of the Group as at 30 September 2016, as extracted from the Company's interim report for the six months ended 30 September 2016, were approximately HK$158.1 million and HK$28.9 million respectively. According to the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as set out in Appendix III to this circular, if the Acquisition were completed on 30 September 2016, the total assets of the Enlarged Group would have increased by approximately HK$206.2 million, primarily attributable to: (i) the consolidation of the assets of the Target Company and (ii) recognition of goodwill and identifiable intangible assets generated from the Acquisition, as offset by (iii) cash expected be paid out by the Group to settle part of the Consideration; the total liabilities of the Enlarged Group would have increased by approximately HK$206.2 million, primarily attributable to the consolidation of the liabilities of the Target Company as well as loan from the controlling shareholder and deferred tax liabilities generated from the Acquisition.

The unaudited pro forma financial information on the Enlarged Group, illustrating the financial effects as if the Acquisition and the transactions contemplated under the Agreement had been completed, is set out in "Appendix III – Unaudited Pro Forma Financial Information of the Enlarged Group" to this circular.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in clubbing business in Hong Kong and is one of the prominent brand in the clubbing and entertainment industry in Hong Kong.

The Vendor is a limited liability company established in the PRC with the principal business activities of property development in the PRC.

As set out in the annual report of the Company for the year ended 31 March 2016, the Group's revenue decreased during the year ended 31 March 2016 due to it's target consumer's desire to spend has been dampen by an volatile and uncertain economic condition. The Group's loss for the year ended 31 March 2016 increased to HK$26.0 million was mainly due to (i) a decrease in revenue mainly due to continually weakening sentiment in consumer market caused by volatile economic condition and intense competition in clubbing business; (ii) the closure of Beijing Club from 15 September 2015 until the end of its tenancy for reinstatement work without any rent-free period; and (iii) full year effect of the operational and rental expenses of Zentral, which was opened in December 2014.

While the Company is expecting challenging macro economic environment remaining in the foreseeable future, the Company has been actively exploring investment opportunities. In particular, the Company welcomes investment opportunities that are beneficial to the Company's long term development, with an aim to broaden its income source, and brings stable and additional cash inflow to the Company.

The Target Company has been principally engaged in property management services in the PRC. The Target Company is a provider of property management services with Grade 1 Qualification in the PRC. The Target Company's property management services primarily include: (i) services such as security, cleaning, gardening, repair and maintenance provided to residential communities, which include mixed-use properties containing residential units and ancillary facilities that are non-residential in nature; (ii) pre-sale services provided to property developers, including cleaning, security and maintenance of the pre-sale display units; and (iii) parking service provided in residences. Over the past years, property management industry has experience rapid growth with the support from favorable government policies in the PRC. The PRC government has issued a series of favorable policies supporting the development of the property management industry (for example, the 12th Five-year Plan of the Services Industry promulgated by the State Council in 2012, Notice of the National Development and Reform Commission on Opinions for Decontrolling the Prices of Some Services (Fa Gai Jia Ge [2014] No.2755) promulgated by National Development and Reform Commission in 2014 and the Guidance Opinions of the General Office of the State Council on Implementing Government Purchase of Services from Social Forces (Guo Ban Fa [2013] No.96) promulgated by the General Office of the State Council in 2013). For example, the Zhejiang provincial government issued Opinions to Facilitate Development of the Modernized Property Management Industry (關於加快發展現代物業服務業的若干意見) in March 2012, promulgating a series of fiscal and financial incentives, among other things, for property management companies in Zhejiang Province. This policy is favourable to the property management companies (including the Target Company) in the following aspects: (1) reasonable determination of the tax base; (2) deduction and exemption of relevant taxes; (3) enhancement of financial support; (4) securing training allowances; (5) securing social insurance allowances; (6) securing property management allowances; (7) securing energy-saving and emission reduction reform allowances. All of these incentives benefit the Target Company's financial and business performance as a whole.

The Target Company's revenue amounted to RMB40.9 million, RMB70.4 million and RMB87.6 million, in 2013, 2014 and 2015 respectively, representing a year on year increase of 72.1% and 24.4% respectively. The expected capital expenditure required for the Target Company's business for the next twelve months is approximately RMB1.2 million.

The Target Company, after the Completion, will be under the professional management by the Board led by Mr. Zheng Jiang and Ms. Shen Guoying. In addition, the Group will also retain the current key management personnel and staff of the Target Company to continue to assist the Target Company in operating the property management business. According to the Agreement, the Vendor has undertaken to procure members of the Core Senior Management Team to enter into service contracts with the Target Company to retain their existing positions as members of the Core Senior Management Team of the Target Company for a period of at least three years from the Completion Date.

The clubbing business of the Company has been declining since the Company was listed in 2014. The business revenue decreased from approximately HK$159 million for the year ended 31 March 2014 to approximately HK$129 million for the year ended 31 March 2016. Loss for the year increased from approximately HK$0.6 million for the year ended 31 March 2014 to approximately HK$26 million for the year ended 31 March 2016.

In view of the unsatisfactory performance, Beijing Club and DIZZI closed down on 15 September 2015 and 30 October 2015 respectively. Since the closure of Beijing Club and DIZZI, the loss of the clubbing business has decreased from HK$19.4 million for the six months ended 30 September 2015 to HK$12.3 million for the six months ended 30 September 2016. Such decrease was mainly due to the decrease in the business rental and related expenses, the labour cost and other operating expenses.

In light of (i) the promising growth in the PRC property management industry; (ii) the continuing growth in the business and financial performance of the Target Company, the Directors (including the independent non-executive Directors) consider the Acquisition as a business opportunities which will diversify the Company's income streams and is expected to enhances the Company's earning profile, and that the terms of the Acquisition and the Agreement are on normal or better commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

Apart from the Acquisition, the Group has no intention or plan for injection of any new business as of the date of this circular.

The Company does not have any intention, plan, arrangement, understanding or negotiation (whether concluded or otherwise) about any disposal, scaling-downand/or termination of the clubbing business and/or major operating assets.

The Group will endeavor to effectively operate the existing clubbing business and develop potential property management business in order to maximize the interests for the shareholders of the Company. Meanwhile, the Board will keep on closely tracking any changes of the operating environment, looking for commercial opportunities, as well as reviewing the business performance of the Group on a regular basis. The Company does not have intention to change the composition of the Board.

IMPLICATION UNDER THE LISTING RULES

As at the latest practicable date, Mr. Zheng Jian Jiang is the controlling shareholder of the Company and he owns indirectly through Huiri Limited a total of 219,950,000 shares, representing approximately 69.83% of the existing issued share capital of the Company. Mr. Zheng Jian Jiang is also the controlling shareholder (indirectly owns 85%) of the Vendor (the remaining 10% and 5% are indirectly owned by Mr. Zheng Jiang (who is the brother of Mr. Zheng Jian Jiang) and Mr. He Xiwan (who is the brother of the spouse of Mr. Zheng Jian Jiang) respectively, who are also the connected persons of the Company) and therefore the Vendor is considered as a connected person to the Company.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are more than 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company pursuant to Rule 14.07 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements thereunder. Also, the Acquisition constitute a connected transaction of the Company under Chapter 14A of the Listing Rules, and are therefore subject to the reporting, announcement and Independent Shareholders' approval requirement thereunder.

As such, the Agreement and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders at the EGM on a vote taken by way of poll and on which Huiri Limited (the immediate controlling shareholder of the Company) (which collectively hold 219,950,000 Shares, equivalent to 69.83% of the issued share capital of the Company) shall abstain from voting.

The Agreement and the transactions contemplated thereunder and the Continuing Connected Transaction have been considered and approved by the Board. Mr. Zheng Jiang, Ms. Shen Guoying ("**Ms. Shen**") and Mr. Chan Hon Ki ("**Mr. Chan**") abstained from voting on the relevant board resolutions approving the Acquisition and the Continuing Connected Transaction given that they have a material interest in the Acquisition and the Continuing Connected Transaction. Ms. Shen is currently the Chief Financial Officer of AUX Group Co., Ltd. and Mr. Chan was the Chief Financial Officer of the Vendor until 30 November 2015.

Potential continuing connected transaction

Mr. Zheng Jian Jiang, the controlling shareholder of the Company, indirectly holding 85% equity interest in the Vendor as at the Latest Practicable Date, is a connected person of the Company. The Target Company will become part of the Group upon Completion, therefore, any transactions occurring between the Target Company and the Vendor after Completion will become continuing connected transactions of the Group under Chapter 14A of the Listing Rules.

On 7 November 2016, the Target Company and the Vendor entered into the Property Services Framework Agreement for a period of three years commencing from 1 January 2017 and ending on 31 December 2019.

The principal terms of the Property Services Framework Agreement are set out below:

Date:	7 November 2016
Parties:	(i) Target Company
	(ii) Vendor
Term:	The Property Services Framework Agreement shall be effective from 1 January 2017 to 31 December 2019 (both date inclusive)
Types of services, pricing policies and payment for service fees:	Target Company shall be commissioned to provide various residential property management services including the maintenance, cleaning and security services in connection with the residential development projects of Ningbo AUX Real Estate Co., Ltd. and its subsidiaries and associates (the "**Ningbo AUX Real Estate Group**") with the types of services and their respective pricing policies and payment terms as summarized below:

a. Pre-sale Management Service

Scope of services:	Management and maintenance of residential properties and facilities of completed development projects of Ningbo AUX Real Estates Group before delivery. It is currently expected that the Vendor will deliver around 4, 4 and 3 development projects in the course of 2017, 2018 and 2019, respectively.
Pricing policy:	The service fee will be based on prevailing market price, with the type of the development projects and operational costs and the anticipated increase in such costs taken into consideration. In the city of Ningbo, the prevailing market price is at the level in line with the relevant local regulations (e.g. Notice of the Ningbo Pricing Regulation on Pre-Sale Property management services). In other cities, considering they are all tier-2 cities in China similar to Ningo in terms of size and nature of property projects, prices will be determined mainly based on the prices in Ningbo while taking into account the specific situations in the local markets. Except for Ningbo, the prevailing markets prices in cities where the relevant property projects located are not prescribed by the local governments.
Payment term:	Payment shall be made annually, half yearly, quarterly or monthly (as the case may be) pursuant to the relevant terms of the specific agreements to be entered into.

b. Sales Offices Management Services

Scope of services:	Cleaning, security and customer services at the sales offices and showrooms in the development projects.
Pricing Policy:	The service fee will be based on the prevailing market price, with the historical and anticipated property management costs taken into consideration, including labour costs and material costs, following arm's length negotiation. In line with the prevailing market price across the PRC market, the prices will be determined and charged based on the actual cost relating to provision of management service plus rate of management fee (which ranges from 10% to 11%).
Payment term:	Payment shall be made monthly pursuant to the terms of the specific agreements to be entered into.

c. **Unsold Residential Units Property Management Services**

Scope of services:	Maintaining and cleaning of unsold residential units.
Pricing policy:	The service fee will be based on the prevailing market price, with the historical and anticipated number of unsold units taken into consideration. The prices will be agreed with the property developer and is ranged from RMB1.8 to RMB8.5 per square meter per month, depending on the location and nature of the properties, which is at the same level with the management fees charged for sold property units.
Payment term:	Payment shall be made monthly pursuant to the terms of the specific agreements to be entered into.

Specific agreements: For each development project of Ningbo AUX Real Estate Group which requires the residential property management services under the Property Services Framework Agreement, Ningbo AUX Real Estate Group and the Target Company will (directly or through their respective subsidiaries or branches) enter into a specific agreement setting out the specific scope of services required and amount of fees payable in conformity with the terms (including the pricing policy mentioned above) set out in the Property Services Framework Agreement.

All transactions contemplated under the Property Services Framework Agreement shall be conducted on normal commercial terms and negotiated on arm's length basis.

Annual Cap and its basis:

The annual cap of the service fees under the Property Services Framework Agreement for the year ending 31 December 2017, 2018 and 2019 shall not exceed RMB34.0 million, RMB20.1 million and RMB17.4 million respectively. The decreasing trend of the proposed annual caps is due to the consideration of the current status of the land bank and development schedule of the Vendor and, as a result, the expected decrease in the transaction amounts related to provision of pre-sale management service and sales office management services by the Target Company.

The annual cap is determined with reference to, among others, the following factors:

(1) the aggregate amount of approximately RMB24.1 million and RMB23.6 million paid by Ningbo AUX Real Estate Group for property management services for the year ended 31 December 2015 and for the nine months ended 30 September 2016 respectively;

(2) the estimated demand of Ningbo AUX Real Estate Group for property management services for the year ending 31 December 2017, 2018 and 2019 (which are expected to amount to approximately RMB34 million, RMB20.1 million and RMB17.4 million respectively) with reference to the existing agreements and the timetable of future development projects of Ningbo AUX Real Estate Group (it is currently expected that, among the existing development projects, the Vendor will complete the sale of 4, 2 and 1 new development project(s) in 2017, 2018 and 2019, respectively, and the remaining existing projects are expected to be sold in 2020 and shortly afterwards); and

(3) Other factors such as the business plans of the Target Company (based on the business plan to be provided by the Vendor, coupled with the on-going tracking of its actual construction progress, the Target Company will get involved in the preliminary stage of the project management and put together the working team 3-6 months before the delivery of the relevant project, and then enter into the specific agreement under the Property Services Framework Agreement with the Vendor at an appropriate time) and inflation.

INTERNAL CONTROL MEASURES FOR THE CONTINUING CONNECTED TRANSACTION

The Company will take the following internal control measures for monitoring the pricing and terms of the transactions contemplated under the Property Services Framework Agreement and for ensuring that the transactions conducted under such agreement are entered into based on normal commercial terms:

(1) prior to entering into the specific agreements under the Property Services Framework Agreement, the legal department, the financial department and the operation department of the Company are responsible for the negotiation of the contractual terms with reference to property management fees of comparable properties managed by at least two independent-third-party market players and the contract terms thereof (which references will be made by way of performing research on the recent prices charged by independent third parties in the area(s) in proximity of the new projects by referring to the properties located in the same or nearby streets/complex, similar-sized properties and services prices charged on those properties, etc. and preparing a report on this afterwards) to ensure that the management fees charged by the Target Company and the terms of the agreements are in conformity with normal commercial terms that are no less favourable to the Company than those available to or from independent third parties. The financial department is responsible for the final approval of the terms of the specific agreements under the Property Services Framework Agreement;

(2) upon execution of the specific agreements under the Property Services Framework Agreement, the legal department of the Company is responsible for continuously monitoring and checking on a monthly basis as to whether the relevant laws and regulations on property management prices have been amended, in order to ensure that the price paid by the property owner remains consistent with the requirements pursuant to the relevant laws and regulations; and

(3) throughout the term of the Property Services Framework Agreement, the operation department and the financial department are responsible for monitoring the implementation of the specific agreements under the Property Services Framework Agreement to ensure that the terms, including the fees charged under the agreements are strictly adhered to by the parties to the agreements. Any deviation from the contract terms thereof should be reported to the management of the Company for further actions. In addition, the management of the Company will perform spot checks on the implementation of the Property Services Framework Agreement to ensure compliance of the contract terms as and when necessary.

REASONS FOR AND BENEFITS OF THE PROPERTY SERVICES FRAMEWORK AGREEMENT

Ningbo AUX Real Estate Group is a well known real estate developer focus on residential and commercial properties in China. Ningbo AUX Real Estate Group has a total of 2.28 million sq.m. under development and established presence in 11 cities as at the latest practicable date.

Historically being a subsidiary of the Ningbo AUX Real Estate Group, the Target Company is also an established business partner to Ningbo AUX Real Estate Group.

Hence, the Board believes that the Property Services Framework Agreement shall provide stable demand for the Target Company's property management services and represents a stable and trustworthy business relationship for the Target Company.

In light of the above, the Directors (excluding the independent non-executive Directors whose views will be rendered upon having received the advice of the independent financial adviser) consider that the terms of the Continuing Connected Transaction are on normal or better commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company. The Vendor is a company held as to 85% by Mr. Zheng Jian Jiang, the controlling shareholder of the Company, the Vendor is therefore an associate of a connected person of the Company. Accordingly, the transactions with the Vendor as contemplated under the Property Services Framework Agreement will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules upon Completion.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the annual caps of the Continuing Connected Transaction contemplated under the Property Services Framework Agreement are more than 5%, the Continuing Connected Transaction is therefore subject to the reporting, announcement and independent shareholders' approval requirements thereunder.

The Company will also disclose the relevant details of its Continuing Connected Transaction conducted during the financial year in the annual report of the Company in accordance with the relevant requirements as set out in Rules 14A.71 and Rue 14A.72 of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee has been established to make recommendation to the Independent Shareholders regarding the Acquisition and the Continuing Connected Transactions. Prosperity Capital Holdings Limited has been appointed as the independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Agreement and Property Services Framework Agreement and the transactions contemplated thereunder.

EGM

The EGM will be held on 20 March 2017 at 11:00 a.m. at 9/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong during which ordinary resolutions shall be proposed to the Independent Shareholders to approve the Acquisition and the Continuing Connected Transaction. The Agreement and the transactions contemplated thereunder and the Continuing Connected Transaction are subject to the approval of the Independent Shareholders at the EGM on a vote taken by way of poll and on which Huiri Limited (which hold 219,950,000 shares, equivalent to approximately 69.83% of the issued share capital of the Company, and which is owned as to 90% ultimately by Mr. Zheng Jian Jiang and 10% ultimately by Mr. Zheng Jiang) shall abstain from voting.

A notice convening the EGM for the purpose of considering and, if thought fit, approving the Acquisition and the transactions contemplated and the Continuing Connected Transaction thereunder is set out on pages EGM-1 to EGM-3 of this circular.

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 Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding of the EGM 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 (as the case may be) should you so wish.

RECOMMENDATION

The Board (excluding Mr. Zheng Jiang, Ms. Shen Guoying and Mr. Chan Hon Ki who had abstained from voting at the Board resolution approving the Acquisition and Continuing Connected Transaction but including the Independent non-executive Directors whose views have been set out in the letter from the Independent Board Committee contained in this circular) considers that the terms of the Acquisition and Continuing Connected Transaction are on normal or better commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Board therefore recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisition and the transactions contemplated thereunder and the Continuing Connected Transactions set out in the notice of EGM.

The Directors also draw your attention to the letter from the Independent Board Committee and a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which are set out on pages 29 to 58 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Acquisition and Continued Connected Transaction, though are not in the ordinary and usual course of business of the Group due to the business nature of property management services is not similar to any of the Group's existing business, are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole and recommends the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

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)

28 February 2017

To the Independent Shareholders

Dear Sir or Madam

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF PROPERTY MANAGEMENT COMPANY; (2) POTENTIAL CONTINUING CONNECTED TRANSACTION

We refer to the circular dated 28 February 2017 (the "**Circular**") issued by the Company to the Shareholders of which this letter forms part. Unless the context otherwise requires, terms and expressions define in the Circular shall have the same meanings in this letter.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Acquisition and the Continuing Connected Transaction are fair and reasonable, on normal or better commercial terms and the interests of the Company and its Shareholders as a whole. Prosperity Capital Holdings Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders of the fairness and reasonableness in respect of the terms of the Acquisition and the Continuing Connected Transaction.

The terms and reasons for the Acquisition and the Continuing Connected Transactions are described in the letter from the Board as set out in the Circular.

We wish to draw your attention to the letter from the Board in the Circular and the letter from the Independent Financial Adviser containing its advise to us and the Independent Shareholders regarding the terms of the Acquisition and the Continuing Connected Transaction thereunder the Circular.

