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 dealing, bank manager, solicitor, professional accountant or other appropriate independent 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 dealing or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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)

CONTINUING CONNECTED TRANSACTIONS: RENEWAL OF EXISTING FRAMEWORK AGREEMENTS FOR PROVISION OF PROPERTY MANAGEMENT SERVICES; ADOPTION OF NEW SHARE OPTION SCHEME; AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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

邁時資本

MAXA CAPITAL

A notice convening the EGM of AUX International Holdings Limited to be held at Portion 2, 12/F, The Center, 99 Queen's Road Central, Central, Hong Kong at 12:00 noon on Tuesday, 20 February 2024 is set out on pages EGM-1 to EGM-5 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.auxint.com). 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 17F, Fast East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. at or before 12:00 noon on Sunday, 18 February 2024 (Hong Kong time)) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the form of proxy previously submitted shall be deemed to be revoked.

2 February 2024

CONTENTS

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

"2014 Share Option Scheme"	the share option scheme of the Company adopted on 3 January 2014
"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 Shuyi Property (for itself and as trustee for the benefit of its subsidiaries from time to time) as supplier and Ningbo Mingzhou 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 Shuyi Property and its subsidiaries to Ningbo Mingzhou 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 Shuyi 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 Shuyi Property and its subsidiaries of 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, 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 Shuyi 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 Shuyi 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 Shuyi 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 Shuyi 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 Shuyi 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
"2021 Framework Agreements"	collectively, 2021 Framework Agreement I and 2021 Framework Agreement II
"2021 Framework Agreement I"	the framework agreement entered into between Shuyi 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 30 September 2021 for the provision by Shuyi Property and its subsidiaries of sales office management services and unsold industrial park units property management services in respect of the industrial park development projects of Ningbo AUX Real Estate and/ or its subsidiaries from time to time, which shall be effective for a term from 1 October 2021 and ending on 31 December 2023

"2021 Framework Agreements II"	the framework agreement entered into between Shuyi 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 30 September 2021 for the provision by Shuyi Property and its subsidiaries of preliminary property management services and unlet industrial park units property management services in respect of an industrial park owned by Ningbo AUX Electric and/ or its subsidiaries from time to time, which shall be effective for a term from 1 October 2021 and ending on 31 December 2023
"2023 Framework Agreements"	collectively, 2023 Framework Agreement I, 2023 Framework Agreement II, Amended 2023 Framework Agreement III, 2023 Framework Agreement IV and 2023 Framework Agreement V
"2023 Framework Agreement I"	the framework agreement entered into between Shuyi Property (for itself and as trustee for the benefit of its subsidiaries from time to time) as supplier and Ningbo Mingzhou Healthcare (for itself and as trustee for the benefit of its subsidiaries from time to time) as customer on 27 November 2023 in relation to the provision of property housekeeping, transportation and other ancillary services by Shuyi Property and its subsidiaries to Ningbo Mingzhou 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 2024 and ending on 31 December 2026

"2023 Framework Agreement II"	the framework agreement entered into between Shuyi 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 27 November 2023 for the provision by Shuyi Property and its subsidiaries of 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, which shall subject to approval by the Independent Shareholders at the EGM, be effective for a term commencing on 1 January 2024 and ending on 31 December 2026
"2023 Framework Agreement III"	the framework agreement entered into between Shuyi 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 27 December 2023 for the provision by Shuyi Property and its subsidiaries of property management services including maintenance, cleaning and security services in connection with the offices, car park units and industrial park 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 2024 and ending on 31 December 2026
"Supplemental Agreement"	the supplemental agreement entered into between Shuyi Property (for itself and as trustee for the benefit of its subsidiaries from time to time) and Ningbo Sanxing (for itself and as trustee for the benefit of its subsidiaries from time to time on 14 December 2023 to amend certain terms of 2023 Framework Agreement III
"Amended 2023 Framework Agreement III"	2023 Framework Agreement III as amended by the Supplemental Agreement

