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AUX INTERNATIONAL HOLDINGS LIMITED

奧克斯國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2080)

**CONTINUING CONNECTED TRANSACTIONS:
RENEWAL OF EXISTING FRAMEWORK AGREEMENTS AND
NEW FRAMEWORK AGREEMENT
FOR PROVISION OF PROPERTY MANAGEMENT SERVICES**

Given that the 2018 Framework Agreements are due to expire on 31 December 2020 or 31 March 2021 (as the case may be), the Board announces that on 1 December 2020, Ningbo AUX Property, an indirect wholly-owned subsidiary of the Company (for itself and as trustee for the benefit of its subsidiaries from time to time), as supplier entered into 2020 Framework Agreement I, 2020 Framework Agreement II, 2020 Framework Agreement III and 2020 Framework Agreement IV with Ningbo AUX Healthcare (Ningbo Mingzhou Hospital's intermediate holding company), AUX Group, Ningbo Sanxing and Ningbo AUX Real Estate (in each case, for itself and as trustee for the benefit of its subsidiaries from time to time) as customers to renew 2018 Framework Agreement I, 2018 Framework Agreement II, 2018 Framework Agreement III and the Amended 2016 Framework Agreement respectively on comparable terms, such that Ningbo AUX Property could, subject to the Independent Shareholders' approval, continue to provide property management and other ancillary services to such customers from 1 January 2021 onwards until 31 December 2023.

In addition, on 1 December 2020, Ningbo AUX Property (for itself and as trustee for the benefit of its subsidiaries from time to time) as supplier entered into 2020 Framework Agreement V with Ningbo AUX Electric (for itself and as trustee for the benefit of its subsidiaries from time to time) as customer for the provision of property management services (including mainly cleaning services in connection with the industrial park facilities occupied by Ningbo AUX Electric and/or its subsidiaries) for a term commencing on 1 January 2021 and ending on 31 December 2023.

The Group estimates that the aggregate amount of fees which may be charged by Ningbo AUX Property for the property management services to be provided pursuant to the 2020 Framework Agreements for the three years ending 31 December 2021, 2022 and 2023 shall not exceed RMB26.8 million, RMB36.4 million and RMB44.4 million (under 2020 Framework Agreement I); RMB5.4 million, RMB11.0 million and RMB13.1 million (under 2020 Framework Agreement II); RMB0.5 million, RMB0.5 million and RMB0.5 million (under 2020 Framework Agreement III); RMB37.2 million, RMB50.1 million and RMB54.8 million (under 2020 Framework Agreement IV); and RMB3.8 million, RMB7.4 million and RMB7.8 million (under 2020 Framework Agreement V) respectively.

As at the date of this announcement, (i) AUX Group was collectively wholly owned by two companies each held as to 85.00% by Mr. Zheng Jian Jiang; (ii) Ningbo Sanxing was in aggregate directly held as to approximately 52.75% by Mr. Zheng Jian Jiang and the parties acting in concert with him (including Mr. Zheng Jian Jiang and AUX Group); (iii) Ningbo AUX Electric was in aggregate directly held as to approximately 62.04% by Mr. Zheng Jian Jiang and AUX Group and indirectly held as to approximately 25.80% by Mr. Zheng Jian Jiang; (iv) Ningbo AUX Healthcare was a direct wholly-owned subsidiary of Ningbo Sanxing; and (v) Ningbo AUX Real Estate was indirectly held as to 85.00% by Mr. Zheng Jian Jiang, and Mr. Zheng Jian Jiang indirectly held approximately 58.66% of the issued Shares. Accordingly, each of AUX Group, Ningbo Sanxing, Ningbo AUX Electric, Ningbo AUX Healthcare and Ningbo AUX Real Estate was an associate (being a 30%-controlled company) of Mr. Zheng Jian Jiang as a controlling shareholder of the Company and hence a connected person of the Company. Therefore, the transactions contemplated under the 2020 Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the continuing connected transactions contemplated under the 2020 Framework Agreements exceed(s) 5% and the relevant consideration exceeds HK\$10 million (based on the largest aggregate annual cap during the term of the 2020 Framework Agreements), such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened to seek the approval of the Independent Shareholders in respect of the 2020 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps). Mr. Zheng Jian Jiang, Ze Hui Limited and Huiji Limited and their respective associates, and all other Shareholders materially interested in the foregoing matters shall abstain from voting on the resolutions in relation to such matters at the EGM.

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on the 2020 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps), and First Shanghai Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular including, among others, a letter from the Board containing (i) detailed information regarding each of the 2020 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps); (ii) a letter from the Independent Board Committee containing its advice to the Independent Shareholders in respect of the foregoing matters; (iii) a letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the foregoing matters; and (iv) a notice convening the EGM and the relevant proxy form will be despatched to the Shareholders on or before 22 December 2020.

BACKGROUND

Given that the 2018 Framework Agreements are due to expire on 31 December 2020 or 31 March 2021 (as the case may be), the Board announces that on 1 December 2020, Ningbo AUX Property, an indirect wholly-owned subsidiary of the Company (for itself and as trustee for the benefit of its subsidiaries from time to time), as supplier entered into 2020 Framework Agreement I, 2020 Framework Agreement II, 2020 Framework Agreement III and 2020 Framework Agreement IV with Ningbo AUX Healthcare (Ningbo Mingzhou Hospital's intermediate holding company), AUX Group, Ningbo Sanxing and Ningbo AUX Real Estate (in each case, for itself and as trustee for the benefit of its subsidiaries from time to time) as customers to renew 2018 Framework Agreement I, 2018 Framework Agreement II, 2018 Framework Agreement III and the Amended 2016 Framework Agreement respectively on comparable terms, such that Ningbo AUX Property could, subject to the Independent Shareholders' approval, continue to provide property management and other ancillary services to such customers from 1 January 2021 onwards until 31 December 2023.

In addition, on 1 December 2020, Ningbo AUX Property (for itself and as trustee for the benefit of its subsidiaries from time to time) as supplier entered into 2020 Framework Agreement V with Ningbo AUX Electric (for itself and as trustee for the benefit of its subsidiaries from time to time) as customer for the provision of property management services (including mainly cleaning services in connection with the industrial park facilities occupied by Ningbo AUX Electric and/or its subsidiaries) for a term commencing on 1 January 2021 and ending on 31 December 2023.

Accordingly, the Company intends to seek approvals from the Independent Shareholders in respect of each of the 2020 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps) at the EGM.

THE 2020 FRAMEWORK AGREEMENTS

2020 Framework Agreement I

A summary of the principal terms of 2020 Framework Agreement I is as follows:

Date: 1 December 2020

Parties: (1) Ningbo AUX Property (for itself and as trustee for the benefit of its subsidiaries from time to time)

(2) Ningbo AUX Healthcare (for itself and as trustee for the benefit of its subsidiaries from time to time)

Term of the agreement: Subject to approval by the Independent Shareholders, 2020 Framework Agreement I shall be effective from 1 January 2021 until 31 December 2023. With effect from the date on which 2020 Framework Agreement I comes into operation, 2020 Framework Agreement I shall supersede 2018 Framework Agreement I in all respects and all obligations of the parties thereunder shall cease and determine forthwith.

Types of services to be provided: Ningbo AUX Property and its subsidiaries shall send workers to the hospital(s) operated by Ningbo AUX Healthcare and/or its subsidiaries from time to time to provide the following services: (i) property housekeeping services, including daily housekeeping and cleaning in areas within the hospital premises and in respect of, among others, medical equipment, furniture and fixtures therein, daily housekeeping and cleaning in all public areas, collection and management of clinical and other wastes, and sanitation of hospital beds, equipment and disposable products, among others; (ii) transportation services, including ushering patients to appropriate areas for check-ups and treatments, delivery of testing samples and relevant paper records to respective departments of the hospital(s), preparation of sanitation materials and delivery of sanitisation materials and disposable hygiene products, management of cleaning supplies, transportation of large volume parenteral (LVP) within the hospital area, custody and transportation of pure water, transportation of furniture within the hospital area, and collection and reporting of transportation data, among others; (iii) blood transportation services; (iv) order maintenance services, such as maintenance of good public order within the hospital area, management and performance of fire and disaster prevention work, provision of assistance to hospital staff in handling of medical dispute incidents, and ensuring the safety of hospital personnel and the safekeeping of hospital assets; (v) property maintenance management services, such as ensuring construction projects are conducted in an orderly manner, and regular inspection of high voltage power distribution room, drainage system, fire pump system, lighting system, water purification system and sewage treatment facilities; (vi) elevator operation services, including daily inspection of the elevators within the hospital area and provision of assistance to users of the elevators; (vii) auxiliary medical services, such as provision of assistance to nurses in daily performance of their duties, cleaning and sanitisation of hospital beds and management of hospital storage rooms and furniture; (viii) provision of personal nursing support to patients by qualified professional caretakers; and (ix) landscaping services within the hospital area.