As your Independent Board Committee, we have discussed with the management of the Company the reasons for entering into the Acquisition and the Continuing Connected Transaction and the basis upon which their terms have been determined. We have also considered the key factors taken into account by Prosperity Capital Holdings Limited in arriving at its opinion regarding the Acquisition and the Continuing Connected Transaction as set out in the letter from the Independent Financial Adviser as set out in the Circular, which we urge you to read carefully.

Having considered the advice given by the Independent Financial Advisor, we considered that the Acquisition and Continuing Connected Transaction though are not in the ordinary and usual course of business of the Group due to the business nature of property management services is not similar to any of the Group's existing business, are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Acquisition and Continuing Connected Transaction 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

The following is the full text of the letter of advice from Prosperity Capital to the Independent Board Committee and the Independent Shareholders, for the purpose of incorporation into this circular.

Unit 2620, 26/F
Tower 1 Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

28 February 2017

To the Independent Board Committee and the Independent Shareholders of
AUX International Holdings Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF PROPERTY MANAGEMENT COMPANY AND POTENTIAL CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition and potential Continuing Connected Transaction with their respective annual caps, details of which are set out in the circular of the Company dated 28 February 2017 (the "**Circular**") of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular, unless the context requires otherwise.

Reference is made to the announcement of the Company dated 7 November 2016 in relation to the Acquisition of property management company and potential Continuing Connected Transaction. On 7 November 2016 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares, representing 100% of the equity interests of the Target Company, at the Consideration of RMB153,000,000 (equivalent to approximately HK$174,420,000), subject to adjustment. On the same day, the Target Company and the Vendor entered into the Property Services Framework Agreement for a period of three years commencing from 1 January 2017 and ending on 31 December 2019 (both date inclusive) pursuant to which various property management services, including Pre-sale Management Service, Sales Offices Management Services and the Unsold Residential Units Property Management Services, will be provided by the Target Company to the Vendor.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are more than 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company pursuant to Rule 14.07 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements. Mr. Zheng Jian Jiang as the controlling shareholder of the Company who owns indirectly through Huiri Limited a total of 219,950,000 shares, representing approximately 69.83% of the existing issued share capital of the Company, is also the controlling shareholder (indirectly owns 85%) of the Vendor (the remaining 10% and 5% are indirectly owned by Mr. Zheng Jiang and Mr. He Xiwan respectively, who are also the connected persons of the Company). Therefore the Vendor is considered as a connected person to the Company under Chapter 14A of the Listing Rules. The Acquisition therefore also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Acquisition and the transactions contemplated thereunder are therefore subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as the applicable percentage ratios (as defined in the Listing Rules) in respect of the annual caps of the Continuing Connected Transaction contemplated under the Property Services Framework Agreement are more than 5%, the Continuing Connected Transaction is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements thereunder.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Poon Chiu Kwok, Mr. Bau Siu Fung, and Ms. Lou Aidong, has been established to advise the Independent Shareholders as to whether the Acquisition and potential Continuing Connected Transaction with respective annual caps are fair and reasonable, are on normal commercial terms and are in the interests of the Company and the Independent Shareholders as a whole.

We have been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to provide an independent opinion and recommendation as to whether the Acquisition and potential Continuing Connected Transaction with respective annual caps are fair and reasonable, are on normal commercial terms and are in the interests of the Company and the Independent Shareholders as a whole, and whether the Independent Shareholders should vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition and potential Continuing Connected Transaction with respective annual caps.

We are independent from, and are not associated with the Company, the Purchaser, the Vendor, and any of their respective associates who are interested or involved in the Acquisition and potential Continuing Connected Transaction. In addition, for the last two years up to the Latest Practicable Date, we have not acted as an independent financial adviser to the independent board committee and the independent shareholders of the Company in relation to other transactions. Apart from normal professional fee paid to us in connection with this appointment, no arrangements exist whereby we had received any fees or benefits from the Company or any other party related to the aforesaid transactions. Therefore we consider we are independent and are accordingly eligible to give independent advice in respect of the Acquisition and potential Continuing Connected Transaction with respective annual caps thereunder.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the accuracy of the information, facts and representations supplied, and the opinions expressed to us, by the Group, the Directors and the management of the Group. We have assumed that all statements of belief and intention made by the Directors in the Circular were made after due and careful enquiries. We have also assumed that all information, facts, representations and opinions made or referred to in the Circular were true, accurate and complete at the time they were made and will continue to be true, accurate and complete at the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Group, the Directors and the management of the Group. We have been confirmed by the management of the Group that no material facts have been omitted from the information provided by or referred to in the Circular.

We have assumed such information to be true, accurate and reliable and have not carried out any independent verification on the truth and accuracy of such information, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect. Such relevant information provides us with a basis on which we have been able to formulate our independent opinion.

We consider that we have reviewed sufficient information and documents to reach an informed view, to justify our reliance on the truth and accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. Based on the foregoing, we also consider that we have performed all reasonable steps as required under Rule 13.80 of the Listing Rules (including the notes thereto) to formulate our opinion and recommendation.

A. PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE ACQUISITION

In arriving at our opinion and recommendation in relation to the Acquisition, we have taken into account the following principal factors:

1. Background and terms of the Acquisition

(i) Information of the Group

Principal business of the Group

The Group is principally engaged in clubbing business in Hong Kong and is one of the prominent brand in the clubbing and entertainment industry in Hong Kong.

Financial performance of the Group

The table below sets out a summary of the financial information of the Group as extracted from the annual report of the Company for the year ended 31 March 2015 (the "**Annual Report 2015**"), the annual report of the Company for the year ended 31 March 2016 (the "**Annual Report 2016**") and the interim report of the Company for the six months ended 30 September 2016 (the "**Interim Report 2016**"):

Consolidated Statement of Profit or Loss and Other Comprehensive Income	**For the year ended 31 March**			**For the six months ended 30 September**	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000* (unaudited)
Revenue	159,138	154,864	128,964	70,670	54,431
Loss and total comprehensive income for the year/period	(585)	(104)	(25,982)	(19,421)	(12,326)

Consolidated Statement of Financial Position	**As at 31 March**			**As at 30 September**
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Total assets	198,675	207,100	173,644	158,109
Total liabilities	34,203	40,566	32,109	28,900
Net asset value	164,472	166,544	141,535	129,209

As stated in the Annual Report 2015, the revenue of the Group was approximately HK$154.9 million for the year ended 31 March 2015, representing a decrease of approximately 2.6% as compared with the figure for the year ended 31 March 2014. The decrease in revenue was mainly due to the decrease in club patrons during Occupy Central and intense competition in the clubbing business in Lan Kwai Fong area. The Group recorded losses for the year ended 31 March 2014 and 31 March 2015 of approximately HK$0.6 million and HK$0.1 million respectively.

As stated in the Annual Report 2016, the Group recorded revenue of approximately HK$129.0 million for the year ended 31 March 2016, representing a decrease of approximately 16.7% as compared with the revenue of approximately HK$154.9 million for the year ended 31 March 2015. The decrease in revenue for the year ended 31 March 2016 was mainly due to the continuingly weakening sentiment in consumer market caused by volatile economic condition and intense competition in clubbing business. The loss of the Group increased from approximately HK$0.1 million for the year ended 31 March 2015 to approximately HK$26.0 million for the year ended 31 March 2016. The increase in net loss was mainly caused by (1) a decrease in revenue mainly due to the continuingly weakening sentiment in consumer market caused by volatile economic condition and intense competition in clubbing business; (2) the closure of Beijing Club from 15 September 2015 until the end of its tenancy in February 2016 for reinstatement work without any rent-free period; and (3) full effect of the operational and rental expenses of Zentral, which was opened in December 2014.

According to the Interim Report 2016, the revenue of the Group was approximately HK$54.4 million for the six months ended 30 September 2016, representing a decrease of 23.1% as compared with approximately HK$70.7 million for the six months ended 30 September 2015. The decrease in revenue was mainly due to intense competition in the clubbing industry as well as the closure of Beijing Club and Dizzi in September and October 2015 respectively. The loss of the Group decreased from approximately HK$19.4 million for the six months ended 30 September 2015 to approximately HK$12.3 million for the six months ended 30 September 2016.

(ii) Information of the Target Company

Principal business of the Target Company

The Target Company is a limited liability company established in the PRC which is principally engaged in property management business and provides property management services to 21 property developments and residences in the PRC. The Target Company holds Grade 1 property management qualification certificate granted by the Ministry of Housing and Urban-Rural Development of the People's Republic of China and is qualified to manage all types and sizes of properties in the PRC. As stated in the Circular, as at the Latest Practicable Date, the Target Company managed 21 communities (including residential properties and residential properties with ancillary commercial units) in 11 cities in the PRC with an aggregate contracted gross floor area of approximately 3.14 million square metres.

The Target Company's property management services primarily include: (1) services such as security, cleaning, gardening, repair and maintenance provided to residential communities, which include mixed-use properties containing residential units and ancillary facilities that are non-residential in nature; (2) pre-sale services provided to property developers, including cleaning, security and maintenance of the pre-sale display units; and (3) parking service provided in residences.

Financial performance of the Target Company

The table below sets out a summary of the financial information of the Target Company as extracted from "Appendix II – Financial Information of the Target Company" of this Circular:

	For the year ended 31 December			For the nine months ended 30 September	
Statement of Profit or Loss and Other Comprehensive Income	**2013** *RMB'000*	**2014** *RMB'000*	**2015** *RMB'000*	**2015** *RMB'000* (unaudited)	**2016** *RMB'000*
Revenue					
Property management services	38,931	67,548	84,317	61,048	74,468
Other operational income	144	600	849	663	1,102
Others	1,851	2,290	2,463	1,945	2,686
	40,926	70,438	87,629	63,656	78,256
Profit before tax	5,586	16,864	13,705	12,547	15,889
Profit after tax	4,177	13,180	10,650	9,793	12,288

	As at 31 December			As at 30 September
Statement of Financial Position	**2013** *RMB'000*	**2014** *RMB'000*	**2015** *RMB'000*	**2016** *RMB'000*
Total assets	42,650	66,689	89,192	112,870
Total liabilities	37,272	46,131	57,984	69,374
Net asset value	5,378	20,558	31,208	43,496

The revenue of the Target Company increased from approximately RMB70.4 million for the year ended 31 December 2014 to approximately RMB87.6 million for the year ended 31 December 2015. Compared to the nine months ended 30 September 2015, the revenue of the Target Company also increased from approximately RMB63.7 million to approximately RMB78.3 million for the same period in 2016. The increase of the revenue of the Target Company was primarily attributable to the increase in the revenue generated from property management service as a result of new engagement obtained during the year/period.

Overview of the property management market in the PRC

According to the National Bureau of Statistics of China, the total investment in real estate development in 2016 was approximately RMB10,258.1 billion, which represents a year-on-year nominal increase of 6.9%. Among which, the investment in residential buildings was RMB6,870.4 billion, up by 6.4% compared with the figure over the same time period in the last year. The increased supply of residential gross floor area brought by the acceleration of investment in real estate sector lays the foundation for property management development in the PRC.

According to the National Bureau of Statistics of China, urban population in the PRC increased from approximately 749.2 million in 2014 to approximately 771.2 million in 2015, with a year-on-year growth rate of 2.9%. The urbanisation rate increased from approximately 54.8% in 2014 to approximately 56.1% in 2015. The urbanization progress has driven the demand for property management market in the urban cities in the PRC.

In addition, according to the National Bureau of Statistics of China, the annual urban disposable income per capital in the PRC has risen from approximately RMB28,844 in 2014 to approximately RMB31,195 in 2015, recording a year-on-year growth rate of 8.2%. With the increase of disposable income, the quality of urban living environment is expected to be improving, which will drive the increase in the demand for quality property management services in urban areas of the PRC.

Having considered the stable growth in real estate investment, plus an increasing urban population and urban disposable income per capital in the PRC, which could bring a growing demand for property management market in the PRC, we are of the view that the return from the investment in Target Company will be promising.

(iii) Reasons for and benefits of the Acquisition

As stated in the Annual Report 2016, the Group recorded the revenue of approximately HK$129.0 million for the year ended 31 March 2016, representing a decrease of approximately 16.7% as compared with the revenue of approximately HK$154.9 million for the year ended 31 March 2015. The decrease in revenue was mainly due to the continuingly weakening sentiment in consumer market caused by volatile economic condition and intense competition in clubbing business. The loss of the Group increased from approximately HK$0.1 million for the year ended 31 March 2015 to approximately HK$26.0 million for the year ended 31 March 2016. The increase in net loss was mainly caused by (1) a decrease in revenue mainly due to the continuingly weakening sentiment in consumer market caused by volatile economic condition and intense competition in clubbing business; (2) the closure of Beijing Club from 15 September 2015 until the end of its tenancy in February 2016 for reinstatement work without any rent-free period; and (3) full effect of the operational and rental expenses of Zentral, which was opened in December 2014.

The Target Company has been principally engaged in property management services in the PRC. Over the past years, property management industry has experienced rapid growth with the support from favourable government policies in the PRC. The PRC government has issued a series of favorable policies supporting the development of the property management industry (for example, the 12th Five-year Plan of the Services Industry promulgated by the State Council in 2012, Notice of the National Development and Reform Commission on Opinions for Decontrolling the Prices of Some Services (Fa Gai Jia Ge [2014] No.2755) promulgated by National Development and Reform Commission in 2014 and the Guidance Opinions of the General Office of the State Council on Implementing Government Purchase of Services from Social Forces (Guo Fa Ba [2013] No.96) promulgated by the General Office of the State Council in 2013). For example, the Zhejiang provincial government issued Opinions to Facilitate Development of the Modernized Property Management Industry (關於加快發展現代物業服務業的若干意見) in March 2012, promulgating a series of fiscal and financial incentives, among other things, for property management companies in Zhejiang Province.

The Target Company recorded the revenue of approximately RMB40.9 million, RMB70.4 million and RMB87.6 million for the year ended 31 December 2013, 2014 and 2015, representing a year-on-year increase of 72.1% and 24.4% respectively.

The Company intended to conduct more in-depth reviews on the suitable development strategies for the Company, including the feasibility of diversifying the income stream of the Company by exploring different business and investment opportunities in areas such as trading, property management, big healthcare, internet information technology and other emerging industries. The diversifying strategies may or may not include any assets and/or business acquisitions or disposals by the Group, and the Company will consider all options. As mentioned in the Letter from the Board, the Company is expecting challenging macroeconomy will remain in the foreseeable future and the Company has been actively exploring investment opportunities. In particular, the Company welcomes investment opportunities that are beneficial to the Company's long-term development, with an aim to broaden its income source, bring stable and additional cash inflow to the Company.

According to the National Bureau of Statistics of China, urbanisation rate increased from approximately 52.6% in 2012 to approximately 57.4% in 2016. The total area of commodity homes under construction increased from approximately 3,877.1 million sq. m. in 2011 to approximately 5,115.7 million sq. m. in 2015, according to the National Bureau of Statistics of China. Having considered the rapid urbanisation in the PRC and the increase in total area of commodity homes under construction, we are of the view that the growing demand for property management market in the PRC will be promising.

Given (1) the promising growth in the PRC property management industry; (2) the continuing growth in the business and financial performance of the Target Company; and (3) the Acquisition, as a business opportunity, can diversify the Company's income stream and is expected to enhance the Company's earning profile, we consider the Company is going to benefit from the Acquisition with the diversification of business activities and tapping into property management sector.

(iv) Principal terms of the Acquisition

The Agreement

Date: 7 November 2016

Parties: (1) Vendor
(2) Purchaser
(3) Target Company

Assets to be acquired:	Pursuant to the Agreement, the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Shares, representing 100% of the equity interests of the Target Company, on the terms and conditions as set out therein. As at the Latest Practicable Date, the Target Company and its branches (the "**Target Company**") provide property management services to 21 property developments and residences in the PRC.
Consideration:	The Consideration for the Acquisition is RMB153,000,000 (equivalent to approximately HK$174,420,000), subject to adjustments set out below: The maximum amount of the Consideration for the Acquisition is RMB153,000,000. If details of the property management projects as of Completion deviates from those agreed in the Agreement, the Consideration shall be reduced accordingly. Part of the Consideration (RMB53,000,000) will be financed by the Company's internal resources. Huiri Limited, the controlling shareholder of the Company, will grant to the Purchaser an unsecured loan of RMB100,000,000 with a term of 5 years at the interest rate of 2% per annum to finance the Consideration. As a financial assistance to be provided by the connected person of the Company on normal commercial terms without security imposed on the assets of the Company, the loan is fully exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Consideration shall be paid in two instalments as set forth below:

(1) as to RMB50,000,000 (equivalent to approximately HK$57,000,000), being 32.68% of the Consideration, to the designated account of the Vendor on the Completion Date; and (2) the remaining balance of the Consideration, to the designated account of the Vendor within three months after the Completion Date.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser and took into account, amongst other things, (1) the net asset value of the Target Company of RMB43.5 million (equivalent to approximately HK$49.6 million) as at 30 September 2016 as shown in the audited financial statements of the Target Company prepared in accordance with HKFRS basis; (2) the property management contracts entered into by the Target Company in respect of 21 property developments and residences in the PRC; (3) future business prospect taking into consideration the growth in PRC property management industry; (4) the Profit Guarantee; and (5) the fair value of the Target Company pursuant to the business valuation carried out by the Independent Valuer under the market approach.

Conditions precedent: Completion is conditional upon that the Purchaser and the Company having obtained all necessary or appropriate approvals, authorisations, consents and licences as a company listed on the Main Board of the Stock Exchange, including but not limited to the approval of the Independent Shareholders for the Agreement and the transactions contemplated thereunder at EGM, as well as other Conditions precedent set out in the Circular.

If the Conditions precedent cannot be fulfilled (or waived), the Agreement shall be terminated and the Vendor shall refund all sums paid by the Purchaser under the Agreement together with interest accrued thereon.

Completion: Subject to satisfaction (or waiver, as the case may be and where applicable) of the above conditions precedent, Completion shall take place on the Completion Date. Upon registration of transfer of the Sale Shares by the relevant regulatory authority, the Target Company will become a wholly-owned subsidiary of the Company.

Profit Guarantee: The Vendor guarantees to the Purchaser that, subject to the terms of the Agreement, the Net Profit for the financial years ending 31 December 2016 and 31 December 2017 shall be not less than RMB15 million (equivalent to approximately HKD17.1 million) and RMB18 million (equivalent to approximately HKD20.5 million) (the "**Guaranteed Profit**") respectively. The Guaranteed Profit was determined with reference to historical performance of the Target Company, the amount attributable to the contracts on hand for the Target Company and the expected business growth of the Target Company. The Guaranteed Profit is determined taking into account the revenue of the 21 developments and residences in the PRC of the Target Company and the expected new contracts from the Vendor under the Property Services Framework Agreement, less the expected operational cost relating to the property projects.

In the event that the actual Net Profit is less than the Guaranteed Profit (the "**Shortfall**") for the financial years ending 31 December 2016 and 2017, the Vendor shall pay to the Purchaser the sum representing the Shortfall. In the event that the Target Company has incurred any net losses within the period, the maximum amount of compensation shall be the amount of Guaranteed Profit for the year concerned. The Shortfall, if any, shall be paid by the Vendor. In this event, the Company will make announcement in accordance with Rule 2.07C of the Listing Rules regarding the Shortfall and will include details in its next published annual report and accounts containing the opinion of the independent non-executive Directors as whether the Vendor has fulfilled his obligations under the Profit Guarantee.