"2023 Framework Agreement IV"	the framework agreement entered into between Shuyi 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 27 November 2023 for the provision by Shuyi Property and its subsidiaries of property management services including management, maintenance, cleaning and/ or security services in connection with the residential property development projects, industrial park projects shopping complexes, offices, commercial properties and car park units launched, owned or occupied by Ningbo AUX Real Estate and/or its subsidiaries and car park sales agency services in connection with the car park units owned by Ningbo AUX Real Estate and/or its subsidiaries from time to time, which shall, subject to approval by the Independent Shareholders at the EGM, be effective for a term commencing on 1 January 2024 and ending on 31 December 2026
"2023 Framework Agreement V"	the framework agreement entered into between Shuyi 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 27 November 2023 for the provision by Shuyi Property and its subsidiaries of property management services including maintenance, cleaning and/or security services in respect of industrial park properties owned or occupied by Ningbo AUX Electric and/or its subsidiaries from time to time, which shall, subject to approval by the Independent Shareholders at the EGM, be effective for a term commencing on 1 January 2024 and ending on 31 December 2026
"2024 Share Option Scheme"	the share option scheme of the Company proposed to be approved and adopted by the Shareholders at the EGM
"30%-controlled company"	has the meaning ascribed to it under the Listing Rules
"associate(s)"	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 2023 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"	the Hong Kong Special Administrative Region of the People's Republic of China
"IFA"	Maxa Capital Limited
"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 2023 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps)

"Independent Shareholder(s)"	Shareholders other than Mr. JJ Zheng, Ze Hui Limited and Huiri Limited and their respective associates, and all other Shareholders materially interested in the 2023 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
"Latest Practicable Date"	31 January 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining the information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. JJ Zheng"	Mr. Zheng Jian Jiang (鄭堅江)
"Mr. XW He"	Mr. He Xiwan (何錫萬)
"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 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 Healthcare"	寧波明州醫療集團有限公司 (前為寧波奧克斯醫療集團有限公司 (Ningbo Mingzhou Healthcare Group Company Limited, formerly known as Ningbo AUX Healthcare Group Company Limited)*), 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)

"Option(s)"	option(s) to subscribe for Shares to be granted under the 2024 Share Option Scheme
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"Remuneration Committee"	the remuneration committee of the Board
"RMB"	Renminbi, the lawful currency of the PRC
"Senior Manager"	a senior manager disclosed from time to time in the Company's annual report as required under paragraph 12 of Appendix 16 of the Listing Rules (as may be amended from time to time)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of a nominal value of HK$0.01 each in the share capital of the Company
"Share Schemes"	collectively, schemes involving the grant of Shares or options over Shares by the Company
"Shareholder(s)"	holder(s) of the Shares
"Shuyi Property"	曙一物業服務有限公司(前為寧波奧克斯物業服務有限公司) (Shuyi Property Management Service Co., Ltd. (Formerly known as Ningbo AUX Property Management Service Co., Ltd.*)), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent

* *In this circular, the English translation of the Chinese names of the companies established in the PRC marked with an asterisk is for identification purpose only.*

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. Zheng Jian Jiang
Mr. Chan Hon Ki
Ms. Shen Guoying
Ms. Chen Lingxiao

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:
Unit 1, 10th Floor
Emperor Group Centre
288 Hennessy Road
Hong Kong

2 February 2024

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS:
RENEWAL OF EXISTING FRAMEWORK AGREEMENTS
FOR PROVISION OF PROPERTY MANAGEMENT SERVICES;
ADOPTION OF NEW SHARE OPTION SCHEME;
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement of the Company dated 27 November 2023 and 14 December 2023, in relation to among other things, (i) the proposed renewal of 2020 Framework Agreement I by way of the entering into of 2023 Framework Agreement I; (ii) the proposed renewal of 2020 Framework Agreement II by way of the entering into of 2023 Framework Agreement II; (iii) the proposed renewal of 2020 Framework Agreement III by way of the entering into of Amended 2023 Framework Agreement III; (iv) the proposed renewal of 2020

Framework Agreement IV and 2021 Framework Agreement I by way of the entering into of 2023 Framework Agreement IV; and (v) the proposed renewal of 2020 Framework Agreement V and 2021 Framework Agreement II by way of the entering into of 2023 Framework Agreement V.