Pricing policy: The transactions under 2020 Framework Agreement I shall be conducted on normal commercial terms. The number of workers to be sent by Ningbo AUX Property and its subsidiaries, the fees payable by Ningbo AUX Healthcare and/or its relevant subsidiary to Ningbo AUX Property and its subsidiaries for the services to be provided in respect of each hospital facility pursuant to 2020 Framework Agreement I and the relevant service scope shall be agreed between Ningbo AUX Healthcare and/or its relevant subsidiary and Ningbo AUX Property and its subsidiaries on an arm's length and set out in each specific service agreement. The service fees shall be calculated on the basis of the following:

- the service fee per worker, which is equal to (1) the average wage (the “**Hospital Property Management Service Average Wage**”) of the workers in each function to be sent by Ningbo AUX Property and its subsidiaries for the provision of services to Ningbo AUX Healthcare and/or the relevant subsidiary during the period covered under the specific service agreement, plus (2) a markup (in terms of a percentage to the Hospital Property Management Service Average Wage) (the “**Hospital Property Management Service Markup**”) to cover the other costs and disbursements of Ningbo AUX Property and its subsidiaries in providing the required services and its gross profit margin; and
- the average number of workers to be sent by Ningbo AUX Property and its subsidiaries for the provision of services to Ningbo AUX Healthcare and/or the relevant subsidiary during the period covered under the specific service agreement, which shall be agreed between Ningbo AUX Property and its subsidiaries and Ningbo AUX Healthcare and/or its relevant subsidiary with reference to the needs, hospital area size and scale of operations of the hospital facilities operated by Ningbo AUX Healthcare or the relevant subsidiary where services are to be provided.

The Hospital Property Management Service Markup shall be at or above the applicable level set out below:

- (1) the prevailing comparable market level of the markup charged for similar services at the relevant time;
- (2) where the information as referred to in paragraph (1) above is not available or obtainable, the markups charged by Ningbo AUX Property and its subsidiaries to independent third party customers for similar services provided within the six-month period immediately preceding the date of each specific service agreement; and
- (3) where the information as referred to in paragraphs (1) and (2) above is both not available or obtainable, a markup at or above 16%, which was determined with reference to the estimated markups charged by other listed companies providing similar services in the PRC calculated based on their published financial information.

Payment arrangement: Payment will be settled on a monthly basis within 10 business days after issue of the relevant invoice by Ningbo AUX Property.

Specific service agreements: Ningbo AUX Property and/or its subsidiaries and Ningbo AUX Healthcare and/or its subsidiaries will enter into, from time to time and as and when necessary, specific service agreements which shall set out the specific terms and conditions in respect of each individual hospital facility, including, among others, the agreed number of workers to be sent by Ningbo AUX Property and its subsidiaries for the provision of services, service fee per worker, and service scope.

Any such service agreement shall be within the ambit of 2020 Framework Agreement I and shall not contravene the provisions of 2020 Framework Agreement I; in case of any inconsistency, the provisions of 2020 Framework Agreement I shall prevail.

Historical information and annual caps of transactions contemplated under 2020 Framework Agreement I

Historical transaction amounts

The following table sets out the amounts of previous continuing connected transactions between Ningbo AUX Property and its subsidiaries and Ningbo Mingzhou Hospital and/or its subsidiaries under 2018 Framework Agreement I:

	For the year ended 31 March 2019	For the year ended 31 March 2020	For the year ending 31 March 2021
	<i>RMB in million</i>	<i>RMB in million</i>	<i>RMB in million</i>
Annual cap	21.0	26.0	27.0
Historical transactions recorded	16.3	14.5	8.4
Utilisation rate	77.7%	55.8%	(Note) 31.1%

Note: Based on the unaudited consolidated management accounts of the Group for the period from 1 April 2020 to 31 October 2020

The economic turbulence created by the China-US trade dispute has caused a slow-down in Ningbo Mingzhou Hospital's expansion plan. As a result, the utilisation rates in the financial year ended 31 March 2020 and in the financial year ending 31 March 2021 are lower than forecasted.

Proposed annual caps

In order to streamline the workflow in respect of the overall implementation and monitoring and the annual review of the continuing connected transactions contemplated under the 2020 Framework Agreements as a whole, the proposed annual caps for the transactions contemplated under 2020 Framework Agreement I have been aligned with those for the transactions contemplated under the rest of the 2020 Framework Agreements and set with reference to financial years ending 31 December of the relevant years.

The proposed annual caps for the transactions contemplated under 2020 Framework Agreement I for the three years ending 31 December 2023 are as follows:

	For the year ending 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023
	<i>RMB in million</i>	<i>RMB in million</i>	<i>RMB in million</i>
Annual cap	26.8	36.4	44.4

Basis of determination of the annual caps

The proposed annual caps for the transactions contemplated under 2020 Framework Agreement I are determined with reference to the amounts of previous transactions under 2018 Framework Agreement I and:

- (i) the estimated further increase in the demand of the counterparty for the services to be provided by Ningbo AUX Property and its subsidiaries during the three years ending 31 December 2023, as it is expected that Ningbo AUX Property and its subsidiaries will be providing services in accordance with the existing service scope in respect of the hospital(s) to be acquired by Ningbo AUX Healthcare and/or its subsidiaries in accordance with its expansion plan, in addition to the existing hospitals operated by Ningbo Mingzhou Hospital and/or its subsidiaries. It is expected that its expansion plan, which was affected by the economic slowdown and the outbreak of COVID-19, will be accelerated along with the anticipated economic recovery. On such basis, the service area will be expanded to cover such newly acquired hospital(s). Accordingly, it is expected that the average number of workers required to be sent by Ningbo AUX Property for the provision of services will increase from 331 per month for the year ending 31 December 2020 to an average of approximately 796 per month for the three years ending 31 December 2023; and
- (ii) the anticipated growth of approximately 2.9% in the wages of the workers of Ningbo AUX Property and its subsidiaries during each of the three years ending 31 December 2023, which is estimated based on the growth in consumer price index in China in 2019 of 2.9% as compare with 2018, as reported by the National Bureau of Statistics of the PRC. The above is expected to lead to a corresponding increase in the service fee per worker calculated on the basis of the Hospital Property Management Service Average Wage.

2020 Framework Agreement II

A summary of the principal terms of 2020 Framework Agreement II is as follows:

Date: 1 December 2020

Parties: (1) Ningbo AUX Property (for itself and as trustee for the benefit of its subsidiaries from time to time)

(2) AUX Group (for itself and as trustee for the benefit of its subsidiaries from time to time)

Term of the agreement: Subject to approval by the Independent Shareholders, 2020 Framework Agreement II shall be effective from 1 January 2021 until 31 December 2023.

Types of services to be provided, pricing policy and payment arrangement: Ningbo AUX Property and its subsidiaries shall be commissioned to provide property management services including maintenance, cleaning and security services in connection with the offices, commercial properties and car park units occupied by AUX Group and/or its subsidiaries with the types of services and their respective pricing policies and payment as summarised below.

In addition, in the light of the new industrial park projects undertaken by AUX Group and/or its subsidiaries, it is expected that the service scope shall be extended and Ningbo AUX Property and its subsidiaries will provide pre-sale managements services, sales offices management services and unsold industrial park units property management services in respect of industrial park facilities owned by AUX Group and/or its subsidiaries under 2020 Framework Agreement II.

a. Office and commercial property management services

Types of services to be provided: Maintenance, cleaning and security services in respect of office and commercial properties occupied by AUX Group and its subsidiaries

Pricing policy: The service fees will be agreed with AUX Group and shall be based on the prevailing rates of management fees charged by Ningbo AUX Property and its subsidiaries for office units and commercial properties leased by independent third parties, ranging from RMB4.5 to RMB6.0 per square metre per month depending on the location and nature of the properties (for example different rates are charged in respect of offices in Ningbo and Hangzhou), and shall be on terms not more favourable to AUX Group and/or its subsidiaries than those offered by Ningbo AUX Property and its subsidiaries to independent third parties for comparable services.