The Vendor has undertaken to procure members of the Core Senior Management Team to enter into service contracts with the Target Company to retain their existing positions as members of the Core Senior Management Team of the Target Company for a period of at least three years from the Completion Date. These service contracts are currently expected to allow the Target Company to terminate under certain prescribed circumstances triggered by events such as serious breach of the Target Company's regulations, misconduct or fraud which results in significant losses to the Target Company, concurrent employment with third parties, commission of criminal offence.

Accordingly, it is possible that members of the Core Senior Management Team would cease to be responsible for operating the Target Company within the first three years immediately after the Completion Date if (amongst other things) any of the above circumstances take place, and there is no guarantee that any or all of the Core Senior Management Team members will continue to be employed by the Target Company after such service contracts expire.

Basis of determining the consideration

According to the Letter from the Board, the Consideration was determined after arm's length negotiations between the Vendor and the Purchaser and took into account, amongst other things, (1) the net asset value of the Target Company of RMB43.5 million (equivalent to approximately HK$49.6 million) as at 30 September 2016 as shown in the audited consolidated accounts of the Target Company prepared in accordance with HKFRS; (2) the property management contracts entered into by the Target Company in respect of 21 property developments and residents in the PRC; (3) future business prospect taking into consideration the growth in the PRC property management industry; (4) the Profit Guarantee; and (5) the fair value of the Target Company pursuant to the business valuation carried out by the Independent Valuer under the market approach.

To access whether the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole, we have considered the followings:

Valuation of the Target Company by the Independent Valuer

According to the valuation report ("**Valuation Report**") in relation to the Target Company issued by the Independent Valuer, the fair value of the Target Company as of 30 September 2016 ("**Valuation Date**") is reasonably represented in the range of RMB135,000,000 to RMB153,000,000. The Valuation was prepared by the Independent Valuer using the market approach.

In assessing the fairness and reasonableness of the Valuation, for our due diligence purpose, we have reviewed the Valuation Report and discussed with the Independent Valuer on the methodology, basis and assumptions used in arriving at the Valuation as at the Valuation Date, as well as on areas which we require further explanation. We are advised by the Independent Valuer, to which we are satisfied with their qualifications and experience*(Note)*, that there are three generally accepted valuation approaches in the appraisal of the equity, or the net assets of a business, namely the cost approach, the income approach and the market approach.

Note: Mr. Lee has been involved in business enterprise and intangible asset valuation services for the purposes of joint venture, merger & acquisition and public listing for over fifteen years and is a fellow member of the Association of Chartered Certified Accountants, accredited senior appraiser of the American Society of Appraisers and charter holder of the Chartered Financial Analyst.

Regarding the cost approach, the Independent Valuer are of the view that this approach might be considered as the most consistently reliable indication of value for assets without a known used market or separately identifiable cash flows attributable to assets appraised. The cost approach is generally not considered applicable to the valuation of a going concern, as it does not capture future earning potential of the business and therefore it could not reflect the market value of the Target Company.

Regarding the income approach which is based on the principle that an informed buyer would pay no more for the property than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent property with similar risk, the Independent Valuer considered not to use this approach as it would involve a high level of uncertain, long-term forward-looking financial forecast and underlying assumptions, the Valuation could be largely influenced by any inappropriate assumptions made, thus the adoption of income approach in this case may not be appropriate for valuing the Target Company.

Market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established used market may be appraised by this approach. The Independent Valuer relies upon the market approach to prepare a business enterprise value analysis of the Target Company. In particular, one of the market approaches, the Guideline Company Method (GCM), is applied, where financial ratios of comparable companies are analysed to determine the value for the subject company. This method employs market price data of stocks of corporations engaged in the same or a similar line of business as that of the subject company. Stocks of these corporations are actively traded in a public, free, and open market, either on an exchange or over-the-counter.

We are advised by the Independent Valuer that they have selected six comparable companies ("**Comparable Companies**") which are all listed on the Stock Exchanges of Hong Kong Limited ("**Stock Exchange**"). The Independent Valuer first considered listed companies which generated 100% revenue from property management business and ancillary services in the PRC, same as Target Company does. Under this criterion, only four companies, namely China Overseas Property Holdings Limited, Zhong Ao Home Group Limited, Colour Life Services Group Limited and Greentown Service Group Co. Ltd. were selected. For the purpose of forming a representative and meaningful analysis, the Independent Valuer extended their selection criteria to include listed companies which generate a considerable portion of its revenue from property management business, i.e. China Sandi Holdings Limited ("**Sandi**") and Sinolink Worldwide Holdings Limited ("**Sinolink**"). Accordingly, we have reviewed the Comparable Companies' websites and annual reports selected for the Valuation by the Independent Valuer and noted that the Comparable Companies are mainly engaged in or are partially involved in the provision of property management business in the PRC (at least 30% of revenue in the latest financial year was generated from property management business). We consider that the market approach is a commonly adopted methodology and the value of the Target Company could be generally reflected by marking reference to the Comparable Companies, we thus concur with the view of the Independent Valuer that using market approach represents a fair and reasonable assessment on the value of the Target Company.

In addition, we noted that the Independent Valuer have taken the working capital surplus/deficit of the Target Company into consideration. As suggested by the Valuation Report, while market approach considers profit earning ability, it did not consider individual entities' working capital surplus/deficit as of the Valuation Date, hence an adjustment has been made by considering the historical working capital requirements of the Comparable Companies as representative normal capital requirement ("**Normalized Net Working Capital**").

The Independent Valuer have also applied a premium for control of 10% on enterprise value level indicated by data on acquisition transactions in the real estates industry from 2013 to 2015. As illustrated in the Valuer Report, premium for control is the additional value inherent in the controlling interest, as contrasted to a minority interest that reflects the power of control. When a controlling interest in a publicly traded firm is privatized, the purchaser normally pays a premium above the freely traded, minority interest share price. The difference between the published price of the shares before their acquisition and the purchase price of the controlling interest is referred to as the control premium. The public markets provide information on control premiums through acquisition transactions. A premium for control reflects the degree of control associated with a 100% equity interest of the Target Company. To estimate the control premium applicable to the Target Company, the Independent Valuer have relied on indications of control premium from data extracted from the database of the Mergermarket Group on acquisition transactions in the real estates industry from 2013 to 2015. Mergermarket Group, founded in 2000, is a global company specializing in providing mergers and acquisitions information. As advised by the Independent Valuer, the real estate industry is selected because according to North American Industry Classification System (NAICS), the property management industry is a subset of real estate industry. As indicated by the market data, a 10% control premium on enterprise value level was considered to be appropriate.

We are also advised by the Independent Valuer that they have adopted a discount for lack of marketability ("**DLOM**") of 35% to reflect the fact that there is no ready market for shares in a closely held corporation. The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. In this valuation, the DLOM is referred to historical statistics of the price to earnings ratios offered for acquisitions of public companies and private companies in the public transactions summarized in the FactSet Mergerstat Review 2016, published by

Business Valuation Resources LLC ("**BVR**"). According to the Independent Valuer, Mergerstat Review is an annual compilation of statistics and analysis of mergers and acquisitions involving U.S. companies, including privately held, publicly traded and cross-border transactions. It is acknowledged by the Independent Valuer that statistics and analysis of mergers and acquisitions in the PRC are not available in public domain, although the database of Mergerstat Review covers U.S. companies only, the Independent Valuer are not aware of any empirical studies suggesting the correlation between DLOM and country of domicile and they consider the DLOM suggested by Mergerstat Review is applicable to this valuation.

Having considered (1) the independence, qualification and experience of the Independent Valuer; (2) the application of the valuation methods; (3) the principal assumptions adopted for the valuations and (4) that the preparations of the Valuation Report are largely in compliance with the reporting standards recommended by the International Valuation Standards ("**IVS**"). Hence, after due and careful inquiries, we are of the view that the Valuation has been reasonably prepared and that the methodology and assumptions adopted for the Valuation are fair and reasonable and we concurred with the Independent Valuer's opinion. As such, we consider the basis in determining the Consideration is a fair and reasonable reference for Independent Shareholders to assess the market value of the Target Company.

Comparable transactions

To further assess the fairness and reasonableness of the Consideration, we have identified comparable transactions (the "**Comparable Transactions**") that are (1) involving the acquisition of property management companies in the PRC comparable to the Target Company; (2) the purchasers or the controlling shareholders of the purchasers are companies listed in the Stock Exchange. The Comparable Transactions have been selected exhaustively from 1 January 2015 to the date of the Agreement ("**the Comparable Transactions Review Period**") based on the criteria set out above which have been identified, to the best of our efforts, in our research through public sources with adequate information available to us. We have identified one Comparable Transaction from 1 January 2016 to the date of the Agreement and three Comparable Transactions from 1 January 2015 to 31 December 2015. We are of the view that our selection in Comparable Transactions Review Period would provide us a representative sample size within a reasonable period of time from the date of Agreement. We are also of the view that the Comparable Transactions are fair and representative sample for reference and would provide us with the recent relevant information on the market conditions and sentiments. The table below sets out the summary of the price to earnings ratios (the "**P/E Ratio(s)**") under the Comparable Transactions:

Date of circular/ announcement	**Purchaser** *(stock code)*	**Target**	**Principal activities of the target**	**Total consideration**	**P/E ratio** *(Note)*
August 2016	Zhong Ao Home Group (1538 HK)	Zhejiang Yongcheng Property Management Company Limited	Property management focusing on the Zhejiang Province in PRC	RMB210mn	14.84
December 2015	Colour Life Services Group (1778 HK) & Fantasia Holdings Group (1777 HK) & independent subscribers	Shenzhen Home E&E Commercial Services Group Co., Ltd.	Property management, asset operation and management and the relevant value added services of commercial properties	RMB205mn	31.44
December 2015	Forebase International Holdings Ltd. (2310 HK)	Capital Knight Limited	Property management services in the PRC	HK$146mn	26.69
May 2015	Colour Life Services Group (1778 HK)	Shenzhen Kaiyuan International Property Management Co., Ltd.	Property management business in the PRC	RMB330mn	15.49
				Maximum	31.44
				Minimum	14.84
				Average	22.12
	Target Company			**RMB153,000,000**	**14.37**

Source: *The Stock Exchange of Hong Kong Limited*

Note: P/E ratio represents total consideration divided by the net profit of the target for the financial year immediately preceding the date of circular or announcement attributable to the percentage of shareholding acquired.

Based on the table above, it is observed that the P/E ratio of the Target Company under the Acquisition (14.37) is below the range of the P/E ratios (the low end being 14.84) of the Comparable Transactions, which indicates that the Consideration is at a comparatively lower price than that as represented by the average P/E ratios of the Comparable Transactions. Furthermore, we also noticed that the Profit Guarantee provided to the Company that the Net Profit for the financial years ending 31 December 2016 and 31 December 2017 shall be not less than RMB15 million and RMB18 million respectively, for analysis purpose, will be translated into maximum P/E ratios of the Target Company for the financial year ending 31 December 2016 and 2017 of 10.20 and 8.50 respectively, which are lower than the P/E ratio of the Target Company under the Acquisition (14.37), We noted that profit guarantee was provided only in some of the Comparable Transactions and we consider that the provision of the Profit Guarantee is beneficial to the Company in the Acquisition.

We did not consider the price-to-sales ratio as a benchmark because it does not take into account the cost of sales and operating expenses of a company.

We did not consider the price-to-book ratio as a benchmark because the business of the Target Company is service-oriented and the Target Company does not generate its revenue based on its assets. The property management business relies on labour force to generate income while its assets cannot show its income-producing capacity. Therefore, we are of the view that it is not appropriate to adopt the price-to-book ratio to assess the Target Company's value.

Having considered that (1) the P/E ratio is below the range of the P/E ratios of the Comparable Transactions; (2) the Consideration is within the range of the fair value of the Target Company as of the Valuation Date as assessed by the Independent Valuer; (3) the Profit Guarantee; (4) the future prospect of the Target Company will be promising as a result of the positive outlook in the property management industry in the PRC, stable growth in profitability of the Target Company for the three financial years ended 31 December 2015; and (5) the Acquisition is in line with the Company's objective to broaden its income source and bring stable cash inflow to the Company, we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole and the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

2. Financial effects of the Acquisition

(i) Revenue

Upon the Completion, the Target Company will become a wholly owned subsidiary of the Group and the financial result of the Target Company will be consolidated into the consolidated financial statements of the Group. It is expected that the Company will be able to record additional revenue from the Target Company upon Completion.

(ii) Assets and liabilities

As extracted from the Company's interim report for the six months ended 30 September 2016, the consolidated total assets and total liabilities of the Group were approximately HK$158.1 million and HK$28.9 million respectively as at 30 September 2016. According to the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as set out in Appendix III of the Circular, as if the Acquisition were completed on 30 September 2016, the total assets of the Enlarged Group would have increased by approximately HK$206.2 million, primarily attributable to: (1) the consolidation of the assets of the Target Company and (2) recognition of goodwill and identifiable intangible assets generated from the Acquisition, as offset by (3) cash expected to be paid out by the Group to settle part of the Consideration; the total liabilities of the Enlarged Group would have increased by approximately HK$206.2 million, primarily attributable to the consolidation of the liabilities of the Target Company as well as loan from the controlling shareholder and deferred tax liabilities generated from the Acquisition.

(iii) Cash/working capital

As disclosed in the Company's Interim Report 2016, the Group has current assets of approximately HK$127.0 million including cash and cash equivalents of approximately HK$96.5 million and current liabilities of approximately HK$28.9 million. Considering the settlement of Consideration will be financed by the Company's own internal resources as well as the unsecured loan of RMB100,000,000 facilitated by the Company controlling shareholder Huiri Limited, the effect on cash/working capital will be limited.

B. POTENTIAL CONTINUING CONNECTED TRANSACTION

1. Information on the counterparties to the Continuing Connected Transaction

Mr. Zheng Jian Jiang, the controlling shareholder of the Company, indirectly holding 85% equity interest in the Vendor as at the Latest Practicable Date, is a connected person of the Company. The Target Company will become part of the Group upon Completion, therefore, any transactions occurring between the Target Company and the Vendor after Completion will become continuing connected transactions of the Group under the Listing Rules.

2. Property Services Framework Agreement

(i) General terms

Date: 7 November 2016

Parties: (1) Target Company
(2) Vendor

Term: The Property Services Framework Agreement shall be effective from 1 January 2017 to 31 December 2019 (both date inclusive).

Types of services, pricing policies and payment for service fees: Target Company shall be commissioned to provide various residential property management services including the maintenance, cleaning and security services in connection with the residential development projects of Ningbo AUX Real Estate Co., Ltd. and its subsidiaries and associates (the "**Ningbo AUX Real Estate Group**") with the types of services and their respective pricing policies and payment terms as summarized below:

(1) Pre-sale Management Service

Scope of services: Management and maintenance of residential properties and facilities of completed development projects of Ningbo AUX Real Estates Group before delivery.

Pricing policy:	The service fee will be based on prevailing market price, with the type of the development projects and operational costs and the anticipated increase in such costs taken into consideration.
Payment term:	Payment shall be made annually, half yearly, quarterly or monthly (as the case may be) pursuant to the relevant terms of the specific agreements to be entered into.

(2) Sales Offices Management Services

Scope of services:	Cleaning, security and customer services at the sales offices and showrooms in the development projects.
Pricing Policy:	The service fee will be based on the prevailing market price across the PRC market, the prices will be determined and charged based on the actual cost including labour costs and material costs relating to provision of management service plus rate of management fee.
Payment term:	Payment shall be made monthly pursuant to the terms of the specific agreements to be entered into.

(3) Unsold Residential Units Property Management Services

Scope of services:	Maintaining and cleaning of unsold residential units.
Pricing policy:	The service fee will be based on the prevailing market price, with the historical and anticipated number of unsold units taken into consideration. The prices will be agreed with the property developer and is ranged from RMB1.8 to RMB8.5 per square meter per month, depending on the location of the residences, which is at the same level with the management fees charged for sold property units.
Payment term:	Payment shall be made monthly pursuant to the terms of the specific agreements to be entered into.

Specific agreements: For each development project of Ningbo AUX Real Estate Group which requires the residential property management services under the Property Services Framework Agreement, Ningbo AUX Real Estate Group and the Target Company will (directly or through their respective subsidiaries or branches) enter into a specific agreement setting out the specific scope of services required and amount of fees payable in conformity with the terms (including the pricing policy mentioned above) set out in the Property Service Framework Agreement.

All transactions contemplated under the Property Services Framework Agreement shall be conducted on normal commercial terms and negotiated on arm's length basis.

(ii) Reasons for and benefits of the Property Services Framework Agreement

As mentioned in the Letter from the Board, Ningbo AUX Real Estate Group is a well-known real estate developer focus on residential and commercial properties in the PRC. Ningbo AUX Real Estate Group has a total of 2.28 million square metres under development and established presence in 11 cities as at the Latest Practicable Date.

Historically being a subsidiary of the Ningbo AUX Real Estate Group, the Target Company is also an established business partner to Ningbo AUX Real Estate Group. Hence, it is believed that the Property Services Framework Agreement shall provide stable demand for the Target Company's property management services and represents a stable and trustworthy business relationship for the Target Company with Ningbo AUX Real Estate Group.

We have reviewed contracts of each type of service under the Property Services Framework Agreements and compared contract terms with ones under contracts entered into by the independent third parties. We have also reviewed the guidances on property management fee settlement mechanism issued by local governments. In addition, we have discussed with the management of the Company in relation to the basis of major terms, such as pricing terms and settlement terms in the contracts under the Property Services Framework Agreements. We are of the view that the major terms of the Property Services Framework Agreement are fair and reasonable, and are on normal commercial terms.

In addition, we have reviewed the internal control measures for monitoring the pricing and terms of the transactions contemplated under the Property Services Framework Agreement and for ensuring that the transactions conducted under such agreement are entered into based on normal commercial terms. We noticed that the Company will make reference to property management fees of comparable properties managed by at least two independent-third-party market players, and a continuous monitoring and checking mechanism on relevant laws and regulations on property management prices will be implemented. The Company will also monitor the implementation of the specific agreements under the Property Services Framework Agreement to ensure the terms are strictly adhered to by the parties to the agreements. We are of the view that procedures aforementioned to be implemented can effectively ensure that the transactions under the Property Services Framework Agreement are entered into based on normal commercial terms.

(iii) The proposed annual caps under the Property Services Framework Agreement

The proposed annual caps for the on-going transactions contemplated by the Property Services Framework Agreement for the three years ending 31 December 2017, 2018 and 2019 are set out as follows:

	Year ending 31 December 2017	**Year ending 31 December 2018**	**Year ending 31 December 2019**
	RMB million	*RMB million*	*RMB million*
Annual caps	34.0	20.1	17.4

Based on the proposed annual caps of various types of services estimated by the Company, we noticed that the average proportion of the amount of continuing connected transactions generated from Pre-sale Management Service, Sales Offices Management Services and Unsold Residential Units Property Management Services in the three years would be around 27.1%, 42.6% and 30.3% respectively.