Given that the 2020 Framework Agreements and 2021 Framework Agreements are due to expire on 31 December 2023, on 27 November 2023 and 14 December 2023, Shuyi Property (for itself and as trustee for the benefit of its subsidiaries from time to time) as supplier entered into 2023 Framework Agreement I, 2023 Framework Agreement II, Amended 2023 Framework Agreement III, 2023 Framework Agreement IV and 2023 Framework Agreement V with Ningbo Mingzhou Healthcare, AUX Group, Ningbo Sanxing, Ningbo AUX Real Estate and Ningbo AUX Electric (in each case, for itself and as trustee for the benefit of its subsidiaries from time to time) as customers to renew 2020 Framework Agreement I, 2020 Framework Agreement II, 2020 Framework Agreement III, 2020 Framework Agreement IV, 2020 Framework Agreement V, 2021 Framework Agreement I and the 2021 Framework Agreement II, respectively on comparable terms with consolidation of and/or adjustments to the service scopes where necessary or appropriate depending on the business needs of the relevant counterparty, such that Shuyi Property could, subject to the Independent Shareholders' approval, continue to provide property management and other ancillary services to such customers from 1 January 2024 onwards until 31 December 2026.

The Company confirms that (i) the amounts of service fees charged by the Group pursuant to 2020 Framework Agreement I, 2020 Framework Agreement II, 2020 Framework Agreement III, 2020 Framework Agreement IV and 2020 Framework Agreement V have not exceeded the respective annual caps as approved at the extraordinary general meeting of the Company held on 13 January 2021 for the years ended 31 December 2021 and 2022 and the year ending 31 December 2023 (up to the Latest Practicable Date); and (ii) the amounts of service fees charged by the Group pursuant to 2021 Framework Agreement I and 2021 Framework Agreement II have not exceeded the annual cap as approved at the board meeting of the Company held on 30 September 2021 for the year ended 31 December 2021 and 2022 and the year ending 31 December 2023 (up to the Latest Practicable Date).

Accordingly, the Company intends to seek approvals from the Independent Shareholders in respect of each of the 2023 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps) at the EGM.

Reference is also made to the prospectus of the Company dated 13 January 2014. As disclosed in the section headed "Other Information – 13. Share Option Scheme" in Appendix IV to the prospectus, the 2014 Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption, i.e. from 3 January 2014 to 2 January 2024. In addition, it is noted that Chapter 17 of the Listing Rules which contains provision governing, among others, the share option schemes of listed issuers has been amended with effect from 1 January 2023. As the 2014 Share Option Scheme had expired on 2 January 2024, to enable the Company to make further grants of share options to eligible participants as and when appropriate to motivate them to make continuous contribution to the development of the Group, the Company intends to seek approvals from the Shareholders in respect of adoption of the 2024 Share Option Scheme which is in line with the prevailing requirements under the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) detailed information regarding each of the 2023 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps); (ii) the recommendations from the Independent Board Committee to the Independent Shareholders in respect of the foregoing matters; (iii) a letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders in respect of the foregoing matters; (iv) information regarding the ordinary resolution to be proposed at the EGM in relation to the approval and adoption of the 2024 Share Option Scheme; and (v) a notice convening the EGM.