Such rates of management fees have been adopted by the Group based on the prevailing market rates at which comparable services are provided.

Payment arrangement: Payment shall be made monthly pursuant to the relevant terms of the specific service agreements to be entered into.

b. Car park management services

Types of services to be provided: Maintenance cleaning and security services in respect of car park units occupied by AUX Group and its subsidiaries

Pricing policy: The service fees will be agreed with AUX Group and shall be based on the prevailing rates of management fees charged by Ningbo AUX Property and its subsidiaries for car park units leased by independent third parties, ranging from RMB50 to RMB210 per unit per month depending on the location of the car park units (for example, different rates are charged in respect of carparks in Ningbo and Hangzhou), and shall be on terms not more favourable to AUX Group and/or its subsidiaries than those offered by Ningbo AUX Property and its subsidiaries to independent third parties for comparable services.

Such rates of management fee have been adopted by the Group based on the prevailing market rates at which comparable services are provided.

Payment arrangement: Payment shall be made monthly pursuant to the relevant terms of the specific service agreements to be entered into.

c. Pre-sale management services

Types of services to be provided: Management and maintenance services in respect of properties and facilities of the industrial park projects of AUX Group and/or its subsidiaries before delivery. It is currently expected that AUX Group will deliver 1, 5 and 5 industrial park project(s) in the years ending 31 December 2021, 2022 and 2023, respectively

Pricing policy: In relation to the industry park development projects in tier 2 cities, considering the facts that these cities are also tier-2 cities in the PRC similar to Ningbo in terms of size and the nature of such project projects is comparable to that of the projects undertaken in Ningbo, in the absence of any pricing requirement from time to time prescribed by the local government, the service fees will be determined based on the service fees charged for services provided in Ningbo. Except for Ningbo, the prevailing markets prices in cities where the relevant property development projects are undertaken are currently not prescribed by the local governments.

The Group will also take into account the expected operational costs and the anticipated increase in such costs over the agreement term when it decides to enter into specific service agreements for each development project.

Payment arrangement: Payment shall be made monthly pursuant to the relevant terms of the specific service agreements to be entered into.

d. Sales offices management services

Types of services to be provided: Cleaning, security and customer services at the sales offices and showrooms of the industrial park projects of AUX Group and/or its subsidiaries

Pricing policy: The service fees will be determined and charged based on the actual costs relating to provision of management services plus a rate of management fee to be agreed under the specific services agreements for the industrial park projects (which shall in any event be not less than 10%, being the minimum rate generally charged by other independent service providers in the market, and shall be on terms not more favourable to AUX Group and/or its subsidiaries than those offered by Ningbo AUX Property and its subsidiaries to independent third parties for comparable services).

The group will also take into account the then prevailing market price, and the historical and anticipated property management costs, including labour costs and material costs.

Payment arrangement: Payment shall be made monthly pursuant to the relevant terms of the specific service agreements to be entered into.

e. Unsold industrial park units property management services

Types of services to be provided: Maintenance cleaning and security services in respect of unsold industrial park units of the industrial park projects of AUX Group and/or its subsidiaries

Pricing policy: The service fees will be agreed with the property developer and shall be based on the prevailing rates of management fees charged by Ningbo AUX Property and its subsidiaries in respect of sold industrial park units of independent third parties, ranging from RMB1.4 to RMB1.8 per square metre per month depending on the respective location and nature of the properties (for example different rates are charged in respect of single-level units, multi-level units without elevator and multi-level units with elevator), and shall be on terms not more favourable to AUX Group and/or its subsidiaries than those offered by Ningbo AUX Properties and its subsidiaries to independent third parties for comparable services. Such rates of management fees have been adopted by the Group based on the prevailing market rates at which comparable services are provided.

Payment arrangement: Payment shall be made monthly pursuant to the relevant terms of the specific service agreements to be entered into.

Specific service agreements: Ningbo AUX Property and/or its subsidiaries and AUX Group and/or its subsidiaries will enter into, from time to time and as and when necessary, specific service agreements which shall set out the specific terms and conditions in respect of the services to be provided, including the service fees agreed and the pricing basis.

Any such service agreement shall be within the ambit of 2020 Framework Agreement II and shall not contravene the provisions of 2020 Framework Agreement II; in case of any inconsistency, the provisions of 2020 Framework Agreement II shall prevail.

Historical information and annual caps of transactions contemplated under 2020 Framework Agreement II

Historical transaction amounts

The following table sets out the amounts of previous continuing connected transactions between Ningbo AUX Property and its subsidiaries and AUX Group and/or its subsidiaries under 2018 Framework Agreement II:

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ending 31 December 2020
	<i>RMB in million</i>	<i>RMB in million</i>	<i>RMB in million</i>
Annual cap	0.3	3.7	3.7
	<i>(Note 1)</i>		
Historical transaction recorded	0.04	1.2	1.2
			<i>(Note 2)</i>
Utilisation rate	13.3%	32.4%	32.4%

Notes:

1. In respect of the month ended 31 December 2018
2. Based on the unaudited consolidated management accounts of the Group for the period from 1 January 2020 to 31 October 2020

Due to the uncertain economic outlook for the time being and the increase in Hangzhou's property value, AUX Group has occupied less office space than previously forecasted. Therefore the utilisation rates in the year ended 31 December 2019 and in the year ending 31 December 2020 have both fallen in the lower range.

Proposed annual caps

The proposed annual caps for the transactions contemplated under 2020 Framework Agreement II for the three years ending 31 December 2023 are as follows:

	For the year ending 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023
	<i>RMB in million</i>	<i>RMB in million</i>	<i>RMB in million</i>
Annual cap	5.4	11.0	13.1

Basis of determination of the annual caps

The proposed annual caps for the transactions contemplated under 2020 Framework Agreement II are determined with reference to:

- (i) the historical size of office units and commercial properties and number of car park units occupied, and the historical size of industrial park properties owned by AUX Group and its subsidiaries which require Ningbo AUX Property's property management services as at 31 December 2019 and as at 31 October 2020 as follows:

	Size of office units and commercial properties <i>(square metres)</i>	Number of car park units	Size of industrial park properties <i>(square metres)</i>
As at 31 December 2019	25,878	896	N/A
As at 31 October 2020	15,141	553	N/A

; and

- (ii) other factors such as the expected demand of AUX Group and its subsidiaries for property management services for the years ending 31 December 2021, 2022 and 2023 with reference to their needs for office space, commercial properties and car park units, and the industrial park facilities owned by them. It is estimated that the size of office units and commercial properties and number of car park units occupied, and the size of industrial park properties owned by AUX Group and its subsidiaries in respect of which property management services will be required to be provided by Ningbo AUX Property and its subsidiaries for each of the three years ending 31 December 2021, 2022 and 2023 will be as follows:

	Size of office units and commercial properties <i>(square metres)</i>	Number of car park units	Size of industrial park properties <i>(square metres)</i>
Year ending 31 December 2021	22,944	568	64,000
Year ending 31 December 2022	22,944	568	393,000
Year ending 31 December 2023	22,944	568	752,000

Accordingly, based on the estimated average rate of monthly management fee for office units and commercial properties of RMB5.4 per square metre, the average rate of monthly management fee for car park units of RMB78.6 per unit and the average rate of monthly management fee for industrial park properties ranging from RMB1.2 to RMB4.3 per square meter, the aggregate amount of management fees to be charged to AUX Group and/or its subsidiaries in respect of each type of management services to be provided for each of the three years ending 31 December 2021, 2022 and 2023, which forms the basis for the annual caps for 2020 Framework Agreement II, is as follows:

	Office and commercial property management services <i>(RMB million)</i>	Car park management services <i>(RMB million)</i>	Industrial park properties <i>(RMB million)</i>
Year ending 31 December 2021	1.5	0.6	3.3
Year ending 31 December 2022	1.5	0.6	8.9
Year ending 31 December 2023	1.5	0.6	11.0

The proposed annual caps have been increased as compared with the annual caps for the previous continuing connected transactions due to particularly the expansion in service scope with services to be provided to AUX Group and/or its subsidiaries in respect of three industrial park facilities in Zheng Zhou, Tianjing and Dangtu during the three years ending 31 December 2023.