To assess the reasonableness of the proposed annual caps under the Property Services Framework Agreements, we have carried out certain steps including the following:

Discussed with the management of the Company in relation to the development of property management services provided by the Target Company

We have discussed with the management of the Company and they expect that, based on the current land bank resources bought by the Vendor, the aggregate gross floor area subject to the property management services that constitute potential connected transactions will gradually decrease from 2017 to 2019. We further reviewed the delivery schedule of properties under management of the Target Company from 2017 to 2019 and noticed that the gross floor area of properties under management by the Target Company will decrease gradually from 2017 to 2019. As such, the proposed annual caps will be decreasing from approximately RMB34.0 million for the year ending 31 December 2017 to approximately RMB17.4 million for the year ending 31 December 2019. The proposed annual caps are consistent with the management estimation of the amounts of potential continuing connected transactions and are in line with the aggregate gross floor area of properties to be contracted under the Property Services Framework Agreements according to the delivery schedule.

Reviewed the basis of calculating the annual caps

The historical transaction amount of significant related party transactions between the Target Company and the Vendor for the three years ended 31 December 2015 and nine months ended 30 September 2016 are set out below.

	For the year ended 31 December			For the nine months ended 30 September
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property management service income	15,452	15,819	24,149	23,615

To assess the reasonableness of the annual caps under the Property Services Framework Agreement, the Company has provided us with a number of executed management service contracts and pricing terms as well as settlement terms in respect of Pre-sale Management Service, Sales Offices Management Services and Unsold Residential Units Property Management Services. We were informed by the management of the Company that the terms adopted under the Property Services Framework Agreement are determined with reference to those under the current property services contracts. We also reviewed the property services contracts in 2014, 2015 and 2016 and noted that the pricing terms and settlement terms for the property services are consistent with those under the Property Services Framework Agreement.

We were also informed by the management of the Target Company that the pricing terms of the Pre-sale Management Service are determined with reference to the Notice of the Ningbo Pricing Regulation on Pre-sale Property Management Services (《關於印發寧波市前期物業服務費管理辦法的通知》) issued by Ningbo Municipal Commission of Construction (寧波市建設委員會) in July 2010 ("**Ningbo Pricing Regulation**"). According to the Ningbo Pricing Regulation, the pricing basis for pre-sale property management services of different property projects are RMB7 per square meter for low-rise buildings, RMB9 per square for mid-rise buildings and RMB11 per square meter for high-rise buildings. We have independently searched and reviewed the details of Ningbo Pricing Regulation and the contracts under Pre-sale Management Service in respect of the properties in Ningbo, we noted that the terms in those contracts are in line with Ningbo Pricing Regulation. The Ningbo Pricing Regulation is an established and recongnised regulation with standardized pricing basis. We have discussed with the management of the Target Company. Based on their understanding, there is no pricing regulation issued by the local government of other cities that Target Company has operation. Therefore, the Target Company would consider appropriate to make reference to Ningbo Pricing Regulation in determining the pricing terms of the Pre-sale Management Service in other cities. We have also discussed with the PRC legal advisers of the Target Company and they concurred that apart from Ningbo, there is no such pricing regulation to govern the pre-sale property management service fee in other cities that Target Company has operation. Since majority of the revenue of Pre-sale Management Service is expected to be generated from cities in the same tier with Ningbo or lower and the Target Company has applied an established and recongnised regulation as their pricing basis given that there is no pricing regulation issued by the local government of other cities that Target Company has operation, we are of the view that the pricing basis for Pre-sale Management Service of the Target Company is reasonable.

In respect of the Sales Offices Management Services, the Target Company generally determines the fees for the Sales Offices Management Services on the cost-plus basis which is principally determined by a level of markup percentage on the direct labour cost incurred in providing the management services to the sales offices. The markup percentage based on the direct labour cost as calculated in contracts under the Sales Offices Management Services is generally between 10% to 11%. We have also reviewed contracts of sales offices management services entered into by other independent third parties available to us with the markup range of 8% to 12%. We are of the view that the markup percentage and cost-plus basis are on normal commercial terms under the Sales Offices Management Services.

We have also reviewed the contracts entered into between the Target Company and other independent third parties in relation to the residential unit property management services. We noted that the management services fees charged to the owners of those sold residential units who are independent to the Target Company are comparable to the fees charged to the Ningbo AUX Real Estate Group under the Unsold Residential Units Property Management Services. We are of the view that the fee levels under the Unsold Residential Units Property Management Services are on normal commercial terms.

Having considered that (1) the annual caps for three years ending 31 December 2019 are consistent with the management estimation of the amounts of potential continuing connected transactions and are in line with the aggregate gross floor area of properties to be contracted under the Property Services Framework Agreements according to the delivery schedule; (2) the pricing terms and settlement terms under the Property Services Framework Agreement are consistent with those set in the property services contracts in 2014, 2015 and 2016 and are fair and reasonable; (3) the pricing terms of the Pre-sale Management Service are determined in accordance with the governmental regulations available; (4) the pricing terms under the Sales Offices Management Services are comparable with contracts of other independent third parties available and the markup percentage based on the direct labour cost is within the range of the markup percentages in those contracts of other independent third parties; (5) the management services fees to be charged under the Unsold Residential Unites Property Management Services are comparable to those charged to independent third parties; (6) the Company will take effective internal control measures for monitoring the pricing and terms of the transactions contemplated under the Property Services Framework Agreement and for ensuring that the transactions conducted under such agreement are entered into based on normal commercial terms; and (7) entering into the Property Services Framework Agreement will enable the Enlarged Group to diversify its business into property management sector, we consider that the Property Services Framework Agreement is in the interests of the Company and the Shareholders as a whole and the proposed annual caps under the Property Services Framework Agreement are fair and reasonable.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the Acquisition and potential Continuing Connected Transaction will benefit Company and is in the interests of the Company and the Shareholders as a whole, the terms of the Acquisition and potential Continuing Connected Transaction are agreed on normal commercial terms and are fair and reasonable. The proposed annual caps under the Property Services Framework Agreement are fair and reasonable.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the proposed Acquisition and potential Continuing Connected Transaction with proposed annual caps thereunder.

Yours faithfully
For and on behalf of
Prosperity Capital Holdings Limited
Edmond Kwan
Head of Corporate Finance

1. FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 March 2014, 2015 and 2016 are disclosed in the annual reports of the Company for the two years ended 31 March 2016 and 2015, which are published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.auxint.com). The consolidated financial statements of the Group for the six months ended 30 September 2016 and 2015 have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.auxint.com).

2. WORKING CAPITAL

The Directors of the Company are of the opinion that, after taking into account the financial resources available to us including the available credit facilities, our internally generated funds and the cash flow impact of the Acquisition, the Enlarged Group has sufficient working capital to satisfy its requirements for at least the next twelve months following the date of this circular.

3. INDEBTEDNESS

Borrowings of the Enlarged group

At the close of business on 31 December 2016, being the latest practicable date for the purpose of this statement, the Enlarged Group did not have any outstanding mortgages, charge, debentures, loan capital (issued or agreed to be issued), debt securities, bank loans and overdraft or other similar borrowings or indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase and finance lease commitments, guarantees or other material contingent liabilities as at the close of business of 31 December 2016.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is engaged in the operation of clubbing business. The Group's turnover for the year ended 31 March 2016 amounted to approximately HK$129.0 million, representing a decrease of approximately 16.7% as compared with approximately HK$154.9 million for the year ended 31 March 2015. The Group's loss for the year ended 31 March 2016 was approximately HK$26.0 million, as compared with the Group's loss of approximately HK$0.1 million for the year ended 31 March 2015.

The market for clubbing business was met with challenges and difficulties for the past year. Our target customer became less confident towards markets and weaken their desire to spend with the macro economic environment outlook remains uncertain and volatile. It is expected the macro economic environment will remain challenging in the coming year. Therefore the Group will continue its stringent cost control and customer experience enrichment measures to attract more club patrons to maintain the Group's pioneer position in clubbing and entertainment business in Hong Kong.

As mentioned in the Company's annual report for the year ended 31 March 2016, the Group intends to use existing resources and take advantage of the controlling shareholder's business connection to look for investment opportunities that will broaden its income source, bring stable and additional cash flow and maximise the returns to the shareholders.

In view of that the growth in the PRC property management industry, the Board considers that it is an opportune time to invest in the PRC property management industry and the Acquisition provides an opportunity for the Group to diversify the Group's business to a prospective and fast growing industry.

The Directors believe that the Acquisition would provide the Enlarged Group stable and additional revenue stream in the future, thereby improving the financial results of the Enlarged Group. Further, the Enlarged Group will continue to implement prudent investment principal in identify investment opportunities that will enhance shareholder value.

A. ACCOUNTANTS' REPORT OF THE TARGET COMPANY

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

28 February 2017

The Directors
AUX International Holdings Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Ningbo AUX Property Management Service Co., Ltd. (the "**Target Company**") comprising the statements of financial position of the Target Company as at 31 December 2013, 2014 and 2015 and 30 September 2016 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the cash flow statements, for each of the three years ended 31 December 2013, 2014 and 2015 and the nine months ended 30 September 2016 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information (the "**Financial Information**"), for inclusion in the circular of AUX International Holdings Limited (the "**Company**") dated 28 February 2017 (the "**Circular**") in connection with the proposed acquisition of the entire interest of the Target Company (the "**Proposed Acquisition**"), which is a company ultimately controlled by Mr. Zheng Jian Jiang, the controlling shareholder of the Company.

The Target Company was established in the People's Republic of China (the "**PRC**") on 15 July 2008 as a limited liability company under the Companies Law of the PRC.

The Target Company has adopted 31 December as its financial year end date. The statutory financial statements of the Target Company for the years ended 31 December 2013, 2014 and 2015 were audited by Ningbo Kexin Certified Public Accountants Limited. The statutory financial statements of the Target Company were prepared in accordance with the relevant accounting rules and regulations applicable in the PRC.

The directors of the Target Company have prepared the financial statements for the Relevant Periods (the "**Underlying Financial Statements**") in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The Underlying Financial Statements for each of the three years ended 31 December 2013, 2014 and 2015 and the nine months ended 30 September 2016 were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company for inclusion in the Circular in connection with the Proposed Acquisition based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA and the applicable disclosure provisions of the Listing Rules, and for such internal controls as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatements whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Target Company in respect of any period subsequent to 30 September 2016.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Target Company as at 31 December 2013, 2014 and 2015 and 30 September 2016 and of the Target Company's financial performance and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Target Company comprising the statements of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the nine months ended 30 September 2015, together with the notes thereon (the "**Corresponding Financial Information**"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A FINANCIAL INFORMATION OF THE TARGET COMPANY

1 STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
	Section B Note	**2013** *RMB'000*	**2014** *RMB'000*	**2015** *RMB'000*	**2015** *RMB'000* (unaudited)	**2016** *RMB'000*
Revenue	*3*	40,926	70,438	87,629	63,656	78,256
Cost of sales		(32,007)	(48,587)	(66,093)	(45,865)	(55,762)
Gross profit		8,919	21,851	21,536	17,791	22,494
Other revenue	*4*	99	231	683	496	645
Administrative expenses		(3,309)	(4,885)	(7,674)	(5,417)	(6,536)
Other operating expenses		(123)	(333)	(840)	(323)	(714)
Profit before taxation	*5*	5,586	16,864	13,705	12,547	15,889
Income tax	*6*	(1,409)	(3,684)	(3,055)	(2,754)	(3,601)
Profit and total comprehensive income for the year/period		4,177	13,180	10,650	9,793	12,288

The accompanying notes form part of the Financial Information.

2 STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 September
	Section B Note	**2013** *RMB'000*	**2014** *RMB'000*	**2015** *RMB'000*	**2016** *RMB'000*
Non-current assets					
Property, plant and equipment	*9*	838	996	986	1,163
Deferred tax assets	*15(b)*	665	640	780	935
		1,503	1,636	1,766	2,098
Current assets					
Inventories	*10*	29	30	33	46
Trade and other receivables	*11*	21,468	61,620	84,460	57,094
Cash and cash equivalents	*12*	19,650	3,403	2,933	53,632
		41,147	65,053	87,426	110,772
Current liabilities					
Receipts in advance	*13*	11,491	12,412	13,797	14,579
Trade and other payables	*14*	21,638	27,872	37,569	46,544
Current taxation	*15(a)*	1,601	4,178	5,896	7,998
Provisions	*16*	886	948	688	167
		35,616	45,410	57,950	69,288
Net current assets		5,531	19,643	29,476	41,484
Total assets less current liabilities		7,034	21,279	31,242	43,582
Non-current liabilities					
Deferred tax liabilities	*15(b)*	21	33	34	86
Provisions	*16*	1,635	688	–	–
		1,656	721	34	86
Net assets		5,378	20,558	31,208	43,496
Capital and reserves					
Capital	*17*	3,000	5,000	5,000	5,000
Reserves	*18*	2,378	15,558	26,208	38,496
Total equity		5,378	20,558	31,208	43,496

The accompanying notes form part of the Financial Information.

3 STATEMENTS OF CHANGES IN EQUITY

	Section B Note	**Capital** *RMB'000* *Note 17*	**PRC statutory reserve** *RMB'000* *Note 18*	**(Accumulated losses)/ retained profits** *RMB'000*	**Total** *RMB'000*
Balance at 1 January 2013		3,000	–	(1,799)	1,201
Changes in equity for 2013					
Profit and total comprehensive income		–	–	4,177	4,177
Transfer to reserve	*18*	–	238	(238)	5,378
Balance at 31 December 2013 and 1 January 2014		3,000	238	2,140	5,378
Changes in equity for 2014					
Profit and total comprehensive income		–	–	13,180	13,180
Capital contribution	*17(a)*	2,000	–	–	2,000
Transfer to reserve	*18*	–	1,318	(1,318)	–
Balance at 31 December 2014		5,000	1,556	14,002	20,558

	Section B Note	Capital RMB'000 Note 17	PRC statutory reserve RMB'000 Note 18	(Accumulated losses)/ retained profits RMB'000	Total RMB'000
Balance at 1 January 2015		5,000	1,556	14,002	20,558
Changes in equity for 2015					
Profit and total comprehensive income		–	–	10,650	10,650
Transfer to reserve	18	–	1,065	(1,065)	–
Balance at 31 December 2015 and 1 January 2016		5,000	2,621	23,587	31,208
Changes in equity for 2016					
Profit and total comprehensive income		–	–	12,288	12,288
Balance at 30 September 2016		5,000	2,621	35,875	43,496
Unaudited					
Balance at 1 January 2015		5,000	1,556	14,002	20,558
Changes in equity for 2015					
Profit and total comprehensive income		–	–	9,793	9,793
Balance at 30 September 2015		5,000	1,556	23,795	30,351

The accompanying notes form part of the Financial Information.

4 CASH FLOW STATEMENTS

	Section B Note	Year ended 31 December 2013 RMB'000	2014 RMB'000	2015 RMB'000	Nine months ended 30 September 2015 RMB'000 (unaudited)	2016 RMB'000
Operating activities						
Cash generated from operations	*12(b)*	21,273	16,415	15,558	9,535	20,320
Income tax paid	*15(a)*	–	(1,070)	(1,476)	(1,336)	(1,602)
Net cash generated from operating activities		21,273	15,345	14,082	8,199	18,718
Investing activities						
Interest received		63	38	8	5	12
Payments for the purchase of property, plant and equipment		(883)	(689)	(646)	(409)	(745)
Proceeds from disposal of property, plant and equipment		21	2	1	–	–
Net cash used in investing activities		(799)	(649)	(637)	(404)	(734)
Financing activities						
Capital contribution from equity holder	*17(a)*	–	2,000	–	–	–
Net cash (to)/from Ningbo AUX Real Estate Co., Ltd. and its subsidiaries		(11,885)	(32,943)	(13,915)	(7,861)	32,714
Net cash (used in)/ generated from financing activities		(11,885)	(30,943)	(13,915)	(7,861)	32,714
Net increase/(decrease) in cash and cash equivalents		8,589	(16,247)	(470)	(66)	50,699
Cash and cash equivalents at the beginning of the year/period	*12(a)*	11,061	19,650	3,403	3,403	2,933
Cash and cash equivalents at the end of the year/period	*12(a)*	19,650	3,403	2,933	3,337	53,632

The accompanying notes form part of the Financial Information.

B NOTES TO FINANCIAL INFORMATION

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Description of the Target Company and basis of presentation

(i) Background

On 7 November 2016, the Company announced its proposal to acquire the entire interest of the Target Company pursuant to the acquisition agreement entered into between Starry Chance Limited, the wholly owned subsidiary of the Company, as the purchaser, Ningbo AUX Real Estate Co., Ltd. as the seller. Both the Company and Ningbo AUX Real Estate Co., Ltd. are wholly owned by Mr. Zheng Jian Jiang, the controlling shareholder of the Company.

(ii) Nature of Business

The Target Company is a limited liability company established in the PRC on 15 July 2008. The registered address of its office and the principal place of business is Room 303, No 757 Middle Rili Road, Jinzhou District, Ningbo, Zhejiang Province, the PRC. The principal activity of the Target Company is property management.

(iii) Basis of presentation

The Financial Information of the Target Company has been prepared for inclusion in the Circular of the Company in connection with the Proposed Acquisition.

Intra-branch balances and transactions, and any unrealised profit or loss arising from intra-branch transactions, are eliminated in preparing the Financial Information of the Target Company.

(b) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Target Company has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods are set out in note 23.

The Financial Information also complies with the applicable disclosure provisions of the Listing Rules.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the nine months ended 30 September 2015 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(c) Basis of measurement

The Financial Information is presented in Renminbi ("**RMB**"), rounded to the nearest thousand, which is the presentation currency. It is prepared on the historical cost basis.

RMB is the functional currency for the Target Company established in the mainland China.

(d) Use of estimates and judgments

The preparation of Financial Information in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 2.

(e) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(g)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

–	Office equipment and furniture	1-10 years
–	Motor vehicles	4-5 years
–	Leasehold improvements	2 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Target Company determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Target Company

Assets that are held by the Target Company under leases which transfer to the Target Company substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Target Company are classified as operating leases.

(ii) Operating lease charges

Where the Target Company has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(g) Impairment of assets

(i) Impairment of receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Target Company about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years/periods.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for trade and other receivables are recorded using an allowance account. When the Target Company is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the property, plant and equipment may be impaired or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, if measurable or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years/periods. Reversals of impairment losses are credited to profit or loss in the year/period in which the reversals are recognised.

(h) Inventories

Inventories are mainly of low-value consumables and they are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase. When inventories are consumed, the carrying amount of those inventories is recognised as an expense in the period in which the consumption occurs. The amount of any writedown of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any writedown of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of trade and other receivables (see note 1(g)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of trade and other receivables.

(j) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(l) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year/period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to PRC local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

(m) Income tax

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years/period.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Target Company controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Target Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Target Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(n) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Target Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. A provision for onerous contracts is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Target Company recognises any impairment loss on the assets associated with that contract.

Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Target Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Property management service fee

These fees are recognised when services are rendered.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(p) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Target Company will comply with the conditions attaching to them. Grants that compensate the Target Company for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Target Company for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(q) Related parties

(a) A person, or a close member of that person's family, is related to the Target Company if that person:

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company's parent.

(b) An entity is related to the Target Company if any of the following conditions applies:

(i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the Target Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 ACCOUNTING JUDGMENT AND ESTIMATES

The preparation of the Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in applying the Target Company's accounting policies, which are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following critical accounting policies involve the most significant judgments and estimates used in the preparation of the Financial Information.

Note 19 contain information about the assumptions and their risk factors relating to financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Impairment for trade and other receivables

The Target Company estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Target Company bases the estimates on the aging of the trade and other receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(ii) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Target Company and require a significant level of judgment exercised by the directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future periods.