THE 2023 FRAMEWORK AGREEMENTS

2023 Framework Agreement I

A summary of the principal terms of 2023 Framework Agreement I is as follows:

Date:	27 November 2023
Parties:	(1) Shuyi Property (for itself and as trustee for the benefit of its subsidiaries from time to time) (2) Ningbo Mingzhou 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, 2023 Framework Agreement I shall be effective from 1 January 2024 until 31 December 2026.

Types of services to be provided:	Shuyi Property and its subsidiaries shall send workers to the hospital(s) operated by Ningbo Mingzhou 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; (ix) provision of security services to safeguard hospital equipments; and (x) landscaping services within the hospital area.

Pricing policy: The transactions under 2023 Framework Agreement I shall be conducted on normal commercial terms. The number of workers to be sent by Shuyi Property and its subsidiaries, the rates of fees payable by Ningbo Mingzhou Healthcare and/or its relevant subsidiary to Shuyi Property and its subsidiaries for the services to be provided pursuant to 2023 Framework Agreement I and the relevant service scope shall be agreed between Ningbo Mingzhou Healthcare and/or its relevant subsidiary and Shuyi 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 Shuyi Property and its subsidiaries for the provision of services to Ningbo Mingzhou Healthcare and/or the relevant subsidiary during the period covered under the specific service agreement, plus (2) a markup (in terms of percentage to the Hospital Property Management Service Average Wage) (the "Hospital Property Management Service Markup") to cover the other costs and disbursements of Shuyi Property and its subsidiaries in providing the required services and its profit margin; and

- the average number of workers to be sent by Shuyi Property and its subsidiaries for the provision of services to Ningbo Mingzhou Healthcare and/or the relevant subsidiary during the period covered under the specific service agreement, which shall be agreed between Shuyi Property and its subsidiaries and Ningbo Mingzhou Healthcare and/or its relevant subsidiary with reference to the actual demand and the hospital area size and scale of operations of the hospital facilities operated by Ningbo Mingzhou 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 property management services provided to hospital properties in the past six months with reference to contracts displayed in the PRC Government procurement database;

(2) where the information as referred to in paragraph (1) above is not available or obtainable, the markups charged by Shuyi Property and its subsidiaries for similar services provided to at least two independent third parties 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 14%, which approximates the estimated markups charged by at least three other companies listed on the Stock Exchange principally engaged in provision of property management services in the PRC deduced based on the profit margins in their published financial information in the range of 12.0% to 15.8% and also factors in the location, type and size of the properties to be managed by the Group. To the best of the knowledge, information and believe of the Directors, these three referenced listed companies derive the majority of their revenue from provision of property management services in the PRC. Given that the resource requirements and mode of delivery of their property management services do not vary materially from those of the types of hospital property management services provided by the Group on a frequent basis, the Directors are of the view that such property management services are generally comparable in terms of cost structure. Therefore, the profit margins recorded by these companies are considered appropriate points of reference reflecting the relevant general rate of markup charged by property management service providers in the market.

The pricing policy serves to ensure that the service fees will suffice to cover the costs incurred by Shuyi Property and its subsidiaries in providing the requisite management services and, on top of that, provide reasonable returns to Shuyi Property and its subsidiaries reflecting the prevailing market rate or that are otherwise in line with the market practice. Accordingly, the Board considers that the pricing policy is fair and reasonable.

Payment arrangement:	Payment will be settled on a monthly basis within 10 business days after issue of the relevant invoice by Shuyi Property.
Specific service agreements:	Shuyi Property and/or its subsidiaries and Ningbo Mingzhou Healthcare and/or its subsidiaries will enter into, from time to time and as and when necessary, specific service agreements in respect of each individual hospital facility setting out the specific terms and conditions, including, among others, the agreed number of workers to be sent by Shuyi 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 2023 Framework Agreement I and shall not contravene the provisions of 2023 Framework Agreement I; in case of any inconsistency, the provisions of 2023 Framework Agreement I shall prevail.