2020 Framework Agreement III

A summary of the principal terms of 2020 Framework Agreement III is as follows:

Date: 1 December 2020

Parties: (1) Ningbo AUX Property (for itself and as trustee for the benefit of its subsidiaries from time to time)

(2) Ningbo Sanxing (for itself and as trustee for the benefit of its subsidiaries from time to time)

Term of the agreement: Subject to approval by the Independent Shareholders, 2020 Framework Agreement III shall be effective from 1 January 2021 until 31 December 2023.

Types of services to be provided, pricing policy and payment arrangement: Ningbo AUX Property and its subsidiaries shall be commissioned to provide property management services including maintenance, cleaning and security services in connection with the offices and car park units occupied by Ningbo Sanxing and/or its subsidiaries with the types of services to be provided and their respective pricing policy and payment arrangement as summarised below:

a. Office property management services

Types of services to be provided: Maintenance cleaning and security services in respect of offices occupied by Ningbo Sanxing and/or its subsidiaries

Pricing policy: The service fees will be agreed with Ningbo Sanxing and shall be based on the prevailing rates of management fees charged by Ningbo AUX Property and its subsidiaries for offices leased by independent third parties, ranging from RMB4.5 to RMB6.0 per square metre per month depending on the location and nature of the properties (for example, different rates are charged in respect of offices in Ningbo and Hangzhou), and shall be on terms not more favourable to Ningbo Sanxing and/or its subsidiaries than those offered by Ningbo AUX Property and its subsidiaries to independent third parties for comparable services.

Such rates of management fees have been adopted by the Group based on the prevailing market rates at which comparable services are provided.

Payment term: Payment shall be made monthly pursuant to the terms of the specific service agreements to be entered into.

b. Car park management services

Scope of services: Maintenance, cleaning and security services in respect of car park units occupied by Ningbo Sanxing and/or its subsidiaries

Pricing policy: The service fees will be agreed with Ningbo Sanxing and shall be based on the prevailing rates of management fees charged by Ningbo AUX Property and its subsidiaries for car park units leased by independent third parties, ranging from RMB50 to RMB210 per unit per month depending on the location of the car park units (for example, different rates are charged in respect of carparks in Ningbo and Hangzhou), and shall be on terms not more favourable to Ningbo Sanxing and/or its subsidiaries than those offered by Ningbo AUX Property and its subsidiaries to independent third parties for comparable services.

Such rates of management fee have been adopted by the Group based on the prevailing market rates at which comparable services are provided.

Payment term: Payment shall be made monthly pursuant to the terms of the specific service agreements to be entered into.

Specific service agreements: Ningbo AUX Property and/or its subsidiaries and Ningbo Sanxing and/or its subsidiaries will enter into, from time to time and as and when necessary, specific service agreements which shall set out the specific terms and conditions in respect of the services to be provided, including the service fees agreed and the pricing basis.

Any such service agreement shall be within the ambit of 2020 Framework Agreement III and shall not contravene the provisions of 2020 Framework Agreement III; in case of any inconsistency, the provisions of 2020 Framework Agreement III shall prevail.

Historical information and annual caps of transactions contemplated under 2020 Framework Agreement III

Historical transaction amounts

The following table sets out the amounts of previous continuing connected transactions between Ningbo AUX Property and its subsidiaries and Ningbo Sanxing and/or its subsidiaries under 2018 Framework Agreement III:

	For the year ended 31 December 2018 <i>RMB in million</i>	For the year ended 31 December 2019 <i>RMB in million</i>	For the year ending 31 December 2020 <i>RMB in million</i>
Annual cap	0.04	0.40	0.40
Historical transaction recorded	0.004	0.30	0.20
Utilisation rate	10.0%	75.0%	50.0%

Notes:

1. In respect of the month ended 31 December 2018
2. Based on the unaudited consolidated management accounts of the Group for the period from 1 January 2020 to 31 October 2020

Proposed annual caps

The proposed annual caps for the transactions contemplated under 2020 Framework Agreement III for the three years ending 31 December 2023 are as follows:

	For the year ending 31 December 2021 <i>RMB in million</i>	For the year ending 31 December 2022 <i>RMB in million</i>	For the year ending 31 December 2023 <i>RMB in million</i>
Annual cap	0.5	0.5	0.5

The proposed annual caps for the transactions contemplated under 2020 Framework Agreement III are determined with reference to:

- (i) the historical size of offices units and number of car park units occupied by Ningbo Sanxing and/or its subsidiaries and required Ningbo AUX Property and its subsidiaries property management services as at 31 December 2019 and as at 31 October 2020 as follows:

	Size of office units <i>(square metres)</i>	Number of car park units
As at 31 December 2019	5,401	30
As at 31 October 2020	4,561	30

; and

- (ii) other factors such as the expected demand of Ningbo Sanxing and/or its subsidiaries for property management services for the years ending 31 December 2021, 2022 and 2023 with reference to their needs for office space and car park units. It is estimated that the size of the office units and the number of car park units occupied by Ningbo Sanxing and its subsidiaries in respect of which property management services will be required to be provided by Ningbo AUX Property and its subsidiaries for each of the three years ending 31 December 2021, 2022 and 2023 will be as follows:

	Size of office units <i>(square metres)</i>	Number of car park units
Year ending 31 December 2021	8,255	32
Year ending 31 December 2022	8,255	32
Year ending 31 December 2023	8,255	32

Accordingly, based on the estimated average rate of monthly management fee for office units of RMB4.5 per square metre and the average rate of monthly management fee for car park units of RMB88.1 per unit, the aggregate amount of management fees to be charged to Ningbo Sanxing and/or its subsidiaries in respect of each type of management services to be provided for each of the three years ending 31 December 2021, 2022 and 2023, which forms the basis for the annual caps for 2020 Framework Agreement III, is as follows:

	Office property management services <i>(RMB million)</i>	Car park management services <i>(RMB million)</i>
Year ending 31 December 2021	0.45	0.05
Year ending 31 December 2022	0.45	0.05
Year ending 31 December 2023	0.45	0.05

2020 Framework Agreement IV

A summary of the principal terms of 2020 Framework Agreement IV is set forth below:

Date: 1 December 2020

Parties: (1) Ningbo AUX Property (for itself and as trustee for the benefit of its subsidiaries from time to time)

(2) Ningbo AUX Real Estate (for itself and as trustee for the benefit of its subsidiaries from time to time)

Term of the agreement: Subject to approval by the Independent Shareholders, 2020 Framework Agreement IV shall be effective from 1 January 2021 until 31 December 2023.

Types of services to be provided, pricing policy and payment arrangement: Ningbo AUX Property and its subsidiaries shall be commissioned to provide various types of property management services including management, maintenance, cleaning and security services in connection with the development projects of residential properties and shopping complexes launched from time to time by Ningbo AUX Real Estate and/or its subsidiaries. Pre-sale management services, sales offices management services and unsold residential units property management services will be provided to Ningbo AUX Real Estate and/or its subsidiaries in respect of its property development projects according to the development phase and sales recorded. Vacant retail shop property management services will be provided to existing shopping complexes owned by Ningbo AUX Real Estate and/or its subsidiaries. The types of services to be provided and their respective pricing policy and payment arrangement are summarised below:

a. Pre-sale management services

Types of services to be provided: Management and maintenance services in respect of residential properties and facilities of property development projects of Ningbo AUX Real Estate and/or its subsidiaries before delivery

It is currently expected that Ningbo AUX Real Estate and/or its subsidiaries will deliver around 4, 10 and 5 property development projects in the years ending 31 December 2021, 2022 and 2023, respectively.