(iii) Income tax

The Target Company is subject to income taxes in the PRC. Significant judgment is required in determining the provisions for income taxes, as the calculations of which depend on the ultimate tax determinations and are subject to uncertainties. When the final tax outcomes of these matters are different from the amounts that were initially recorded, such differences will impact the income tax in the period in which such determinations are made.

3 REVENUE

The principal activity of the Target Company is property management.

Revenue represents income from property management services and other operational income.

The amount of each significant category of revenue is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Property management services	38,931	67,548	84,317	61,048	74,468
Other operational income	144	600	849	663	1,102
Others	1,851	2,290	2,463	1,945	2,686
	40,926	70,438	87,629	63,656	78,256

No revenue from transaction with single external customer is amounted 10% or more of the Target Company's revenue of the reporting period over the Relevant Periods.

4 OTHER REVENUE

	Year ended 31 December			Nine months ended 30 September	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Other revenue					
Interest income on bank deposits	63	38	8	5	12
Government grants *(note (i))*	5	182	225	225	344
Others *(note (ii))*	31	11	450	266	289
	99	231	683	496	645

(i) Government grants mainly represent unconditional discretionary financial support from local municipal government authorities.

(ii) Others mainly include the agency revenue relating to car parking units' sales for Nanchang AUX Real Estate Co., Ltd., netting off by the corresponding taxes expenses.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Staff costs

	Year ended 31 December			Nine months ended 30 September	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other benefits	17,102	23,027	34,768	24,463	31,066
Contributions to defined contribution scheme *(note (i))*	5,017	6,806	8,966	6,453	7,930
	22,119	29,833	43,734	30,916	38,996
Included in:					
– Cost of sales	20,418	27,380	39,141	27,704	34,826
– Administrative expenses	1,701	2,453	4,593	3,212	4,170
	22,119	29,833	43,734	30,916	38,996

(i) Employees of the Target Company are required to participate in a defined contribution scheme administered and operated by the local municipal government. The Target Company contributes funds which are calculated on certain percentages of the employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Target Company has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

(b) Other items

	Year ended 31 December			Nine months ended 30 September	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Impairment losses					
–trade and other receivables	120	224	807	309	689
Auditors' remuneration					
– audit services	9	17	21	13	14
Depreciation	220	528	656	495	568
Operating lease charges	36	32	190	131	224

6 INCOME TAX IN THE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the statements of profit or loss and other comprehensive income represents:

	Year ended 31 December			Nine months ended 30 September	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax					
PRC Corporate Income Tax	1,001	3,647	3,194	2,790	3,704
Deferred tax					
Origination and reversal of temporary differences	408	37	(139)	(36)	(103)
	1,409	3,684	3,055	2,754	3,601

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 December			Nine months ended 30 September	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation	5,586	16,864	13,705	12,547	15,889
Notional tax on profit before taxation *(note (i))*	1,396	4,216	3,426	3,137	3,972
Tax effect of other taxable income	54	222	317	218	381
Tax effect of non-deductible expenses	34	42	65	18	22
Tax effect of deductible temporary difference not recognised	27	173	80	80	–
Utilisation of tax loss previously not recognised	(102)	–	–	–	–
Reduced tax rate approved by tax authorities	–	(969)	(833)	(699)	(774)
Actual tax expenses	1,409	3,684	3,055	2,754	3,601

(i) PRC Corporate Income Tax

Effective from 1 January 2008, under the PRC Corporate Income Tax Law, the PRC's statutory income tax rate is 25%. The Target Company's PRC branches are subject to PRC income tax at 25% unless otherwise specified.

Among the branches of the Target Company, Chengdu Branch was entitled to a preferential tax rate of 15% under the Enterprise Income Tax Preference Policies for the Western Development for 2014 and 2015 as approved. The management of the Target Company are of the view that it is highly probable that they will obtain the approval for 2016 and 15% is adopted in estimating the 2016 income tax provision for Chengdu Branch. Jiujiang Branch is qualified as small low-profit enterprises, whose corporate income tax is calculated at 20% tax rate on 50% of taxable income since its establishment.

7 DIRECTOR'S REMUNERATION

Details of director's remuneration are set out as follows:

	Year ended 31 December			Nine months ended 30 September	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Executive director:					
Mr. He Xiwan 何錫萬	–	–	–	–	–

During the Relevant Periods, no emoluments were paid by the Target Company to the director.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the years ended 31 December 2013, 2014 and 2015 and the nine months ended 30 September 2015 and 2016, of the five individuals with highest emoluments, none are directors, whose emoluments are disclosed in note 7 above. The aggregate of the emoluments in respect of the five individuals for the years ended 31 December 2013, 2014 and 2015 and the nine months ended 30 September 2015 and 2016 are set out below:

	Year ended 31 December			**Nine months ended 30 September**	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowance, and benefits in kind	404	409	1,158	819	859
Discretionary bonuses	–	–	83	58	58
Retirement scheme contributions	54	54	118	79	89
	458	463	1,359	956	1,006

The emoluments of the five individuals with the highest emoluments are within the following bands:

	Year ended 31 December			**Nine months ended 30 September**	
	2013	**2014**	**2015**	**2015**	**2016**
	Numbers of individuals	*Numbers of individuals*	*Numbers of individuals*	*Numbers of individuals*	*Numbers of individuals*
Nil to HK$1,000,000	5	5	5	5	5

9 PROPERTY, PLANT AND EQUIPMENT

	Office equipment and furniture	**Motor vehicles**	**Leasehold improve-ments**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
At 1 January 2013	333	16	–	349
Additions	439	–	444	883
Disposals	(24)	–	–	(24)
At 31 December 2013	748	16	444	1,208
Additions	186	–	503	689
Disposals	(13)	(8)	–	(21)
At 31 December 2014	921	8	947	1,876
Additions	393	–	253	646
Disposals	(12)	–	–	(12)

	Office equipment and furniture *RMB'000*	Motor vehicles *RMB'000*	Leasehold improve-ments *RMB'000*	Total *RMB'000*
At 31 December 2015	1,302	8	1,200	2,510
Additions	243	32	470	745
At 30 September 2016	1,545	40	1,670	3,255
Accumulated depreciation				
At 1 January 2013	(145)	(8)	–	(153)
Charge for the year	(118)	(3)	(99)	(220)
Written back on disposal	3	–	–	3
At 31 December 2013	(260)	(11)	(99)	(370)
Charge for the year	(190)	(1)	(337)	(528)
Written back on disposal	13	5	–	18
At 31 December 2014	(437)	(7)	(436)	(880)
Charge for the year	(234)	(1)	(421)	(656)
Written back on disposal	12	–	–	12
At 31 December 2015	(659)	(8)	(857)	(1,524)
Charge for the period	(215)	–	(353)	(568)
At 30 September 2016	(874)	(8)	(1,210)	(2,092)
Net book value				
At 31 December 2013	488	5	345	838
At 31 December 2014	484	1	511	996
At 31 December 2015	643	–	343	986
At 30 September 2016	671	32	460	1,163

10 INVENTORIES

	At 31 December			At 30 September
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Consumables	29	30	33	46

11 TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 September
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivable	7,872	14,180	22,819	28,766
Less: Allowance for impairment of trade receivables *(note 11(b))*	(120)	(344)	(1,151)	(1,840)
	7,752	13,836	21,668	26,926
Other receivables	691	724	1,410	1,269
Deposits and prepayments	1,120	2,232	2,612	2,820
Amounts due from related parties *(note 21)*	11,905	44,828	58,770	26,079
	21,468	61,620	84,460	57,094

Trade receivables are primarily related to revenue recognised from the provision of property management services.

Amounts due from related parties are unsecured and interest free. Details of the amounts due from related parties are set out in note 21.

(a) Ageing analysis

As at the end of each reporting period, the ageing analysis of trade receivable based on the date of revenue recognition and net of allowance for impairment of trade receivables, is as follows:

	At 31 December			At 30 September
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	7,214	12,056	17,406	21,391
Over 1 year but within 2 years	538	1,653	3,315	3,595
Over 2 years but within 3 years	–	127	917	1,450
Over 3 years	–	–	30	490
	7,752	13,836	21,668	26,926

Trade receivable are due when the receivables are recognised.

(b) Impairment for trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Target Company is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 1(g)(i)).

The movement in the allowance for impairment of trade receivables during the year/period, including both specific and collective loss components, is as follows:

	At 31 December			Nine months ended 30 September
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	–	120	344	1,151
Impairment loss recognised	120	224	807	689
At 31 December/30 September	120	344	1,151	1,840

(c) Trade receivable that are not impaired

The ageing analysis of trade receivable that are neither individually nor collectively considered to be impaired are as follows:

	At 31 December			At 30 September
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year past due	7,214	12,056	17,406	19,647
Over 1 year but within 2 years past due	58	553	760	896
Over 2 years but within 3 years past due	–	58	476	1,231
	7,272	12,667	18,642	21,774

12 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	At 31 December			At 30 September
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash in hand	41	12	52	27
Cash at bank	19,609	3,391	2,881	53,605
	19,650	3,403	2,933	53,632

As at 31 December 2013, 2014, 2015 and 30 September 2016, the cash and bank balances of the Target Company are not freely convertible into other currencies and subject to Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	Year ended 31 December			Nine months ended 30 September	
		2013	**2014**	**2015**	**2015**	**2016**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating activities						
Profit before taxation		5,586	16,864	13,705	12,547	15,889
Adjustments for:						
Depreciation of property, plant and equipment	*5(b)*	220	528	656	495	568
Impairment of trade and other receivables	*5(b)*	120	224	807	309	689
Utilised provision for onerous contracts	*16*	(464)	(885)	(948)	(1,049)	(521)
Interest income	*4*	(63)	(38)	(8)	(5)	(12)
Changes in working capital:						
Increase in inventories		(29)	(1)	(3)	(4)	(13)
Increase in trade and other receivables		(4,735)	(7,433)	(9,733)	(10,712)	(6,036)
Increase in receipts in advance and trade and other payables		20,638	7,156	11,082	7,954	9,756
Cash generated from operations		21,273	16,415	15,558	9,535	20,320

13 RECEIPTS IN ADVANCE

The amounts are prepaid property management fees received from property owners.

14 TRADE AND OTHER PAYABLES

	At 31 December			At 30 September
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	1,892	3,378	3,684	6,347
– Billed trade payables	1,675	3,358	2,816	5,329
–Accrued trade payables	217	20	868	1,018
Deposits	7,466	10,491	10,137	12,728
Other taxes and charges payable	887	1,320	3,045	3,039
Accrued payroll and other benefits	3,018	3,759	5,265	5,589
Other payables and accruals	574	1,668	2,796	4,404
Receipts on behalf of residents	4,791	7,116	11,119	11,677
Amounts due to related parties *(note 21)*	3,010	140	1,523	2,760
	21,638	27,872	37,569	46,544

Trade payables mainly represent payables arising from sub-contracting services including cleaning, landscaping, maintenance and security services provided by suppliers.

Deposits represent miscellaneous decoration deposits received from property owners during the decoration period.

Receipts on behalf of residents represent utility charges received from residents on behalf of utility companies.

The amounts due to related parties are unsecured and interest-free. Details of the amounts due to related parties are set out in note 21.

As of the end of each reporting period, the ageing analysis of billed trade payables, based on invoice date is as follows:

	At 31 December			At 30 September
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	1,675	3,358	2,816	5,329

15 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the statements of financial position represents:

	Year ended 31 December			Nine months ended 30 September
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	600	1,601	4,178	5,896
Provision for current taxation for the year/period	1,001	3,647	3,194	3,704
Payments during the year/period	–	(1,070)	(1,476)	(1,602)
At 31 December/30 September	1,601	4,178	5,896	7,998

(b) Deferred tax assets/(liabilities) recognised

Components of deferred tax assets/(liabilities) recognised in the statements of financial position and the related movements during the Relevant Periods are as follows:

	Onerous contract provision	Accrued expenses	Tax losses	Provision for trade and other receivables	Depreciation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	747	–	305	–	–	1,052
(Charged)/credited to profit or loss	(116)	–	(305)	30	(17)	(408)
At 31 December 2013	631	–	–	30	(17)	644
At 1 January 2014	631	–	–	30	(17)	644
(Charged)/credited to profit or loss	(223)	122	14	56	(6)	(37)
At 31 December 2014	408	122	14	86	(23)	607
At 1 January 2015	408	122	14	86	(23)	607
(Charged)/credited to profit or loss	(236)	190	(7)	194	(2)	139
At 31 December 2015	172	312	7	280	(25)	746
At 1 January 2016	172	312	7	280	(25)	746
(Charged)/credited to profit or loss	(130)	131	(7)	166	(57)	103
At 30 September 2016	42	443	–	446	(82)	849

Reconciliation to the statements of financial position

	At 31 December			At 30 September
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax asset recognised in the statements of financial position	665	640	780	935
Net deferred tax liabilities recognised in the statements of financial position	(21)	(33)	(34)	(86)
	644	607	746	849

16 PROVISIONS

	Year ended 31 December			Nine months ended 30 September
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	2,985	2,521	1,636	688
Provisions utilised	(464)	(885)	(948)	(521)
At 31 December/30 September	2,521	1,636	688	167
Less: Amount included under "current liabilities"	(886)	(948)	(688)	(167)
	1,635	688	–	–

The Target Company was in contracts with certain communities that were operating at a loss. The obligation for the future payments of these communities, net of expected management income, has been provided for.

17 CAPITAL

(a) Capital

The Target Company was established in the PRC on 15 July 2008 as a limited liability company under the Companies Law of the PRC with a registered capital and paid-in capital of RMB1.5 million. The Target Company was established by Ningbo AUX Real Estate Co., Ltd. and AUX Group Co., Ltd., which held the equity interest in the Target Company at 49% and 51% respectively. In November 2009, Ningbo AUX Real Estate Co., Ltd. transferred its 49% interest in the Target Company to AUX Group Co., Ltd. at a consideration equivalent to its portion of the paid-in capital of RMB735,000. Subsequently in February 2010, Ningbo AUX Real Estate Co., Ltd. acquired a 100% interest from AUX Group Co., Ltd. in the Target Company at a consideration of RMB1,030,000 based on an independent valuation report. In March 2010 and March 2014, Ningbo AUX Real Estate Co., Ltd. further injected paid-in capital of RMB1.5 million and RMB2 million respectively to the Target Company. As of 30 September 2016, the Target Company's registered capital and paid-in capital is RMB5 million.

(b) Capital management

The Target Company's primary objectives when managing capital are to safeguard the Target Company's ability to continue as a going concern, so that it can continue to provide returns for equity holders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost. The Target Company's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Company consists of cash equivalents and equity of the Target Company, comprising issued capital, retained profits and other reserves.

18 RESERVES

PRC statutory reserve

According to the PRC Company Law, the Target Company is required to transfer 10% of its profit after taxation, as determined under the PRC Accounting Regulations, to the statutory surplus reserve until the reserve balance reaches 50% of their registered capital.

The transfer to this reserve must be made before distribution of a dividend to equity holders.

Statutory reserve fund can be used to cover previous years' losses, if any, and may be converted into capital, provided that the balance after such conversion is not less than 25% of the registered capital.

19 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Target Company's business.

The Target Company's exposure to these risks and the financial risk management policies and practices used by the Target Company to manage these risks are described below.

(a) Credit risk

The Target Company's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The management reviews the recoverable amount of each debtor at the end of each reporting period to ensure that adequate impairment losses are recorded for irrecoverable amounts.

The Target Company has no concentrations of credit risk in view of its large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

Further quantitative disclosures in respect of the Target Company's exposure to credit risk arising from trade and other receivables are set out in note 11.

(b) Liquidity risk

The Target Company's management reviews the liquidity position of the Target Company on an ongoing basis, including review of the expected cash inflows and outflows in order to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Target Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computing using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Target Company can be required to pay.

	At 31 December 2013		
	Within 1 year or on demand	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	21,638	21,638	21,638

	At 31 December 2014		
	Within 1 year or on demand	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	27,872	27,872	27,872

	At 31 December 2015		
	Within 1 year or on demand	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	37,569	37,569	37,569

	At 30 September 2016		
	Within 1 year or on demand	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	46,544	46,544	46,544

(c) Interest rate risk

The Target Company's interest rate risk arises primarily from cash and cash equivalents. The Target Company manages its interest rate exposure by maintaining a prudent mix of fixed and variable rate.

The Target Company is not exposed to significant interest rate risk for cash and cash equivalents because the interest rates of cash at bank are not expected to change significantly.

(d) Currency risk

The Target Company is not exposed to any significant currency risk during the Relevant Periods.

20 COMMITMENTS

(a) Lease commitments

At each end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December			At 30 September
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	–	64	295	158
After 1 year but within 5 years	–	5	74	20
	–	69	369	178

21 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in this Financial Information, the Target Company entered into the following significant related party transactions during the Relevant Periods.

(a) Name of and relationship with related parties

During the Relevant Periods, transactions with the following parties are considered as related party transactions:

Name of party	Relationship with the Target Company
*Ningbo AUX Real Estate Co., Ltd. (寧波奧克斯置業有限公司)	Equity holder of the Target Company
Ningbo AUX Real Estate Co., Ltd.'s subsidiaries	Entities controlled by Ningbo AUX Real Estate Co., Ltd.

* The English translation of the company name is for reference only. The official names of these companies are in Chinese.

(b) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Target Company, directly or indirectly, including the Target Company's directors.

Remuneration for key management personnel, including amounts paid to the Target Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	–	–	500	350	350
Discretionary bonuses	–	–	83	58	58
Retirement scheme contributions	–	–	64	45	49
	–	–	647	453	457

The above remuneration to key management personnel is included in "staff costs" (see note 5(a)).

(c) Significant related party transactions

Particulars of significant transactions between the Target Company and the above related parties during the Relevant Periods are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Property management service income from:					
– Ningbo AUX Real Estate Co., Ltd. and its subsidiaries	15,452	15,819	24,149	16,663	23,615
Car-park sale agency income from:					
–Ningbo AUX Real Estate Co., Ltd.	–	–	407	252	100
Receiving dispatch service:					
–Ningbo AUX Real Estate Co., Ltd.	–	–	647	453	457

The directors consider that all related party transactions during the Relevant Periods were conducted on normal commercial terms and in the ordinary and usual course of the Target Company's business.

(d) Balances with related parties

	At 31 December			At 30 September
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from Ningbo AUX Real Estate Co., Ltd. and its subsidiaries				
– Trade nature	3,730	6,356	11,430	12,785
– Non-trade nature	11,905	44,828	58,770	26,079
	15,635	51,184	70,200	38,864

	At 31 December			At 30 September
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to Ningbo AUX Real Estate Co., Ltd. and its subsidiaries				
– Trade nature	22	298	82	–
– Non-trade nature	3,010	140	1,523	2,760
	3,032	438	1,605	2,760

Amounts due from/to related parties are unsecured and interest-free. The directors of the Target Company confirm that the non-trade nature balance have been settled at the date of this report.

22 PARENT AND ULTIMATE HOLDING COMPANY

As at 30 September 2016, the directors consider the immediate parent and ultimate holding company of the Target Company to be Ningbo AUX Real Estate Co., Ltd., which is established in the PRC, and Zehui Co., Ltd., which is incorporated in the British Virgin Islands. These entities do not produce financial statements available for public use.

23 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to date of issue of the Financial Information, the HKICPA has issued a number of amendments and new standards which are not yet effective in respect of the financial periods included in the Relevant Periods, and which have not been adopted in the Financial Information.