Historical information and annual caps of transactions contemplated under 2023 Framework Agreement I

Historical transaction amounts

The following table sets out the amounts of previous continuing connected transactions between Shuyi Property and its subsidiaries and Ningbo AUX Healthcare and/or its subsidiaries under 2020 Framework Agreement I:

	For the year ended 31 December 2021 *RMB in million*	**For the year ended 31 December 2022** *RMB in million*	**For the year ending 31 December 2023** *RMB in million*
Annual cap	26.8	36.4	44.4
Historical transactions recorded	15.4	15.5	21.8
Utilisation rate	57.5%	42.6%	49.1%

The anti-pandemic policy and measures imposed by the government during the COVID-19 pandemic and the slower-than-expected post-pandemic economic recovery have caused a decrease in the demand of Ningbo Mingzhou Healthcare and its subsidiaries for the services. As a result, the utilisation rates in the financial year ended 31 December 2022 and in the financial year ending 31 December 2023 are lower than forecasted.

Proposed annual caps

The proposed annual caps for the transactions contemplated under 2023 Framework Agreement I for the three years ending 31 December 2026 are as follows:

	For the year ending 31 December 2024 *RMB in million*	**For the year ending 31 December 2025** *RMB in million*	**For the year ending 31 December 2026** *RMB in million*
Annual cap	30.6	33.7	41.5

Basis of determination of the annual caps

The proposed annual caps for the transactions contemplated under 2023 Framework Agreement I are determined with reference to the amounts of previous transactions under 2020 Framework Agreement I and:

(i) the estimated demand of the counterparty for the services to be provided by Shuyi Property and its subsidiaries during the three years ending 31 December 2026. It is expected that Shuyi Property and its subsidiaries will continue providing services in accordance with the existing service scope in respect of the existing hospitals operated by Ningbo Mingzhou Healthcare and/or its subsidiaries. As at the latest practicable date, Ningbo Mingzhou Healthcare's hospital network has comprises 18 hospitals, of which Shuyi Property has been providing service to eight hospitals. The demand for property management services of Ningbo Mingzhou Healthcare's hospital network is expected to increase, and Shuyi Property's services may be extended to the other existing hospitals operated by Ningbo Mingzhou Healthcare and/or its subsidiaries over the coming financial years. It also expected that Ningbo Mingzhou Healthcare will continue to require upgrade on service quality. Accordingly, it is expected that the number of workers required to be sent by Shuyi Property for the provision of services for the three years ending 31 December 2026 will increase as compared to an average of approximately 338 per month for the three years ended 31 December 2023 to an average of approximately 746 per month for the three years ending 31 December 2026; and

(ii) the wage levels of the workers of Shuyi Property and its subsidiaries during each of the three years ending 31 December 2026, which are anticipated to show no significant growth from the levels for the year ending 31 December 2023. The wage levels are estimated based on the consumer price indices in China in the ten months ended 31 October 2023 as compared with the corresponding period in 2022, as reported by the National Bureau of Statistics 8 of the PRC. The service fee per worker (calculated on the basis of the Hospital Property Management Service Average Wage) is therefore expected to remain relatively stable as compared with the historical transaction periods.

2023 Framework Agreement II

A summary of the principal terms of 2023 Framework Agreement II is as follows:

Date:	27 November 2023
Parties:	(1) Shuyi 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, 2023 Framework Agreement II shall be effective from 1 January 2024 until 31 December 2026.
Types of services to be provided, pricing policy and payment arrangement:	Shuyi 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.