Pricing policy: In respect of property development projects in the city of Ningbo, the service fees shall be determined with reference to the pricing requirements prescribed by the relevant local regulations from time to time for different types of property development projects (e.g. 寧波市住宅小區物業管理條例實施意見 (Opinions on Implementation of Ningbo Residential Community Property Management Regulations*)). In relation to the property development projects in other cities, considering the facts that these cities are also tier-2 cities in the PRC similar to Ningbo in terms of size and nature of property development projects, in the absence of any pricing requirement from time to time prescribed by the local government, the service fees will be determined based on the service fees charged for services provided in Ningbo. Except for Ningbo, the prevailing market prices in cities where the relevant property development projects are undertaken are currently not prescribed by the local governments.

The Group will also take into account the expected operational costs and the anticipated increase in such costs over the agreement term when it decides to enter into specific service agreements for each development project.

Payment arrangement: Payment shall be made monthly pursuant to the relevant terms of the specific service agreements to be entered into.

b. Sales offices management services

Types of services to be provided: Cleaning, security and customer services at the sales offices and showrooms of the property development projects of Ningbo AUX Real Estate and/or its subsidiaries

Pricing policy: The service fees will be determined and charged based on the actual costs relating to provision of management services plus a rate of management fee to be agreed under the specific service agreements for the property development projects (which shall in any event be not less than 10%, being the minimum rate generally charged by other independent service providers in the market, and shall be on terms not more favourable to Ningbo AUX Real Estate and/or its subsidiaries than those then offered by Ningbo AUX Property and its subsidiaries to independent third parties for comparable services).

The Group will also take into account the then prevailing market price, and the historical and anticipated property management costs, including labour costs and material costs.

Payment arrangement: Payment shall be made monthly pursuant to the terms of the specific service agreements to be entered into.

c. Unsold residential units property management services

Types of services to be provided: Maintenance, cleaning and security services in respect of unsold residential units of the property development projects of Ningbo AUX Real Estate and/or its subsidiaries

Pricing policy: The service fees will be agreed with the property developer and shall be based on the prevailing rates of management fees charged by Ningbo AUX Property and its subsidiaries in respect of sold property units of independent third parties, ranging from RMB1.4 to RMB16.0 per square metre per month depending on the location and nature of the properties (for example different rates are charged in respect of high-rises, condominiums and villas), and shall be on terms not more favourable to Ningbo AUX Real Estate and/or its subsidiaries than those offered by Ningbo AUX Property and its subsidiaries to independent third parties for comparable services.

Such rates of management fees have been adopted by the Group based on the prevailing market rates at which comparable services are provided.

Payment arrangement: Payment shall be made monthly pursuant to the terms of the specific service agreements to be entered into.

d. Vacant retail shop property management services

Types of services to be provided: Maintenance, cleaning and security services in respect of vacant retail shop units of the property development projects of Ningbo AUX Real Estate and/or its subsidiaries

Pricing policy: The service fees will be agreed with the property owner and shall be based on the prevailing rates of management fees charged by Ningbo AUX Property and its subsidiaries for shop units rented to independent third parties, ranging from RMB5.0 to RMB80.0 per square metre per month depending on the location of the vacant shop unit (for example, different rates are charged in respect of anchor shops and ground floor shops), and shall be on terms not more favourable to Ningbo AUX Real Estate and/or its subsidiaries than those offered by Ningbo AUX Property and its subsidiaries to independent third parties for comparable services.

Such rates of management fees have been adopted by the Group based on the prevailing market rates at which comparable services are provided.

Payment arrangement: Payment shall be made monthly pursuant to the terms of the specific service agreements to be entered into.

Specific service agreements: Ningbo AUX Property and/or its subsidiaries and Ningbo AUX Real Estate and/or its subsidiaries will enter into, from time to time and as and when necessary, specific service agreements which shall set out the specific terms and conditions in respect of the services to be provided, including the service fees agreed and the pricing basis.

Any such service agreement shall be within the ambit of 2020 Framework Agreement IV and shall not contravene the provisions of 2020 Framework Agreement IV; in case of any inconsistency, the provisions of 2020 Framework Agreement IV shall prevail.

Historical information and annual caps of transactions contemplated under 2020 Framework Agreement IV

Historical transaction amounts

The following table sets out the amounts of previous continuing connected transactions between Ningbo AUX Property and its subsidiaries and Ningbo AUX Real Estate and/or its subsidiaries under the Amended 2016 Framework Agreement:

	For the year ended 31 December 2017 <i>RMB in million</i>	For the year ended 31 December 2018 <i>RMB in million</i>	For the year ended 31 December 2019 <i>RMB in million</i>	For the year ending 31 December 2020 <i>RMB in million</i>
Annual cap	34.0	30.0	47.7	55.6
Historical transaction recorded	15.5	27.1	29.2	28.5
	<i>(Note 1)</i>			<i>(Note 2)</i>
Utilisation rate	45.5%	90.3%	61.2%	51.3%

Notes:

- Actual fees charged by Ningbo AUX Property for the period from 5 May 2017 to 31 December 2017
- Based on the unaudited consolidated management accounts of the Group for the period from 1 January 2020 to 31 October 2020

Proposed annual caps

The proposed annual caps for the transactions contemplated under 2020 Framework Agreement IV for the three years ending 31 December 2023 are as follows:

	For the year ending 31 December 2021 <i>RMB in million</i>	For the year ending 31 December 2022 <i>RMB in million</i>	For the year ending 31 December 2023 <i>RMB in million</i>
Annual cap	37.2	50.1	54.8

Basis of determination of the annual caps

The proposed annual caps for the transactions contemplated under 2020 Framework Agreement IV are determined with reference to:

- (i) the historical amounts of fees charged by Ningbo AUX Property and its subsidiaries for the property management services provided to Ningbo AUX Real Estate and/or its subsidiaries under the Amended 2016 Framework Agreement, being approximately RMB15.5 million for the period from 5 May 2017 to 31 December 2017, RMB27.1 million for the year ended 31 December 2018, RMB29.2 million for the year ended 31 December 2019 and RMB28.5 million for the 10 months ended 31 October 2020;
- (ii) the expected demand of Ningbo AUX Real Estate and its subsidiaries for property management services for the years ending 31 December 2021, 2022 and 2023 with reference to the Amended 2016 Framework Agreement and the timetable of future property development projects of Ningbo AUX Real Estate and its subsidiaries (it is currently expected that, among the existing development projects, Ningbo AUX Real Estate will complete the sale of 8, 4 and 6 new property development project(s) and will deliver around 4, 10 and 5 property development projects in 2021, 2022 and 2023, respectively, and the remaining existing projects are expected to be sold in 2024 and shortly afterwards) and the number of existing shopping complexes;
- (iii) the estimated vacancy rate of the existing shopping complexes owned by Ningbo AUX Real Estate and/or its subsidiaries for the years ending 31 December 2021, 2022 and 2023 with reference to the historical vacancy rate of the year ended 31 December 2019 and of the ten-month period ended 31 October 2020; and
- (iv) other factors such as the business plans of Ningbo AUX Property (based on the business plans to be provided by Ningbo AUX Real Estate and the on-going tracking of the actual construction progress, Ningbo AUX Property will get involved at the preliminary stage of the project management and put together the working teams three to six months before the delivery of the properties constructed in the relevant property development projects, and then enter into specific service agreements under 2020 Framework Agreement IV with Ningbo AUX Real Estate and/or its subsidiaries at appropriate times; hence the property development plans of Ningbo AUX Real Estate will affect Ningbo AUX Property's schedules for the provision of property management services) and inflation.