Of these developments, the following relate to matter that may be relevant to the Target Company's operations and the Financial Information:

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, Statement of cash flows: Disclosure initiative	1 January 2017
Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
Amendments to HKFRS 2, Share-based payment: Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Target Company is in the process of making an assessment of what the impact of these new standards and amendments to standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Target Company's results of operation and financial position, except for the following.

HKFRS 9 Financial Instruments

HKFRS 9 replaces the existing guidance in HKAS 39 *Financial instruments: Recognition and measurement*. HKFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from HKAS 39.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including HKAS 18 *Revenue*, HKAS 11 *Construction contracts* and HK(IFRIC)-Int 13 *Customer Loyalty Programmes*. It also includes guidance on when to capitalise costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements.

HKFRS 16 Leases

HKFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, HKFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. It replaces HKAS 17, Leases and the related interpretations including HK(IFRIC)-Int 4, *Determining whether an arrangement contains a lease.*

The Target Company does not plan to early adopt the above new standards or amendments. With respect to HKFRSs 9, 15 and 16, given the Target Company has not completed its assessment of their full impact on the Target Company, their possible impact on the Target Company's results of operations and financial position has not been quantified.

C SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 September 2016. No dividend or distribution has been declared or made by the Target Company in respect of any period subsequent to 30 September 2016.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

B. MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET COMPANY

Set out below is the management discussion and analysis on the Target Company for each of the three years ended 31 December 2013, 2014 and 2015 and for the nine months ended 30 September 2015 and 2016.

For the year ended 31 December 2013

Business Review

During the year ended 31 December 2013, the Target Company achieved a revenue of approximately RMB40.9 million, a gross profit of approximately RMB8.9 million and a net profit of approximately RMB4.2 million.

The Target Company's costs of sales mainly comprise of staff costs, public utilities, material costs and other direct and indirect costs incurred in the provision of property management services. For the year ended 31 December 2013, cost of sales amounted to approximately RMB32.0 million. As a result of the foregoing, the Target Company recorded a gross profit and gross profit margin of approximately RMB8.9 million and 21.8%, respectively.

The Target Company's other operating expenses for the year ended 31 December 2013 amounted to approximately RMB0.1 million, mainly represent allowance for doubtful debts on trade receivables of approximately RMB0.1 million. The Target Company's administrative expenses for the year ended 31 December 2013 amounted to approximately RMB3.3 million, which primarily comprise of administrative staff costs, office expenses and depreciation for property, plant and equipment.

The Target Company's income tax expenses amounted to approximately RMB1.4 million and the effective tax rate is approximately 25%. As a result of the foregoing, the Target Company recorded a net profit of approximately RMB4.2 million.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2013, the Target Company had bank balances and cash of approximately RMB19.7 million and the current ratio (total current assets divided by total current liabilities) and the debt to asset ratio (total liabilities divided by total assets) were approximately 1.16 times and 0.87 times respectively. The Target Company had no bank borrowings or long term borrowings on the respective date.

Current assets of the Target Company were approximately RMB41.1 million as at 31 December 2013, other than bank balances and cash, mainly comprise of trade and other receivables of approximately RMB21.5 million. Trade and other receivables of the Target Company mainly arise from fees derived from the provision of property management services provided to residents and property owners of approximately RMB7.8 million and amounts due from related parties of approximately RMB11.9 million.

Current liabilities of the Target Company were approximately RMB35.6 million as at 31 December 2013, inclusive of trade and other payables of approximately RMB21.6 million, receipts in advance of approximately RMB11.5 million and current taxation of approximately RMB1.6 million. Trade and other payables mainly included trade payables, refundable deposits, accrued payroll and other benefits, receipts on behalf of residents and amounts due to related parties.

Capital Commitments

The Target Company had no capital commitments as at 31 December 2013.

Significant Investment, Material Acquisition and Disposal

As at 31 December 2013, the Target Company had no significant investments guaranteed, and value of the funds varied with reference to the performance of the underlying investments. The Target Company did not have any material acquisition and disposal during the year ended 31 December 2013.

Employees and Remuneration Policies

As at 31 December 2013, the Target Company had a total of 550 employees in the PRC. The staff cost for the year amounted to approximately RMB22.1 million, comprising employees' emoluments and retirement benefits scheme contributions of approximately RMB17.1 million and approximately RMB5.0 million respectively. The Target Company provided remuneration packages and benefit schemes to employees in accordance with performance, skills, qualifications and experiences of individuals and prevailing market practice.

Charge on Assets

The Target Company did not have any charge on assets as at 31 December 2013.

Currency and Interest Rate Risks

As the Target Company operated in the PRC and all of their transactions and assets and liabilities were denominated in RMB, the currency risk of the Target Company generated from fluctuations in exchange rate was remote.

The Target Company was exposed to the cash flow interest rates risk imposed by the fluctuations in the prevailing market interest rates on bank deposits and bank. Such exposure was limited and mainly concentrated on the on the fluctuation of Benchmark Deposit Rate of the People's Bank of China ("**PBOC**").

Contingent Liabilities

The Target Company had no material contingent liabilities as at 31 December 2013.

For the year ended 31 December 2014

Business Review

During the year ended 31 December 2014, the Target Company achieved a revenue of approximately RMB70.4 million (2013: approximately RMB40.9 million), a gross profit of approximately RMB21.9 million (2013: approximately RMB8.9 million) and a net profit of approximately RMB13.2 million (2013: approximately RMB4.2 million).

The Target Company's revenue experienced an increase of approximately 72.1% as compared to the year ended 31 December 2013. The increase was primarily due to the increase in the revenue from property management service fee as a result of new engagements obtained during the year.

For the year ended 31 December 2014, cost of sales of the Target Company were increased by 51.9% from approximately RMB32.0 million for the year ended 31 December 2013 to approximately RMB48.6 million, and the gross profit was increased by approximately 146.1% from approximately RMB8.9 million for the year ended 31 December 2013 to approximately RMB21.9 million. The increase in cost of sales and gross profit were in line with the growth of revenue. The gross profit margin increased by 9.3% to arrive at approximately 31.1% for the year ended 31 December 2014 as compared to 21.8% in the year ended 31 December 2013.

The Target Company's other operating expenses for the year ended 31 December 2014 amounted to approximately RMB0.3 million (2013: approximately RMB0.1 million). The increase was mainly attributable to the increase in the allowance for doubtful debts on trade receivables in light of the growth of revenue in 2014. The Target Company's other revenue for the year ended 31 December 2014 amounted to approximately RMB0.2 million (2013: approximately RMB0.1 million). The increase was mainly attributable to the increase in unconditional government grants during the year ended 31 December 2014. The Target Company's administrative expenses for the year ended 31 December 2014 increased to approximately RMB4.9 million (2013: approximately RMB3.3 million). The increase was as a result of the business expansion of the Target Company. The Target Company's income tax expenses amounted to approximately RMB3.7 million (2013: approximately RMB1.4 million) and the effective tax rate is approximately 21.9% (2013: approximately 25%). As a result of the foregoing, the Target Company's net profit increased to approximately RMB13.2 million.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2014, the Target Company had bank balances and cash of approximately RMB3.4 million (2013: approximately RMB19.7 million) and the current ratio (total current assets divided by total current liabilities) and the debt to asset ratio (total liabilities divided by total assets) were approximately 1.43 times and 0.69 times respectively (2013: 1.16 times and 0.87 times respectively). The Target Company had no bank borrowings or long term borrowings on the respective date.

Current assets of the Target Company were approximately RMB 65.1 million (2013: approximately RMB41.1 million) as at 31 December 2014, other than bank balances and cash, mainly comprise of trade and other receivables of approximately RMB61.6 million (2013: approximately RMB21.5 million) . Trade and other receivables of the Target Company mainly arise from fees derived from the provision of property management services provided to residents and property owners of approximately RMB13.8 million and amounts due from related companies of approximately RMB44.8 million.

Current liabilities of the Target Company were approximately RMB45.4 million (2013: approximately RMB35.6 million) as at 31 December 2014, inclusive of trades and other payables of approximately RMB27.9 million (2013: approximately RMB21.6 million), receipts in advance of approximately RMB12.4 million (2013: approximately RMB11.5 million) and current taxation of approximately RMB4.2 million (2013: approximately RMB1.6 million). Trade and other payables mainly included trade payables, refundable deposits, accrued payroll and other benefits, receipts on behalf of residents and amounts due to related parties.

Capital Commitments

The Target Company had no capital commitments as at 31 December 2014.

Significant Investment, Material Acquisition and Disposal

The Target Company did not have any significant investment, material acquisition and disposal during the year ended 31 December 2014.

Employees and Remuneration Policies

As at 31 December 2014, the Target Company had a total of 605 employees (2013: 550 employees) in the PRC. The staff cost for the year amounted to approximately RMB29.8 million (2013: approximately RMB22.1 million), comprising employees' emoluments and retirement benefits scheme contributions of approximately RMB23.0 million and approximately RMB6.8 million respectively (2013: approximately RMB17.1 million and approximately RMB5.0 million respectively). The Target Company provided remuneration packages and benefit schemes to employees in accordance with performance, skills, qualifications and experiences of individuals and prevailing market practice.

Charge on Assets

The Target Company did not have any charge on assets as at 31 December 2014.

Currency and Interest Rate Risks

As the Target Company operated in the PRC and all of their transactions and assets and liabilities were denominated in RMB, the currency risk of the Target Company generated from fluctuations in exchange rate was remote.

The Target Company was exposed to the cash flow interest rates risk imposed by the fluctuations in the prevailing market interest rates on bank deposits and bank. Such exposure was limited and mainly concentrated on the fluctuation of Benchmark Deposit Rate of the PBOC.

Contingent Liabilities

The Target Company had no material contingent liabilities as at 31 December 2014.

For the year ended 31 December 2015

Business Review

During the year ended 31 December 2015, the Target Company achieved a revenue of approximately RMB87.6 million (2014: approximately RMB70.4 million), a gross profit of approximately RMB21.5 million (2014: approximately RMB21.9 million) and a net profit of approximately RMB10.7 million (2014: approximately RMB13.2 million).

The Target Company's revenue experienced an increase of approximately 24.4% as compared to the year 2014. The increase was primarily due to the increase in the revenue from property management service fee as a result of new engagement obtained during the year.

For the year ended 31 December 2015, cost of sales of the Target Company were increased by approximately 36.0% from approximately RMB48.6 million for the year ended 31 December 2014 to approximately RMB66.1 million, and the gross profit remained stable at approximately RMB21.5 million (2014: approximately RMB21.9 million). The increase in gross profit at a slower rate than the increase in revenue, caused a decrease in gross profit margin to approximately 24.5% as compared to 31.1% for the year ended 31 December 2014. This is mainly attributable to lower gross profit margin for the new engagements .

The Target Company's other operating expenses for the year ended 31 December 2015 amounted to approximately RMB0.8 million (2014: approximately RMB0.3 million). The increase was mainly attributable to the increase in the allowance for doubtful debts on trade receivables in light of the growth of revenue for the year ended 31 December 2015. The Target Company's other revenue for the year ended 31 December 2015 amounted to approximately RMB0.7 million (2014: approximately RMB0.2 million). The increase was mainly attributable to an increase in agency revenue related to car parking units sales. The Target Company's administrative expenses for the year ended 31 December 2015 increased to approximately RMB7.7 million (2014: approximately RMB4.9 million). The increase was mainly due to increase in staff cost as a result of the business expansion of the Target Company.

The Target Company's income tax expenses amounted to approximately RMB3.1 million (2014: approximately RMB3.7 million) and the effective tax rate is approximately 22.6% (2014: approximately 21.8%). As a result of the foregoing, the Target Company's net profit decreased to approximately RMB10.7 million.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2015, the Target Company had bank balances and cash of approximately RMB2.9 million (2014: approximately RMB3.4 million) and the current ratio (total current assets divided by total current liabilities) and the debt to asset ratio (total liabilities divided by total assets) were 1.51 times and 0.65 times respectively (2014: 1.43 times and 0.69 times respectively). The Target Company had no outstanding bank borrowings or long term borrowings on the respective date.

Current assets of the Target Company were approximately RMB87.4 million (2014: approximately RMB65.1 million) as at 31 December 2015, other than bank balances and cash, mainly comprise of trade and other receivables approximately RMB84.5 million (2014: approximately of RMB61.6 million) . Trade and other receivables of the Target Company mainly arise from fees derived from the provision of property management services provided to residents and property owners of approximately RMB21.7 million (2014: approximately RMB13.8 million) and amount due from related parties of approximately RMB58.8 million (2014: approximately RMB44.8 million).

Current liabilities of the Target Company were approximately RMB58.0 million (2014: approximately RMB45.4 million) as at 31 December 2015, inclusive of trade and other payables of approximately RMB37.6 million (2014: approximately RMB27.9 million), receipts in advance of approximately RMB13.8 million (2014: approximately RMB12.4 million), current taxation of approximately RMB5.9 million (2014: approximately RMB4.2 million). Trade and other payables mainly included trade payables, refundable deposits, accrued payroll and other benefits, receipts on behalf of residents and amounts due to related parties.

Capital Commitments

The Target Company had no capital commitments as at 31 December 2015.

Significant Investment, Material Acquisition and Disposal

The Target Company did not have any significant investment, material acquisition and disposal during the year ended 31 December 2015.

Employees and Remuneration Policies

As at 31 December 2015, the Target Company had a total of 791 employees (2014: 605 employees) in the PRC. The staff cost for the year amounted to approximately RMB43.7 million (2014: approximately RMB29.8 million), comprising employees' emoluments and retirement benefits scheme contributions of approximately RMB34.8 million and approximately RMB9.0 million respectively (2014: approximately RMB23.0 million and approximately RMB6.8 million respectively). The Target Company provided remuneration packages and benefit schemes to employees in accordance with performance, skills, qualifications and experiences of individuals and prevailing market practice.

Charge on Assets

The Target Company did not have any charge on assets as at 31 December 2015.

Currency and Interest Rate Risks

As the Target Company operated in the PRC and all of their transactions and assets and liabilities were denominated in RMB, the currency risk of the Target Company generated from fluctuations in exchange rate was remote.

The Target Company was exposed to the cash flow interest rates risk imposed by the fluctuations in the prevailing market interest rates on bank deposits and bank. Such exposure was limited and mainly concentrated on the fluctuation of Benchmark Deposit Rate of the PBOC.

Contingent Liabilities

The Target Company had no material contingent liabilities as at 31 December 2015.

For the nine months ended 30 September 2016

Business Review

During the nine months ended 30 September 2016, the Target Company achieved a revenue of approximately RMB78.3 million (30 September 2015: approximately RMB63.7 million), a gross profit of approximately RMB22.5 million (30 September 2015: approximately RMB17.8 million) and a net profit of approximately RMB12.3 million (30 September 2015: approximately RMB9.8 million).

The Target Company's revenue experienced an increase of approximately 22.9% as compared to the nine months ended 30 September 2015. The increase was primarily due to the increase in the revenue from property management service fee and pre-sale property management service fee as a result of new engagements obtained during the period.

For the nine months ended 30 September 2016, cost of sales of the Target Company were increased by approximately 21.6% from approximately RMB45.9 million for the nine months ended 30 September 2015 to approximately RMB55.8 million, and the gross profit was increased by approximately 26.4% from approximately RMB17.8 million for the nine months ended 30 September 2015 to approximately RMB22.5 million. The gross profit margin increased by 0.8% from 27.9% for the nine months ended 30 September 2015 to 28.7% for the nine months ended 30 September 2016.

The Target Company's other operating expenses for the nine months ended 30 September 2016 amounted to approximately RMB0.7 million (30 September 2015: approximately RMB0.3 million). The increase was mainly attributable to the increase in the allowance for doubtful debts on trade receivables. The Target Company's other revenue for the nine months ended 30 September 2016 amounted to approximately RMB0.6 million (30 September 2015: approximately RMB0.5 million). The increase was mainly attributable to a increase in income from unconditional government grants. The Target Company's administrative expenses increased by approximately 20.4% from approximately RMB5.4 million for the nine months ended 30 September 2015 to approximately RMB6.5 million for the nine months ended 30 September 2016. The increase was mainly due to increase in number of staff employed and salaries and other benefit under the expansion of business.

The Target Company's income tax expenses amounted to approximately RMB3.6 million (30 September 2015: approximately RMB2.8 million) and the effective tax rate is approximately 22.6% (30 September 2015: approximately 22.4%). As a result of the foregoing, the Target Company's net profit increased to approximately RMB12.3 million.

Liquidity, Financial Resources and Capital Structure

As at 30 September 2016, the Target Company had bank balances and cash of approximately RMB53.6 million (31 December 2015: approximately RMB2.9 million) and the current ratio (total current assets divided by total current liabilities) and the debt to asset ratio (total liabilities divided by total assets) were 1.6 times and 0.61 times respectively (31 December 2015: 1.51 times and 0.65 times respectively). The Target Company had no outstanding bank borrowings or long term borrowings on the respective date.

Current assets of the Target Company were approximately RMB110.8 million (31 December 2015: approximately RMB87.4 million) as at 30 September 2016, other than bank balances and cash, mainly comprise of trade and other receivables of approximately RMB57.1 million (31 December 2015: approximately RMB84.5 million) . Trade and other receivables of the Target Company mainly arise from fees derived from the provision of property management services provided to residents and property owners of approximately RMB26.9 million (31 December 2015: approximately RMB21.7 million) and amounts due from related parties of approximately RMB26.1 million (31 December 2015: approximately RMB58.8 million).

Current liabilities of the Target Company were approximately RMB69.3 million (31 December 2015: approximately RMB58.0 million) as at 30 September 2016, inclusive of trade and other payables of approximately RMB46.5 million (31 December 2015: approximately RMB37.6 million), receipts in advance of approximately RMB14.6 million (31 December 2015: approximately RMB13.8 million), current taxation of approximately RMB8.0 million (31 December 2015: approximately RMB5.9 million). Trade and other payables mainly included trade payables, refundable deposits, accrued payroll and other benefit, receipts on behalf of residents and amounts due to related parties.

Capital Commitments

The Target Company had no capital commitments as at 30 September 2016.

Significant Investment, Material Acquisition and Disposal

The Target Company did not have any significant investments, material acquisition and disposal during the nine months ended 30 September 2016.

Employees and Remuneration Policies

As at 30 September 2016, the Target Company had a total of 823 employees (30 September 2015: 746 employees) in the PRC. The staff cost for the period amounted to approximately RMB39.0 million (30 September 2015: approximately RMB30.9 million), comprising employees' emoluments and retirement benefits scheme contributions of approximately RMB31.1 million and approximately RMB7.9 million respectively (30 September 2015: approximately RMB24.5 million and approximately RMB6.5 million respectively). The Target Company provided remuneration packages and benefit schemes to employees in accordance with performance, skills, qualifications and experiences of individuals and prevailing market practice.

Charge on Group Assets

The Target Company did not have any charge on group assets as at 30 September 2016.

Currency and Interest Rate Risks

As the Target Company operated in the PRC and all of their transactions and assets and liabilities were denominated in RMB, the currency risk of the Target Company generated from fluctuations in exchange rate was remote.

The Target Company was exposed to the cash flow interest rates risk imposed by the fluctuations in the prevailing market interest rates on bank deposits and bank. Such exposure was limited and mainly concentrated on the fluctuation of Benchmark Deposit Rate of the PBOC.