2020 Framework Agreement V

A summary of the principal terms of 2020 Framework Agreement V is as follows:

Date:	1 December 2020
Parties:	(1) Ningbo AUX Property (for itself and as trustee for the benefit of its subsidiaries from time to time) (2) Ningbo AUX Electric (for itself and as trustee for the benefit of its subsidiaries from time to time)
Term of the agreement:	Subject to approval by the Independent Shareholders, 2020 Framework Agreement V shall be effective from 1 January 2021 until 31 December 2023.
Types of services to be provided:	Ningbo AUX Property and its subsidiaries shall be commissioned to provide property management services including mainly cleaning services in connection with the industrial park facilities occupied by Ningbo AUX Electric and/or its subsidiaries.
Pricing policy:	The service fees will be agreed between Ningbo AUX Property and its subsidiaries and Ningbo AUX Electric and/or its relevant subsidiary on an arm's length basis and set out in each specific service agreement, and calculated on the basis of the following: <ul style="list-style-type: none">• the service fee per worker, which is equal to (1) the average wage (the “Industrial Property Management Service Average Wage”) of the workers in each function, including mainly cleaning staff, to be sent by Ningbo AUX Property and its subsidiaries for the provision of services to Ningbo AUX Electric and/or the relevant subsidiary during the period covered under the specific service agreement, plus (2) a markup (in terms of a percentage to the Industrial Property Management Service Average Wage) (the “Industrial Property Management Service Markup”) to cover the other costs and disbursements of Ningbo AUX Property and its subsidiaries in providing the required services and its gross profit margin; and

- the average number of workers to be sent by Ningbo AUX Property and its subsidiaries for the provision of services to Ningbo AUX Electric and/or the relevant subsidiary during the period covered under the specific service agreement, which shall be agreed between Ningbo AUX Property and its subsidiaries and Ningbo AUX Electric and/or its relevant subsidiary with reference to the needs, area size and scale of operations of the industrial park facilities operated by Ningbo AUX Electric or the relevant subsidiary where services are to be provided.

The Industrial Property Management Service Markup shall be at or above the applicable level set out below:

- (1) the prevailing comparable market level of the markup charged for similar services at the relevant time; and
- (2) where the information as referred to in paragraph (1) above is not available or obtainable, the markups charged by Ningbo AUX Property and its subsidiaries to independent third party customers for similar services provided within the six-month period immediately preceding the date of each specific service agreement.

Payment arrangement: Payment shall be made monthly pursuant to the relevant terms of the specific service agreements to be entered into.

Specific service agreements: Ningbo AUX Property and/or its subsidiaries and Ningbo AUX Electric and/or its subsidiaries will enter into, from time to time and as and when necessary, specific service agreements which shall set out the specific terms and conditions in respect of the services to be provided, including the agreed number of workers to be sent by Ningbo AUX Property and its subsidiaries for the provision of services, service fee per worker, and service scope.

Any such service agreement shall be within the ambit of 2020 Framework Agreement V and shall not contravene the provisions of 2020 Framework Agreement V; in case of any inconsistency, the provisions of 2020 Framework Agreement V shall prevail.

Annual caps of transactions contemplated under 2020 Framework Agreement V

Proposed annual caps

The proposed annual caps for the transactions contemplated under 2020 Framework Agreement V for the three years ending 31 December 2023 are as follows:

	For the year ending 31 December 2021 <i>RMB in million</i>	For the year ending 31 December 2022 <i>RMB in million</i>	For the year ending 31 December 2023 <i>RMB in million</i>
Annual cap	3.8	7.4	7.8

Basis of determination of the annual caps

The proposed annual caps for the transactions contemplated under 2020 Framework Agreement V are determined with reference to:

- (i) the services expected to be provided in connection with the industrial park owned by Ningbo AUX Electric and/or the relevant subsidiary in Nanchang from 2021 onwards. It is expected that the average number of workers required to be sent by Ningbo AUX Property and its subsidiaries for the provision of services in respect of the industrial park in Nanchang is approximately 24 per month for the three years ending 31 December 2023;
- (ii) the services expected to be provided in connection with the industrial parks owned by Ningbo AUX Electric and/or the relevant subsidiary in Ningbo and Anhui from September 2021 onwards. Accordingly, it is expected that the average number of workers required to be sent by Ningbo AUX Property and its subsidiaries for the provision of services in respect of the industrial parks in Anhui and Ningbo is approximately 28 per month and approximately 82 per month respectively for the three years ending 31 December 2023; and
- (iii) the anticipated growth of approximately 2.9% in the wages of the workers of Ningbo AUX Property and its subsidiaries during each of the three years ending 31 December 2023, which is estimated based on the growth in consumer price index in China in 2019 of 2.9% as compare with 2018, as reported by the National Bureau of Statistics of the PRC. The above is expected to lead to a corresponding increase in the service fee per worker calculated on the basis of the Industrial Property Management Service Average Wage.

Reasons for and Benefits of the 2020 Framework Agreements

The Group currently owns Zentral, a club in Central (“**Zentral Club**”), and two restaurant and bar outlets across Causeway Bay and Mongkok under the brand of “Mini Club”, collectively as the “Lifestyle Entertainment Segment”.

The Lifestyle Entertainment Segment had generated revenue amounting to approximately HK\$52.0 million for the year ended 31 March 2020, representing a decrease of approximately 37.6% as compared to approximately HK\$83.4 million for the year ended 31 March 2019. For the six months ended 30 September 2020, the revenue of the Life Entertainment Segment has decreased by HK\$27.8 million to HK\$8.8 million from HK\$36.6 million for the six months ended 30 September 2019.

In addition to the economic slowdown, the COVID-19 outbreak has further worsened the operating environment of the Lifestyle Entertainment Segment. While the management is confident that the performance of the Lifestyle Entertainment Segment will rebound after the COVID-19 outbreak has come to a end, it is vital that the Group maintains stable and sustainable revenue and cash flow from its property management business segment. Healthy development of the property management segment will not only provide strong support to the Group's performance but also minimise any significant fluctuation in the overall revenue and cash flow of the Group.

Ningbo AUX Real Estate, as an established business partner of Ningbo AUX Property, has been a well known property developer in Yangtze River Delta Economic Zones. As at the date of this announcement, Ningbo AUX Real Estate has a land bank of approximately 1.02 million sq.m.

AUX Group is a well-known conglomerate with business in manufacturing of electrical equipment and household appliance, health care and financial investment. AUX Group owns and maintains a number of offices, industrial parks and car park units in different cities in the PRC.

Ningbo Sanxing, the shares of which are listed on the Shanghai Stock Exchange, operates in the manufacturing of electricity measurement equipment and provision of healthcare services in the PRC. In addition to the offices and car parks occupied by Ningbo Sanxing, it also owns and operates several industrial parks across the country.

Ningbo AUX Healthcare (as intermediate holding company of Ningbo Mingzhou Hospital) and Ningbo Mingzhou Hospital are subsidiaries of Ningbo Sanxing. Ningbo Sanxing has been actively developing its healthcare services, with a view to becoming a leading healthcare service investment and management group in the PRC. The Group is given to understand that Ningbo Sanxing intends to expand its hospital network to cover over 150 hospitals through means such as establishment of new hospitals and acquisitions of existing hospitals by way of direct investment and/or setting up of joint ventures.

Ningbo AUX Electric is a subsidiary of AUX Group principally engaged in manufacturing of electrical equipment and household appliance. Ningbo AUX Electric owns six industrial parks in Nanchang, Ningbo, Tianjing, Ma'anshan and Thailand.

Hence, the Directors are of the view that the proposed renewal of the 2018 Framework Agreements (by way of the entering into of 2020 Framework Agreement I, 2020 Framework Agreement II, 2020 Framework Agreement III and 2020 Framework Agreement IV with Ningbo AUX Healthcare, AUX Group, Ningbo Sanxing and Ningbo AUX Real Estate respectively) and the entering into of 2020 Framework Agreement V with Ningbo AUX Electric will provide Ningbo AUX Property and the Group as a whole access to a stable demand for the Group's property management business segment. As such, the Directors believe that the entering into of the 2020 Framework Agreements will help to reduce the impact on the financial performance of the Group while the Lifestyle Entertainment Segment is more susceptible to the impact of COVID-19 outbreak, and thus ensure the Group will have sufficient financial resources to achieve healthy and sustainable development of both its Lifestyle Entertainment Segment and property management business segment, and contribute to the business growth of the Group as a whole in the long run.

The Directors are also of the view that the entering into of 2020 Framework Agreement II and 2020 Framework Agreement V will enable Ningbo AUX Property to expand its business in provision of industrial park property management services.

Except for Mr. Zheng Jiang, the chairman of the Board and an executive Director who is the brother of Mr. Zheng Jian Jiang and holds equity interests in the counterparties of the 2020 Framework Agreements, Mr. Liang Songluan, an executive Director who is a director of Ningbo Sanxing, and Ms. Shen Guoying, an executive Director who is a director of Ningbo Sanxing, none of the Directors has or is deemed to have any material interest in the 2020 Framework Agreements and the transactions contemplated thereunder (including their respective proposed annual caps). Mr. Zheng Jiang, Mr. Liang Songluan and Ms. Shen Guoying have abstained from voting on the relevant resolutions at the board meeting.

The terms and conditions of the 2020 Framework Agreements were negotiated between the parties thereto on an arm's length basis. The Directors (other than the independent non-executive Directors whose views will be given after taking the advice of the independent financial adviser) are of the view that the terms and conditions of the 2020 Framework Service Agreements (including the pricing mechanism and procedures) and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps) are fair and reasonable and in the interests of the Shareholders as a whole, and such continuing connected transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

MEASURES OF INTERNAL CONTROL

The Company has implemented the following internal control measures for monitoring the pricing and terms of the transactions contemplated under the 2020 Framework Service Agreements and for ensuring that the transactions conducted under such agreements will be entered into based on normal commercial terms:

- (1) prior to entering into the specific service agreements under the 2020 Framework Agreements, 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 the prevailing level of property management fees charged for comparable services for comparable properties (where references will be made (where applicable) to the property management fees charged by Ningbo AUX Property and its subsidiaries to independent third parties for comparable services for comparable properties and the other relevant contract terms in respect thereof and (where practicable) by way of performing research on the recent prices charged by at least two independent service providers in the area(s) in proximity of the new projects by referring to the properties located in the same or nearby streets/complexes, similar-sized properties and services prices charged on those properties, etc. and a report on the above will be prepared afterwards) and/or (where applicable) pricing requirement(s) prescribed by the relevant local regulation(s) and guidance price(s) stipulated by local authority(ies) to ensure that the management fees charged by Ningbo AUX Property and its subsidiaries and the terms of the specific service agreements are in conformity with the 2020 Framework Agreements and on normal commercial terms that are no less favourable to the Group than those available to or from independent third parties. The financial department is responsible for the final approval of the terms of the specific service agreements under the 2020 Framework Agreements;
- (2) upon execution of the specific service agreements under the 2020 Framework Agreements, the legal department of the Group 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(s) paid by the property owners remain consistent with the requirements under the relevant laws and regulations; and
- (3) throughout the term of the 2020 Framework Agreements, the operation department and the financial department are responsible for monitoring the implementation of the specific service agreements under the 2020 Framework Agreements 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 Group for further actions. In addition, the management of the Group will perform spot checks on the implementation of the 2020 Framework Agreements to ensure compliance with the contract terms as and when necessary.

In addition to the above, the Group will also adopt the following internal control measures in respect of the continuing connected transactions contemplated under the 2020 Framework Agreements:

- (i) dedicated personnel of Ningbo AUX Property will be responsible for regular monitoring of the continuing connected transactions under the 2020 Framework Agreements to ensure that the relevant annual caps will not be exceeded;
- (ii) internal review will be conducted by the Group to assess, on a periodic basis, whether the property management services have been provided by Ningbo AUX Property to Ningbo AUX Healthcare, AUX Group, Ningbo Sanxing, Ningbo AUX Real Estate and Ningbo AUX Electric from time to time in accordance with the terms of the 2020 Framework Agreements respectively. In particular, the financial department and the audit department of the Company will be responsible for
 - (i) collecting detailed information of the continuing connected transactions (including but not limited to the pricing terms, payment arrangements and actual transaction amount under each of the specific service agreements) on a regular basis;
 - (ii) monitoring whether the transaction terms and pricing and other terms under each of the specific service agreements are consistent with the principles established under the 2020 Framework Agreements in respect of the continuing connected transactions;
 - (iii) conducting continuous evaluation on the fairness of the transaction terms and the pricing terms; and
 - (iv) reporting relevant information to the Board in a timely manner;
- (iii) the Company will engage its auditors to conduct an annual review of the continuing connected transactions conducted pursuant to the 2020 Framework Agreements and confirm whether such transactions are entered into, in all material respects, in accordance with the pricing policies and other terms set out in the 2020 Framework Agreements and have exceeded the relevant annual caps; and
- (iv) the independent non-executive Directors will review the continuing connected transactions to be entered into pursuant to the 2020 Framework Agreements on an annual basis and confirm in the annual reports of the Company for the years ending 31 March 2021, 2022, 2023 and 2024 whether such continuing connected transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in accordance with the 2020 Framework Agreements on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Directors consider that the above internal control measures can ensure that the transactions contemplated under the 2020 Framework Agreements will be conducted on normal and commercial terms and not prejudicial to the interests of the Group and the Shareholders.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, (i) AUX Group was collectively wholly owned by two companies each held as to 85.00% by Mr. Zheng Jian Jiang; (ii) Ningbo Sanxing was in aggregate directly held as to approximately 52.75% by Mr. Zheng Jian Jiang and the parties acting in concert with him (including Mr. Zheng Jian Jiang and AUX Group); (iii) Ningbo AUX Electric was in aggregate directly held as to approximately 62.04% by Mr. Zheng Jian Jiang and AUX Group and indirectly held as to approximately 25.80% by Mr. Zheng Jian Jiang; (iv) Ningbo AUX Healthcare was a direct wholly-owned subsidiary of Ningbo Sanxing; and (v) Ningbo AUX Real Estate was indirectly held as to 85.00% by Mr. Zheng Jian Jiang, and Mr. Zheng Jian Jiang indirectly held approximately 58.66% of the issued Shares. Accordingly, each of AUX Group, Ningbo Sanxing, Ningbo AUX Electric, Ningbo AUX Healthcare and Ningbo AUX Real Estate was an associate (being a 30%-controlled company) of Mr. Zheng Jian Jiang as a controlling shareholder of the Company and hence a connected person of the Company. Therefore, the transactions contemplated under the 2020 Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the continuing connected transaction contemplated under the 2020 Framework Agreements exceed(s) 5% and the relevant consideration exceeds HK\$10 million (based on the largest aggregate annual cap during the term of the 2020 Framework Agreements), such transactions are subject to the announcement, annual review, annual reporting and circular and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened to seek the approval of the Independent Shareholders in respect of the 2020 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps). Mr. Zheng Jian Jiang, Ze Hui Limited and Huiji Limited and their respective associates, and all other Shareholders materially interested in the foregoing matters shall abstain from voting on the resolutions in relation to such matters at the EGM.

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on the 2020 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps), and First Shanghai Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular including among others, a letter from the Board containing (i) detailed information regarding each of the 2020 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps); (ii) a letter from the Independent Board Committee containing its advice to the Independent Shareholders in respect of the foregoing matters; (iii) a letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the foregoing matters; and (iv) a notice convening the EGM and the relevant proxy form, is expected to be despatched to the Shareholders on or before 22 December 2020.

GENERAL

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

AUX Group

AUX Group is a conglomerate with business in manufacturing of electrical equipment and household appliance, health care and financial investment. As at the Latest Practicable Date, AUX Group was collectively wholly owned by two companies each held as to 85.00% by Mr. Zheng Jian Jiang.

Ningbo AUX Real Estate

Ningbo AUX Real Estate is principally engaged in property development for residential and commercial properties in the PRC. As at the Latest Practicable Date, Ningbo AUX Real Estate was indirectly held as to 85.00% by Mr. Zheng Jian Jiang.

Ningbo AUX Electric

Ningbo AUX Electric is principally engaged in manufacturing of electrical equipment and household appliance. As at the Latest Practicable Date, Ningbo AUX Electric was in aggregate directly held as to approximately 62.04% by Mr. Zheng Jian Jiang and AUX Group and indirectly held as to approximately 25.80% by Mr. Zheng Jian Jiang.

Ningbo Sanxing

Ningbo Sanxing is a joint stock limited liability company established in the PRC, the Issued shares of which are listed on the Shanghai Stock Exchange. Its principal operations include manufacturing of electricity measurement equipment and provision of healthcare services in the PRC. As at the Latest Practicable Date, Ningbo Sanxing was in aggregate directly held as to approximately 52.75% by Mr. Zheng Jian Jiang and the parties acting in concert with him (including Mr. Zheng Jian Jiang and AUX Group).

Ningbo AUX Healthcare

Ningbo AUX Healthcare is a direct wholly-owned subsidiary of Ningbo Sanxing and an intermediate holding company of Ningbo Mingzhou Hospital. Ningbo AUX Healthcare is principally engaged in provision of medical treatments and services.