Contingent Liabilities

The Target Company had no material contingent liabilities as at 30 September 2016.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited pro forma financial information of the Enlarged Group has been prepared based on the interim financial report of the Group for the six months ended 30 September 2016 as published in the Company's interim report for the six months ended 30 September 2016 and the financial information of the Target Company as set out in Appendix II to this circular, after the pro forma adjustments set out in the accompanying notes to illustrate the effect of the Acquisition as if the Acquisition had been completed on 30 September 2016. The accounting policies and methods of computation used in the preparation of the unaudited pro forma financial information are consistent with those used in the interim financial report of the Group for the six months ended 30 September 2016.

The unaudited pro forma financial information is based on a number of assumptions, estimates, uncertainties and currently available information. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information does not purport to describe the actual financial position of the Group that would have been attained had the Acquisition been completed on 30 September 2016 or any future date. Further, the accompanying unaudited pro forma financial information does not purport to give a true picture of the Group's financial position or predict the Group's future financial position.

The unaudited pro forma financial information should be read in conjunction with the historical financial information of the Group set out in the interim report of the Company for the six months ended 30 September 2016 and with other financial information included elsewhere in this circular.

	The Group as at 30 September 2016	The Target Company as at 30 September 2016	Pro forma adjustments	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	
NON-CURRENT ASSETS				
Property, plant and equipment	30,647	1,326		31,973
Intangible assets	–	–	52,440	52,440
Deferred tax assets	484	1,066		1,550
Goodwill	–	–	85,505	85,505
	31,131	2,392		171,468
CURRENT ASSETS				
Inventories	2,904	52		2,956
Trade and other receivables	21,492	35,357		56,849
Amounts due from related parties	3,240	29,730		32,970
Tax recoverable	1,867	–		1,867
Pledged bank deposits	1,000	–		1,000
Cash and cash equivalents	96,475	61,140	(60,420)	97,195
	126,978	126,279		192,837
CURRENT LIABILITIES				
Trade and other payables	28,900	66,724		95,624
Amounts due to related parties	–	3,146		3,146
Current taxation	–	9,118		9,118
	28,900	78,988		107,888
NET CURRENT ASSETS	98,078	47,291		84,949
TOTAL ASSETS LESS CURRENT LIABILITIES	129,209	49,683		256,417
NON-CURRENT LIABILITIES				
Deferred tax liabilities	–	98	13,110	13,208
Loan from the controlling shareholder	–	–	114,000	114,000
	–	98		127,208
NET ASSETS	129,209	49,585		129,209

For the purpose of the unaudited pro forma financial information, conversion of RMB and HK$ is calculated at the exchange rate of RMB1 to HK$1.14. The exchange rate is for illustrative purpose only and does not constitute a representation that any amount has been, could have been, may be exchanged at this or any other rate or at all.

Note 1: The balances of the Group were extracted from the unaudited consolidated statement of financial position of the Group as at 30 September 2016 which formed part of the interim financial report of the Group for the six months ended 30 September 2016, as set out in the Company's published interim report for the six months ended 30 September 2016.

Note 2: The balances of the Target Company as at 30 September 2016 were extracted from the audited statements of financial position of the Target Company, as set out in Appendix II to this circular. The statement of assets and liabilities of the Target Company is presented in Renminbi ("**RMB**") which is different from the presentation currency of the Group, i.e. HK$. The assets and liabilities of the Target Company have been translated to HK$. In addition, the relevant balances have been reclassified to conform with the presentation format adopted by the Group.

Note 3: The adjustments represent the combined effect of:

(a) The Acquisition of the entire equity interests of the Target Company at a total Consideration of RMB153,000,000 (equivalent to approximately HK$174,420,000) to be satisfied by:

(i) cash consideration of RMB53,000,000 (equivalent to approximately HK$60,420,000) financed by the Company's internal resources; and

(ii) unsecured loan of RMB100,000,000 (equivalent to approximately HK$114,000,000) with a term of 5 years at the interest rate of 2% per annum granted by Huiri Limited, the controlling shareholder of the Company.

(b) The recognition of identifiable intangible assets of HK$52,440,000 arising from the Acquisition of the entire equity interests of the Target Company, which represents property management customer contracts and customer relationships. For the purpose of the unaudited pro forma financial information, the fair value of the identifiable intangible assets was determined after making reference to the valuation report prepared by an independent professional valuer.

(c) The recognition of goodwill of HK$85,505,000, being the excess of Consideration over the fair value of the identifiable assets and liabilities of the Target Company. The fair value and the carrying amount of the identifiable assets and liabilities of the Target Company are analysed as below:

	Carrying amount	**Fair value of identifiable assets**
	HK$'000	*HK$'000*
Property, plant and equipment	1,326	1,326
Intangible assets	–	52,440
Deferred tax assets	1,066	1,066
Inventories	52	52
Trade and other receivables	35,357	35,357
Amounts due from related parties	29,730	29,730
Cash and cash equivalents	61,140	61,140
Trade and other payables	(66,724)	(66,724)
Amounts due to related parties	(3,146)	(3,146)
Current taxation	(9,118)	(9,118)
Deferred tax liabilities	(98)	(13,208)
Net assets	49,585	88,915
Goodwill		85,505
Total Consideration		174,420

The fair value of the identifiable assets and liabilities of the Target Company is subject to change upon completion of the Acquisition because the fair value of the identifiable assets and liabilities will be assessed and recorded on the completion date of the Acquisition.

The Company has consistently applied its accounting policies and assumptions for the purpose of assessing impairment of goodwill in accordance with the Hong Kong Accounting Standard 36 "Impairment of Assets". The Directors have engaged an independent valuer to perform a valuation of the Target Company for the purpose of goodwill impairment assessment. Based on the valuation report, it is of the view that the recoverable amount of goodwill is higher than the carrying amount. As a result, the Directors are not aware of any indication that an impairment of goodwill arising from the Acquisition is required.

The Company will consistently adopt its accounting policies and assumptions for the purpose of assessing impairment of goodwill in future.

(d) The fair value adjustment of deferred tax liabilities of HK$13,110,000 arising from the recognition of identifiable intangible assets of the Target Company, calculated based on the enacted tax rate of 25% of the tax jurisdiction that the Target Company operates.

(B) REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this circular.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

28 February 2017

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF AUX INTERNATIONAL HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of AUX International Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 September 2016 and related notes as set out in Appendix III to the circular dated 28 February 2017 (the "**Circular**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Appendix III to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of Ningbo AUX Property Management Service Co., Ltd. (the "**Target Company**") (the "**Acquisition**") on the Group's financial position as at 30 September 2016 as if the Acquisition had taken place at 30 September 2016. As part of this process, information about the Group's financial position as at 30 September 2016 has been extracted by the Directors from the interim financial report of the Company for the six months then ended, on which a review report has been published. The Information about the Target Company's financial position as at 30 September 2016 has been extracted by the Directors from the financial information of the Target Company as set out in Appendix II to the Circular.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 September 2016 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

American Appraisal China Limited
Rooms 701 & 708-710, Gloucester Tower
The Landmark, 15 Queen's Road Central, Hong Kong
美國評值有限公司
香港中環皇后大道中 15 號置地廣場告羅士打大廈 701 及 708-710 室
Tel : 852-2281 0188 Fax : 852-2511 9626

28 February 2017

The Directors

AUX International Holdings Limited

Our Ref.: 73041

Dear Sirs,

VALUATION REPORT ON BUSINESS ENTERPRISE

Pursuant to the terms, conditions and purpose of an engagement agreement dated 11 October 2016 ("**Engagement Agreement**") between AUX International Holdings Limited ("**Company**" or "**Client**") and American Appraisal China Limited ("**American Appraisal**"), we have performed a fair value analysis of the 100% business enterprise ("**Valuation**") of Ningbo AUX Property Management Service Co., Ltd. ("**Ningbo AUX**" or the "**Target Company**") as of 30 September 2016 ("**Valuation Date**") for Client's internal reference in connection with a potential acquisition of the above mentioned interest.

We understand that the Company, with our consent, discloses this letter in the circular to the shareholders and to The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") in accordance with the requirements of the Rules Governing the Listing of Securities on Stock Exchange ("**Listing Rules**"). No third party shall have the right of reliance on this letter and neither receipt nor possession of this letter by any third party shall create any express or implied third-party beneficiary rights.

This letter identifies the asset appraised, describes the scope of work, states the basis of value, specifies key inputs and assumptions, explains the valuation methodology utilized, and presents our conclusion of value. In preparing this letter, we aim to largely comply with the reporting standards recommended by the International Valuation Standards ("**IVS**"). The depth of discussion contained in this letter is specific to the needs of the Client and for the intended use as stated below. Supporting documentation concerning these matters has been retained in our work papers.

PURPOSE OF VALUATION

The Client contemplates to acquire the entire equity interest in the Target Company ("**Proposed Transaction**"). The Target Company is a limited liability company established in the PRC in July 2008. The Target Company is principally engaged in property management business in several cities in the PRC including Ningbo, Hangzhou, Nanjing, etc. Properties managed by the Target Company include residential properties and residential properties with ancillary commercial units with an aggregate contracted gross floor area of approximately 2.2 million square meters as of 30 June 2016.

With the Client's approval and as stipulated by the Engagement Agreement in formulating our opinion on the fair value of the 100% business enterprise in the Target Company, we relied upon completeness and accuracy of operational, and financial information provided by the management of the Target Company ("**Management**"). To the extent that any of these assumptions or facts changed, the result of our fair value conclusion should be different.

The intended use of the Valuation is to serve as an internal reference of the Client and as the basis for compliance of the Listing Rules. The ultimate transaction, if happens, and the corresponding acquisition prices would be the results of negotiations between the transacting parties. The responsibility for determining the agreed acquisition price of the Target Company rests solely with the Company. The results of our analysis should not be construed to be a fairness opinion, a solvency opinion, or an investment recommendation. It is inappropriate to use our valuation report for purpose other than its intended use or by third parties. These third parties should conduct their own investigation and independent assessment of the underlying assumptions.

STANDARD AND BASIS OF VALUE

The Valuation was prepared on the basis of fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under Hong Kong Financial Reporting Standard ("**HKFRS**").

Business enterprise is defined as the combination of all tangible assets (buildings, machinery and equipment), long-term investment, net working capital and intangible assets of a continuing business. Alternatively, the business enterprise is equivalent to the invested capital of the business, that is, the combination of the value of shareholders' equity, shareholders' loans and interest-bearing debt.

DESCRIPTION OF TARGET COMPANY

The Target Company holds Grade 1 property management qualification certificate granted by the Ministry of Housing and Urban-Rural Development and is qualified to manage all types and sizes of properties in China. It provides property management services through its branches located in different cities. As of the Valuation Date, the Target Company holds ten branches which are situated in Shanghai, Hangzhou, Jinhua, Chengdu, Changsha, Nanjing, Nanchang, Jiujiang, Qingdao and Tianjin.

The Target Company's property management services primarily include: (i) services such as security, cleaning, gardening, repair and maintenance provided to residential communities, which include mixed-use properties containing residential units and ancillary facilities that are non-residential in nature; (ii) pre-sale services provided to property developers, including cleaning, security and maintenance of the pre-sale display units; and (iii) parking service provided in residences.

FINANCIAL REVIEW OF TARGET COMPANY

We have reviewed the audited historical financial statements for the three financial years ended 31 December 2013, 2014 and 2015 and the nine months period ended 30 September 2016 provided by the Client without further verification and the historical statements along with the key financial ratios are presented as below:

RMB'000	FY 2013	FY 2014	FY 2015	9 months period ended 30 September 2016
Revenue	40,926	70,438	87,629	78,256
Gross Profit	8,919	21,851	21,536	22,494
Earnings Before Interest and Tax ("**EBIT**")	5,523	16,826	13,697	15,877
Net Profit	4,177	13,180	10,650	12,288
Current Assets	41,147	65,053	87,426	110,772
Current Liabilities	35,616	45,410	57,950	69,288
Non-current Liabilities	1,656	721	34	86
Net Asset Value	5,378	20,558	31,208	43,496

The Target Company's cumulative annual growth rate ("**CAGR**") of revenue was 46% between 2013 and 2015, where the rapid growth was mainly due to new projects in Nanchang, Tianjin, Changsha and Hangzhou.

Gross profit margin improved from 22% in 2013 to 31% in 2014 which is mainly due to a new project involving mix-used property in Changsha where unit management fee per square meter for office and mixed-used properties is usually higher than residential properties. Gross profit margin then dropped to 25% in 2015 due to higher staff costs for future expansion. Administrative expenses to revenue ratio ranged from 7% to 9% during the period from 2013 to 2015. Similarly, net margin increased from 10% in 2013 to 19% in 2014 and then reduced to 12% in 2015.

ECONOMIC OUTLOOK

A sound appraisal of a business or business interest must consider current and prospective economic conditions of the national economy. The major variables reviewed in order to evaluate the overall state of the national economy include the current level of and changes in the gross domestic product ("**GDP**"), exchange rate, and the inflation rate. An overview of the national economies of China was essential to develop this outlook. The following economic discussion was extracted from Economist Intelligence Unit ("**EIU**") issued in July 2016.

ECONOMIC GROWTH: EIU has trimmed its real GDP forecast for 2016 to 6.6%, from 6.7% previously. Economic activity so far in 2016 has been driven by strong housing market activity and investment by state-owned enterprises, but EIU expects neither of these drivers to perform as strongly in the second half of the year. In 2016 as a whole real investment growth is forecasted to accelerate modestly. EIU expects private consumption growth to slow, but it should remain relatively robust.

INFLATION: EIU expects the average annual rate of consumer price inflation to accelerate from 1.5% in 2015 to 2.2% in 2016-2020. This partly reflects a modest pick-up in imported inflation as a result of the renminbi's depreciation over most of the forecast period and higher global commodity prices in 2017-18 notably for oil, which has a big influence on local food and transport costs. Nevertheless, price growth will remain modest amid widespread overcapacity in many industrial sectors, agricultural production and housing supply. Producer prices will continue to fall in 2016-17, declining by an annual average of 2.2%. Rising global commodity prices, as well as higher domestic wages and utility costs, will serve to push producer price inflation back into positive territory in 2018-20, but excess capacity will still suppress price growth.

EXCHANGE RATES: The renminbi is forecasted to trade at a relatively weak RMB6.91:USD1 on average in 2016-20 as doubts about China's economic outlook and loose monetary policy place depreciation pressure on the currency. The People's Bank of China (the central bank) has made steps to move away from the renminbi's crawling peg to the US dollar and towards a more flexible exchange-rate regime; the publication in December 2015 of an official trade-weighted exchange-rate index signalled an intention to manage the renminbi's value against a basket of currencies. However, the mechanics of exchange-rate management remain opaque and the authorities still favour a stable renminbi: US dollar exchange rate during periods of market volatility.

INDUSTRY OVERVIEW

In early 1980s, with the implementation of China's national policy of reform and opening-up, the property management industry was introduced from Hong Kong. After 30 years of development, the property management service was broadly promoted, which was to meet increasing domestic demand, employment and economic growth.

According to China Property Management Institute (CPMI), there are about 40,000 property service enterprises in China by the end of 2014. The qualification and grading of property service enterprises is classified by service standard. The property service enterprises holding Grade 1 certification are less than 2% and Grade 2 are about 10%. About 88% of the property service enterprises are Grade 3, which is a typical pyramid structure. Grade 1 and Grade 2 property service enterprises having better competitive advantages are mainly distributed along the first-tier cities and developed eastern provinces. Grade 3 property service enterprises are homogeneous, lack of new services and new technologies, the scope of business mainly to provide ordinary public services, such as cleanliness, order maintenance, vehicle management, and green conservation.

It is mentioned in the Property Services Market Research and Development Prospects Report 2015 published by CPMI that, the total floor area under property management by top 100 property service enterprises grew from 1.97 billion m^2 in 2013 to 3.22 billion m^2 in 2015, with a CAGR of 27.9%. The service coverage extended from residential/commercial properties to schools and universities, hospitals and major arena. Market revenue of top 100 property service enterprises totaled RMB85.0 billion in 2015, surged from RMB55.1 billion in 2013, represented a CAGR of 24.2%, where average net profit margin of 6.2% in 2015, slightly increased from 5.5% in 2013.

In recent years, the Chinese economy is growing into a new online to offline ("**O2O**") model and the property services industry are gradually transiting. Colour Life Services Group Co., Ltd. and Zhejiang New Century Property Management Limited, after successful listing, showed O2O model breakthrough and it becomes an inevitable trend of the development of the industry.

Despite a slowdown in China's domestic real estate market, Chinese property management firms have accelerated their expansion plans with some keen to go public in Hong Kong, prompting analysts to predict a rosy future for the sector. The valuation of property management firms is much better than developers as they are asset-light and their revenues are more stable and not affected by property sales. The potential of China's property management market is huge because the current management quality is not good, meaning there is a lot of room for improvement in services and opportunity to increase market.

Sources:

1. "Property management firm IPOs on the rise in Hong Kong" published by South China Morning Post on 15 June 2016
2. 2015 Property Management Development Report and 2015 National Property Management Industry Report, China Property Management Institute (CPMI)
3. American Appraisal research

SCOPE OF WORK AND KEY ASSUMPTIONS

Our investigation included discussions with the Management with regard to the history, operations and prospects of the Target Company, an overview of certain financial data, an analysis of the industry and competitive environment, an analysis of comparable companies, and a review of transactions, operating statistics and other relevant documents. We made reference to or reviewed the following major documents and data:

- Audited financial statements for the three years ended 31 December 2013, 2014 and 2015 and nine months period ended 30 September 2016;
- Articles of association and business licence;
- Shareholding structure and management profile;
- Summary of projects managed by the Target Company from 2013 to 2016;
- Sample property management service contracts;
- Copy of Grade 1 property management qualification certificate;
- Industry research reports cited in the section of the report where referenced; and
- Other relevant documents.

We assumed that the data we obtained in the course of the Valuation, along with the opinions and representations provided to us by the Management are true and accurate and accepted them without independent verification except as expressly described herein. We have no reason to suspect that any material facts have been omitted, nor are we aware of any facts or circumstances, which would render the information, opinion and representations made to us to be untrue, inaccurate or misleading. In arriving at our opinion of value, we have considered the following principal factors:

- the stage of development of the Target Company;
- the historical costs and current financial condition of the Target Company;
- the economic outlook for China and specific competitive environments affecting the property management industry;
- the legal and regulatory issues of the property management industry in general and other specific legal opinions relevant to the Target Company;
- the risks of the Target Company; and
- the experience of the Target Company's management team.

Due to the changing environments in which the Target Company is operating, a number of assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this valuation:

- no major changes are expected in political, legal and economic conditions in China;
- regulatory environment and market conditions for property management industry will be developing according to prevailing market expectations;
- there will be no major changes in the current taxation law in China;
- the Target Company will not be constrained by the availability of finance; and
- the Target Company will retain competent management, key personnel and technical staff to support their ongoing operations.

VALUATION METHODOLOGY OVERVIEW

In the appraisal of the equity, or the net assets, of a business, regardless of their diversity, location, or technological complexity, there are three basic approaches to value. The descriptive titles typically attached to these approaches are cost, income, and market. In normal circumstances, the appraiser is obliged to consider all three approaches, as any, or perhaps all, may provide reliable measures of value.

Cost approach established value based on the cost of reproducing or replacing the property less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable. This approach might be considered the most consistently reliable indication of value for assets without a known used market or separately identifiable cash flows attributable to assets appraised.

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the property than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent property with similar risk.

Market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established used market may be appraised by this approach.