Since the 2020 Framework Agreements are subject to the fulfilment of the conditions precedent set out therein including, among others, Independent Shareholders' approval and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“2016 Framework Agreement”	the framework agreement entered into between Ningbo AUX Property as supplier and Ningbo AUX Real Estate (for itself and as trustee for the benefit of its subsidiaries from time to time) as customer on 7 November 2016 for the provision of various types of residential property management services by Ningbo AUX Property to Ningbo AUX Real Estate including the maintenance, cleaning and security services in connection with the residential development projects of Ningbo AUX Real Estate and its subsidiaries and associates, which shall be effective for a term from 1 January 2017 to 31 December 2019
“2018 Framework Agreements”	collectively, the 2018 Framework Agreement I, the 2018 Framework Agreement II, the 2018 Framework Agreement III and the Amended 2016 Framework Agreement
“2018 Framework Agreement I”	the framework service agreement entered into between Ningbo AUX Property as supplier and Ningbo Mingzhou Hospital (for itself and as trustee for the benefit of its subsidiary from time to time) as customer on 14 February 2018 in relation to the provision of property housekeeping, transportation and other ancillary services by Ningbo AUX Property to Ningbo Mingzhou Hospital and/or its subsidiaries from time to time, which shall be effective for a term commencing on 1 April 2018 and ending on 31 March 2021

“2018 Framework Agreement II”	the property management services framework agreement entered into between Ningbo AUX Property as supplier and AUX Group (for itself and as trustee for the benefit of its subsidiaries from time to time) as customer on 15 October 2018 for the provision by Ningbo AUX Property of maintenance and cleaning services for offices, car park units and commercial properties owned by AUX Group and its subsidiaries from time to time, which shall be effective for a term commencing on 27 December 2018, being the date of the extraordinary general meeting at which the agreement was approved by the independent shareholders, and ending on 31 December 2020
“2018 Framework Agreement III”	the property management services framework agreement entered into between Ningbo AUX Property as supplier and Ningbo Sanxing (for itself and as trustee for the benefit of its subsidiaries from time to time) as customer on 15 October 2018 for the provision by Ningbo AUX Property of maintenance and cleaning services for offices and car park units occupied by Ningbo Sanxing and its subsidiaries from time to time, which shall be effective for a term commencing on 27 December 2018, being the date of the extraordinary general meeting at which the agreement was approved by the independent shareholders, and ending on 31 December 2020
“2018 Supplemental Agreement”	the agreement entered into between Ningbo AUX Property and Ningbo AUX Real Estate (for itself and as trustee for the benefit of its subsidiaries from time to time) on 15 October 2018 to amend certain terms of the 2016 Framework Agreement
“2020 Framework Agreements”	collectively, 2020 Framework Agreement I, 2020 Framework Agreement II, 2020 Framework Agreement III, 2020 Framework Agreement IV and 2020 Framework Agreement V
“2020 Framework Agreement I”	the framework agreement entered into between Ningbo AUX Property (for itself and as trustee for the benefit of its subsidiaries from time to time) as supplier and Ningbo AUX Healthcare (for itself and as trustee for the benefit of its subsidiaries from time to time) as customer on 1 December 2020 in relation to the provision of property housekeeping, transportation and other ancillary services by Ningbo AUX Property and its subsidiaries to Ningbo AUX Healthcare and/or its subsidiaries which shall, subject to approval by the Independent Shareholders at the EGM, be effective for a term commencing on 1 January 2021 and ending on 31 December 2023

“2020 Framework Agreement II”

the framework agreement entered into between Ningbo AUX Property (for itself and as trustee for the benefit of its subsidiaries from time to time) as supplier and AUX Group (for itself and as trustee for the benefit of its subsidiaries from time to time) as customer on 1 December 2020 for the provision by Ningbo AUX Property and its subsidiaries of property management services including the maintenance, cleaning and security services in connection with the offices, commercial properties and car park units occupied by AUX Group and/or its subsidiaries, and pre-sale managements services, sales offices management services and unsold industrial park units property management services in respect of industrial park facilities owned by AUX Group and/or its subsidiaries, which shall subject to approval by the Independent Shareholders at the EGM, be effective for a term commencing on 1 January 2021 and ending on 31 December 2023

“2020 Framework Agreement III”

the framework agreement entered into between Ningbo AUX Property (for itself and as trustee for the benefit of its subsidiaries from time to time) as supplier and Ningbo Sanxing (for itself and as trustee for the benefit of its subsidiaries from time to time) as customer on 1 December 2020 for the provision by Ningbo AUX Property and its subsidiaries of property management services including maintenance, cleaning and security services in connection with the offices and car park units occupied by Ningbo Sanxing and/or its subsidiaries, which shall, subject to approval by the Independent Shareholders at the EGM, be effective for a term commencing on 1 January 2021 and ending on 31 December 2023

“2020 Framework Agreement IV”

the framework agreement entered into between Ningbo AUX Property (for itself and as trustee for the benefit of its subsidiaries from time to time) as supplier and Ningbo AUX Real Estate (for itself and as trustee for the benefit of its subsidiaries from time to time) as customer on 1 December 2020 for the provision by Ningbo AUX Property and its subsidiaries of property management services including maintenance, cleaning and security services in connection with the development projects of residential properties and shopping complexes launched from time to time by Ningbo AUX Real Estate and/or its subsidiaries, which shall, subject to approval by the Independent Shareholders at the EGM, be effective for a term commencing on 1 January 2021 and ending on 31 December 2023

“2020 Framework Agreement V”	the framework agreement entered into between Ningbo AUX Property (for itself and as trustee for the benefit of its subsidiaries from time to time) as supplier and Ningbo AUX Electric (for itself and as trustee for the benefit of its subsidiaries from time to time) as customer on 1 December 2020 for the provision by Ningbo AUX Property and its subsidiaries of property management services including mainly cleaning services in connection with the industrial park facilities occupied by Ningbo AUX Electric and/or its subsidiaries, which shall, subject to approval by the Independent Shareholders at the EGM, be effective for a term commencing on 1 January 2021 and ending on 31 December 2023
“30%-controlled company”	has the meaning ascribed to it under the Listing Rules
“Amended 2016 Framework Agreement”	the 2016 Framework Agreement as amended by the 2018 Supplemental Agreement, which shall be effective for a term commencing on 27 December 2018, being the date of the extraordinary general meeting at which the 2018 Supplemental Agreement was approved by the independent shareholders, and ending on 31 December 2020
“associate”	has the meaning ascribed to it under the Listing Rules
“AUX Group”	奧克斯集團有限公司 (AUX Group Company Limited*), a limited liability company established in the PRC
“AUX International Holdings Limited” or “Company”	a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Board”	the board of Directors
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of, among others, considering, and if thought fit, approval by the Independent Shareholders of the 2020 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising all three independent non-executive Directors, established to advise the Independent Shareholders in respect of the 2020 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps)
“Independent Shareholders”	shareholders other than Mr. Zheng Jian Jiang, Ze Hui Limited and Huiyi Limited and their respective associates, and all other Shareholders materially interested in the 2020 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps)
“independent third party(ies)”	person(s) or company(ies) which is/are not connected person(s) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ningbo AUX Electric”	寧波奧克斯電氣股份有限公司 (Ningbo AUX Electric Co., Ltd*), a joint stock limited liability company established in the PRC
“Ningbo AUX Healthcare”	寧波奧克斯醫療集團有限公司 (Ningbo AUX Healthcare Group Company Limited*), a limited liability company established in the PRC
“Ningbo AUX Property”	寧波奧克斯物業服務有限公司 (Ningbo AUX Property Management Service Co., Ltd.*), a limited liability company established in the PRC and an indirectly wholly-owned subsidiary of the Company

“Ningbo AUX Real Estate”	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
“Ningbo Mingzhou Hospital”	寧波明州醫院有限公司 (Ningbo Mingzhou Hospital Company Limited*), a limited liability company established in the PRC
“Ningbo Sanxing”	寧波三星醫療電氣股份有限公司 (Ningbo Sanxing Medical Electric Co., Ltd.*), a joint stock limited liability company established in the PRC, the issued shares of which are listed on the Shanghai Stock Exchange (stock code: 601567)
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of a nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 1 December 2020

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

** The English translation of the Chinese names of the companies established in the PRC is for identification purpose only*