To develop our opinion of value, the three generally accepted approaches to value are considered: cost, market and income. While useful for certain purposes, the cost approach is generally not considered applicable to the valuation of a going concern, as it does not capture future earning potential of the business. Thus it is not utilized in the valuation. Income approach is not used as it would involve a high level of uncertain, long-term forward-looking financial forecast and underlying assumptions. In forming our opinion, we rely upon the market approach to prepare a business enterprise value analysis of the Target Company.

MARKET APPROACH – GUIDELINE COMPANY METHOD

One methodology employed in the market approach is the Guideline Company Method (GCM), where financial ratios of comparable companies were analyzed to determine a value for the subject company. This method employs market price data of stocks of corporations engaged in the same or a similar line of business as that of the subject company. Stocks of these corporations are actively traded in a public, free, and open market, either on an exchange or over-the-counter.

Identification of Comparable Companies

We have considered the following factors when searching for companies to provide appropriate comparison basis. First, the comparable company should generate a considerable portion (at least 30% of revenue in the latest financial year) of its revenue from property management business. Secondly, the majority of the business should be conducted in China as competitive landscape and government policies for property management industry in other countries may be quite different. Finally, the comparable company should be public listed company on The Stock Exchange of Hong Kong Limited.

In the selection process of appropriate comparable companies, we first considered listed companies who generated 100% revenue from property management business and ancillary services in China, like the Target Company. Under this criteria, only four companies, namely China Overseas Property Holdings Limited, Zhong Ao Home Group Limited, Colour Life Services Group Co., Ltd. and Greentown Service Group Co. Ltd. were selected. For the purpose of forming a representative and meaningful analysis, we extended our selection criteria to include listed companies which generate a considerable portion of its revenue from property management business, i.e. China Sandi Holdings Ltd ("**Sandi**") and Sinolink Worldwide Holdings Ltd ("**Sinolink**"). Sandi generated over half of its total revenue from property management income and remaining revenue from rental income over the last three financial years and so, it was also considered as a service company similar to the Target Company, bearing similar cost structure when applying the earning multiples. On the other hand, Sinolink generated revenue from both sales of properties and rental income as well as property management business. After analysis of historical financial performance, Sinolink was excluded in the valuation conclusion due to its loss-making status in the latest financial year. We have identified the comparable companies on a best effort and unbiased selection basis, which constitutes the full and exhaustive samples based on our best knowledge.

We have identified and described below 6 comparable companies which fulfilled the above selection criteria ("**Comparable Companies**"):

1. Colour Life Services Group Co., Ltd. (1778 HK) is a real estate management company in the People's Republic of China.

2. China Overseas Property Holdings Limited (2669 HK) operates as a property management firm. The company manages residential communities, commercial properties and government properties in Hong Kong and Macau.

3. China Sandi Holdings Limited (910 HK) engages in holding of a home improvement plaza in Fuzhou for investment purpose and generates rental income and property management income from it.

4. Zhong Ao Home Group Limited (1538 HK) is an independent property management company in China. The company provides property developers and owners with management services to residential properties. Zhong Ao Home Group also offers sales assistance by deploying on-site staff.

5. Greentown Service Group Co. Ltd. (2869 HK) operates in the real estate service industry. The company provides property management, consulting, and community value-added services.

6. Sinolink Worldwide Holdings Limited (1168 HK) engages in property development, commercial property investment and management, financial investment and securities trading. Sinolink generates revenue from rental income, property management income and other service income.

Selection of Valuation Multiples

In this Valuation, since the Target Company has established profit making history, we adopted (1) enterprise value ("**EV**") to earnings before interest and tax ("**EBIT**") and the multiple is known as EV/EBIT; (2) EV to earnings before interest, tax, depreciation and amortization ("**EBITDA**") and the multiple is known as EV/EBITDA and (3) price ("**P**") to earnings ("**E**") and the multiple is known as P/E. EV is calculated by summing up the market capitalization extracted from Bloomberg as of the Valuation Date and book value of net debt and minority interest as of the latest available interim closing. By dividing the EV over EBIT and EBITDA, we calculated EV/EBIT and EV/EBITDA multiples of the Comparable Companies. In addition, by dividing the market capitalization less net cash and divide it by net income, we calculated the P/E multiples. The time period for those earnings denominator of valuation multiples included the latest 2015 annual results.

A comparison was made between the Target Company and Comparable Companies on the basis of historical growth rate, profitability and leverage ratio as follows:

Average Financial Ratio	**Comparable Companies (5 years)**			**Target Company (3 years)**
	High	**Median**	**Low**	
Average revenue growth	97.9%	30.7%	–0.3%	48.3%
Average EBIT margin	36.9%	7.0%	–22.0%	17.7%
Average EBITDA margin	48.8%	12.9%	–13.8%	18.4%
Average debts to total assets	0.18	0.05	0.02	0.00

The Target Company achieved a relatively higher revenue growth rates and profitability and maintain the lowest leverage ratio when comparing to the Comparable Companies.

We have adjusted the multiples devised from Comparable Companies based on the difference on risk assessment. Details of such adjustment are discussed below:

Risk Adjustment

For all the multiples mentioned above, we considered the differences in risk of the Target Company and the Comparable Companies. The basis of the selected multiple is established by comparing the present values of hypothetical investments between the Target Company and the Comparable Companies with same earnings in current year and expected to grow at same growth rate of 3% which approximates the long-term inflation rate in next 5 years. The present values of the hypothetical investments have taken into account the relatively risk measures implied by discount rates of the Target Company and the Comparable Companies, including size effect and respective leverage but before any unsystematic risks. A lower discount rate implies lower inherent business risk and resulted in a higher present value of hypothetical investment which corresponds to a higher economic value and hence, the entity should theoretically deserve higher EV/EBIT and EV/EBITDA multiples. For a Comparable Company with lower discount rate than the Target Company, the risk adjustment represents a discount on the Comparable Company's multiples as the Target Company should deserve a lower multiple due to higher business risk, and vice versa. The larger the difference in discount rate of the Target Company and the Comparable Company, the larger the magnitude of the risk adjustment. As indicated by the table below, risk adjustment varied across the Comparable Companies as they have different trading performance (as reflected in beta of discount rate using CAPM model) and capital structure.

Stock Code	Target Company	1778 HK	2669 HK	910 HK	1538 HK	2869 HK	1168 HK
Discount Rate *(note 1)*	19.7%	14.9%	16.4%	9.0%	22.5%	17.5%	19.1%
Risk Adjustment *(rounded)*		–30%	–20%	–65%	+15%	–15%	0%

Note:

1. Based on CAPM model with input from Bloomberg and American Appraisal research.

The valuation multiples derived from the Comparable Companies and corresponding adjustments appropriate for the valuation of the Target Company are summarized as follows:

No.	Comparable Company Name (Bloomberg Code)	Valuation multiples of Comparable Companies			Adjustment Factors	Adjusted Multiples applicable to Target Company		
		P/E	*EV/EBIT*	*EV/EBITDA*	*Risk Adjustment*	*P/E*	*EV/EBIT*	*EV/EBITDA*
1	Colour Life Services Group Co. Ltd. (1778 HK)	27.83	20.32	18.24	–30%	19.48	14.22	12.76
2	China Overseas Property Holdings Ltd. (2669 HK)	32.62	25.91	22.59	–20%	26.10	20.72	18.07
3	China Sandi Holdings Ltd. (910 HK)	6.75	24.14	23.56	–65%	2.36	8.45	8.25
4	Zhong Ao Home Group Ltd. (1538 HK)	8.57	5.97	5.55	+15%	9.86	6.87	6.38
5	Greentown Service Group Co. Ltd. (2869 HK)	32.52	22.69	21.73	–15%	27.65	19.29	18.47
6	Sinolink Worldwide Holdings Ltd. (1168 HK)	N/A	N/A	11.43	0%	N/A	N/A	11.43
					All companies excluding 1168 HK *(Note)*			
					Median (rounded)	**19.50**	**14.25**	**12.75**

Note: 1168 HK was excluded given its loss-making status in the latest financial year.

We multiplied the selected valuation multiples by 2015 EBIT, EBITDA and net income of the Target Company to arrive at the multiplication products in the range of approximately RMB183 million to RMB208 million.

ADDITIONAL VALUATION CONSIDERATION

Working capital surplus/deficit

While Market Approach considered profit earning ability, it did not consider individual entities' working capital surplus/deficit as of the Valuation Date, hence, an adjustment was made.

By considering the historical working capital requirements of the Comparable Companies as representative normal working capital requirement ("**Normalized Net Working Capital**"), it is noted that the Normalized Net Working Capital to revenue ratio ("**Normalized Ratio**") is approximately 30%. Applying the Normalized Ratio to the annualized 2016 revenue based on 2016 first nine month's revenue of the Target Company, the Normalized Net Working Capital requirement of the Target Company was estimated to be approximately RMB31 million. As of the Valuation Date, the Target Company had approximately RMB37 million of net working capital balance, implying there is a working capital surplus approximately of RMB6 million, which is an excess and was added to the multiplication products under the Market Approach.

The indicated business enterprise value of the Target Company on a marketable and non-controlling basis, after working capital surplus adjustment, was in the range of approximately RMB189 million to RMB214 million.

Premium for Control

Premium for control is the additional value inherent in the controlling interest, as contrasted to a minority interest that reflects the power of control. The thousands of daily transaction on stock exchanges are, of course, minority interest transactions. Each year, a controlling interest in a few hundred of these public companies is purchased at a price that is substantially higher than the published market price of the securities. The public markets provide information on control premiums through acquisition transactions. When a controlling interest in a publicly traded firm is acquired and taken private, the purchaser normally pays a premium above the freely traded, minority interest share price. The difference between the published price of the shares before their acquisition and the purchase price of the controlling interest is referred to as the control premium.

When valuing the Target Company based on Guideline Company Method, the level of value is presented on freely traded and non-controlling basis. A premium for control reflects the degree of control associated with a 100% equity interest of the Target Company. To estimate the control premium applicable to the Target Company, we relied on indications of control premium from data on acquisition transactions in the real estates industry in 2013 to 2015, extracted from Mergermarket Group, which is founded in 2000, and is a global company specializes in providing mergers and acquisitions information. The real estate industry is selected because the property management industry is a subset of real estate industry, according to North American Industry Classification System (NAICS). As indicated by the market data, a 10% control premium on enterprise value level was considered to be appropriate.

Discount for Lack of Marketability ("DLOM")

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

In this valuation, we adopted 35% as the DLOM, which is referenced to historical statistics of the price to earnings ratios offered for acquisitions of public companies and private companies in the public transactions summarized in the FactSet Mergerstat Review 2016, published by Business Valuation Resources LLC ("**BVR**"). Mergerstat Review is an annual compilation of statistics and analysis of mergers and acquisitions involving U.S. companies, including privately held, publicly traded and cross-border transactions, sources from Mergerstat's global mergers and acquisitions database with expert analysts verify all data. It is acknowledged that statistics and analysis of mergers and acquisitions in China are not available in public domain. In addition, although the database of Mergerstat Review covers U.S. companies only, we are not aware of any empirical studies suggesting the correlation between DLOM and country of domicile and we consider the DLOM suggested by Mergerstat Review is applicable to this valuation.

CONCLUSION OF VALUE

Based upon the investigation and analysis outlined above, it is our opinion that the fair value of the Target Company as of the Valuation Date is reasonably stated in the range of RENMINBI ONE HUNDRED AND THIRTY FIVE MILLION (RMB135,000,000) ONLY to RENMINBI ONE HUNDRED AND FIFTY THREE MILLION (RMB153,000,000) ONLY.

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We have not investigated the title to or any liabilities against the property appraised.

We hereby certify that we have neither present nor prospective interests in the Company or the value reported.

Respectfully submitted,
For and on behalf of
AMERICAN APPRAISAL CHINA LIMITED

Ricky Lee
Managing Director

Note: Mr. Lee has been involved in business enterprise and intangible asset valuation services for the purposes of joint venture, merger & acquisition and public listing for over fifteen years and is a fellow member of the Association of Chartered Certified Accountants, accredited senior appraiser of the American Society of Appraisers and charter holder of the Chartered Financial Analyst.

This valuation was prepared under the supervision of Mr. Lee as project-in-charge with significant professional assistance from Ms. Priscilla Cheng and Ms. Stella Chin.

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 Company. 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. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors and chief executives in the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors of the Company, including their respective associates in the equity or equity securities of the Company or its associated corporations (within the meanings of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies had been notified to the Company and the Stock Exchange were as follows:

Interests in ordinary shares of associated corporations of the Company:

Name of associated corporations	Name of director	Capacity/ Nature of Interest	Number of class of shares	Approximately percentage of the issued share capital
Huiri Limited	Zheng Jiang	Interest in a controlled corporation	0.1 ordinary shares	10%
China Prosper Enterprise Holding Co., Ltd *(Note 1)*	Zheng Jiang	Interest in a controlled corporation	1,000 ordinary shares	10%

Notes:

1. Ze Hong Limited, a company wholly owned by Mr. Zheng Jiang, was interested in (i) 10% of the issued share capital of Huiri Limited, being the holding company of the Company; and (ii) 10% of the issued share capital of China Prosper Enterprise Holding Co., Ltd., being a fellow subsidiary of Huiri Limited. Mr. Zheng Jiang was deemed to be interested in the shares of Huiri Limited and China Prosper Enterprise Holding Co., Ltd. as held by Ze Hong Limited by virtue of SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

(b) Disclosure of interests of substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons (other than a Director or chief executive or their respective associates) or entities who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital were as follows:

Interest in Shares of the Company

Name	**Capacity/Nature of interest**	**Number of shares held**	**Approximate Percentage to issued share capital of the Company as at the Latest Practicable Date** *(%)(note 1)*
Zheng Jian Jiang *(note 2)*	Interest in a controlled corporation	219,950,000	69.83
Ze Hui Limited *(note 2)*	Interest in a controlled corporation	219,950,000	69.83
Huiri Limited *(note 2)*	Beneficial owner	219,950,000	69.83
He Yi Ju *(note 3)*	Interest of spouse	219,950,000	69.83

Notes:

1. On the basis of 314,984,000 shares of the Company in issue as at 31 March 2016.

2. Huiri Limtied is a 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, a current executive Director and the chairman of the Boad). Each of Mr. Zheng Jian Jiang and Ze Hui Limited is deemed to be interested in all the Shares in which Huiri Limited is interested by virtue of the SFO.

3. Ms. He Yi Ju is the spouse of Mr. Zheng Jian Jiang. Under the SFO, Ms, He Yi Ju was taken to be interested in the same number of shares in which Mr. Zheng Jian Jiang was interested.

Save as disclosed herein, so far as is known to the Directors, as at the Latest Practicable Date, no person had an interest or a short position in the Shares or the 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 or which were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or any options in respect of such share capital.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or a short position in the Shares and 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.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Director had a service contract with the Company which is not determinable by the Company within one year without payment of any compensation (other than statutory compensation).

4. INTERESTS IN ASSETS AND CONTRACTS AND COMPETING INTERESTS

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Enlarged Group, and since 31 March 2016 (the date to which the latest audited consolidated financial statements of the Group were made up), none of the Directors is directly or indirectly interested in any assets which have been acquired or disposed of by or leased to (or are proposed to be acquired or disposed of by or leased to) any member of the Enlarged Group.

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

5. 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 2016, the date to which the latest published 2016 full year results of the Group were made up.

6. QUALIFICATION AND CONSENT OF EXPERTS

The following are the qualification of the experts who have given advice, letter or opinion contained in this circular:

Name	Qualifications
KPMG	Certified Public Accountants
Prosperity Capital Holdings Limited	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO
American Appraisal China Limited	Professional valuers

As at the Latest Practicable Date, the experts identified above have 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.

As at the Latest Practicable Date, the experts identified above had no direct or indirect interests in any assets which have been, since 31 March 2016 (the date to which the latest audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

The experts identified above have given and have 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.

7. LITIGATION

So far as the Directors are aware, as at the Latest Practicable Date, no member of the Enlarged Group was involved in any litigation or claim of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Enlarged Group) were entered into by member(s) of the Enlarged Group within the two years immediately preceding the date of this circular which are or may be material:

(a) the Agreement;

(b) the Property Services Framework Agreement.

9. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the following documents will be available for inspection during the normal business hours at 23/F, Gloucester Tower, 15 Queen's Road Central, Hong Kong from the date of this circular up to and including the date of the EGM (save for Saturday and public holidays):

(a) the memorandum and articles of association of the Company;

(b) the annual report of the Company for the year ended 31 March 2016;

(c) contracts referred to in the section headed "Material Contracts" in this appendix;

(d) the accountants' report on the Target Company, the text of which is set out in Appendix II to this circular;

(e) the report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(f) the letters of consent from the expert identified in the section headed "Qualification and Consent of Experts" above in this appendix;

(g) the letter of advice from Prosperity Capital Holdings Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;

(h) the letter from Independent Board Committee, the text of which is set out in this circular; and

(i) the valuation report of the Target Company prepared by American Appraisal China Limited, the text of which is set out in Appendix IV to this circular.

10. GENERAL

(a) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

(b) The joint company secretary of the Company are Mr. Chan Hon Ki and Ms. Tsang Kwok Shan, Sandy. Ms. Tsang is a fellow member of the Association of Chartered Certified Accountants. Mr. Chan is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

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 9/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong on Monday, 20 March 2017 at 11:00 a.m. for the following purposes:

ORDINARY RESOLUTIONS

1. "**THAT**:

(a) the transactions contemplated under the conditional equity transfer agreement (the "**Agreement**", a copy of which has been produced to the meeting marked "A" and signed by the Chairman of the meeting for the purpose of identification) dated 7 November 2016 entered into among 寧波奧克斯物業服務有限公司 (Ningbo AUX Property Management Service Co., Ltd.*, the "**Target Company**"), 寧波奧克斯置業有限公司 (Ningbo AUX Real Estate Co., Ltd.*), the sole shareholder of the Target Company, as vendor ("**Vendor**"), and Starry Chance Limited (寶星有限公司), an indirect wholly owned subsidiary of the Company, as purchaser ("**Purchaser**"), in relation to, among other things, the sale by the Vendor and the acquisition of the Purchaser of the entire equity interests of the Target Company at a consideration of RMB153 million (subject to adjustments pursuant to the Agreement), further details of which are set out in the circular of the Company dated 28 February 2017, be and are hereby approved, confirmed and ratified; and

(b) any director of the Company be and are hereby authorized to exercise all the powers of the Company and take all steps as might in his opinion be desirable, necessary or expedient to give effect to or in connection with the Agreement including without limitation to:

(a) the execution, amendment, supplement, delivery, submission and/or implementation of any further documents or agreements in relation to the Agreement; and

(b) the taking of all necessary actions to implement the transactions contemplated under the Agreement."

2. “**THAT**

(a) the Property Services Framework Agreement (as defined and described in the Circular, a copy of which is tabled at the meeting and marked “B” and signed by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the annual caps (as set out in the Circular, of which this notice forms part) of the transaction under the Property Services Framework Agreement for each of the three years ending 31 December 2019 be and are hereby approved; and

(c) any one director of the Company be and is hereby authorised to, on behalf of the Company, do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he/she may consider necessary or desirable for the purpose of or in connection with or to give effect to the Property Services Framework Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 28 February 2017

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 registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time fixed for holding the meeting.

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.

5. A member of the Company entitled to more than one vote needs not, if he votes on a poll, use all his votes or cast all the votes he uses in the same way.

6. The resolutions are to be voted 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 Thursday, 16 March 2017 to Monday, 20 March 2017, 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 Wednesday, 15 March 2017.

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

* *for identification purpose only*