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/or its subsidiaries.
Pricing policy:	The service fees will be agreed with AUX Group and shall approximate the prevailing rates of management fees charged by Shuyi Property and its subsidiaries for office units and commercial properties leased by at least two independent third parties factoring in the location, type and size of the properties to be managed by, the expected profit margin of, and the expected operational costs to be incurred by Shuyi Property and its subsidiaries as compared with the referenced transactions, ranging from RMB5.3 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 Shuyi 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 to independent third party customers. Accordingly, the Board considers that the pricing policy is fair and reasonable.
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 approximate the prevailing rates of management fees charged by Shuyi Property and its subsidiaries for car park units leased by at least two independent third parties factoring in the location, type and size of the properties to be managed by, the expected profit margin of, and the expected operational costs to be incurred by Shuyi Property and its subsidiaries as compared with the referenced transactions, ranging from RMB50 to RMB400 per unit per month depending on the location of the car park units (for example, different rates are charged in respect of car parks in Ningbo and Hangzhou), and shall be on terms not more favourable to AUX Group and/ or its subsidiaries than those offered by Shuyi 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 to independent third party customers. Accordingly, the Board considers that the pricing policy is fair and reasonable.
Payment arrangement:	Payment shall be made monthly pursuant to the relevant terms of the specific service agreements to be entered into.
Specific service agreements:	Shuyi 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 agreed rates of service fees and the pricing basis.

Any such service agreement shall be within the ambit of 2023 Framework Agreement II and shall not contravene the provisions of 2023 Framework Agreement II; in case of any inconsistency, the provisions of 2023 Framework Agreement II shall prevail.

Historical information and annual caps of transactions contemplated under 2023 Framework Agreement II

Historical transaction amounts

The following table sets out the amounts of previous continuing connected transactions between Shuyi Property and its subsidiaries and AUX Group and/or its subsidiaries under 2020 Framework Agreement II:

	For the year ended 31 December 2021 *RMB in million*	**For the year ended 31 December 2022** *RMB in million*	**For the year ending 31 December 2023** *RMB in million*
Annual cap	5.4	11.0	13.1
Historical transaction recorded	1.2	0.6	1.7
Utilisation rate	22.2%	5.5%	13.0%

Due to the uncertainty in China's manufacturing segment during the COVID-19 pandemic, AUX Group has put its industrial development plan on hold in the first quarter of 2020 and ceased its industrial park development plan later that year. As a result, no services related to industrial park properties were provided for AUX Group during the term of 2020 Framework Agreement II (including pre-sale management services, sales office management services and unsold industrial park units property management services, which fell within the service scope under 2020 Framework Agreement II but have not been included in 2023 Framework Agreement II). Therefore the utilisation rates in the year ended 31 December 2021, in the year ended 31 December 2022 and in the year ending 31 December 2023 have fallen or are expected to fall in the lower range.

In the light of the cessation of the industrial park development plan by AUX Group, the related property management services have been excluded from the service scope of 2023 Framework Agreement II. The proposed annual caps for the transactions contemplated under 2023 Framework Agreement II will be reduced accordingly. Further details regarding the proposed annual caps are set forth in the sub-section headed "Proposed annual caps" below.

Proposed annual caps

The proposed annual caps for the transactions contemplated under 2023 Framework Agreement II for the three years ending 31 December 2026 are as follows:

	For the year ending 31 December 2024 *RMB in million*	**For the year ending 31 December 2025** *RMB in million*	**For the year ending 31 December 2026** *RMB in million*
Annual cap	1.2	1.2	1.2

Basis of determination of the annual caps

The proposed annual caps for the transactions contemplated under 2023 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 by AUX Group and its subsidiaries in respect of which property management services of Shuyi Property and its subsidiaries are required as at 31 December 2022 and as at 31 October 2023 as follows:

	Size of office units and commercial properties *(square metres)*	**Number of car park units**
As at 31 December 2022	7,853	43
As at 31 October 2023	12,187	243

; 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 2024, 2025 and 2026 with reference to their needs for office space and commercial properties and car park units. It is estimated that the size of office units and commercial properties and number of car park units occupied by AUX Group and its subsidiaries in respect of which property management services will be required to be provided by Shuyi Property and its subsidiaries for each of the three years ending 31 December 2024, 2025 and 2026 will be as follows:

	Size of office units and commercial properties *(square metres)*	**Number of car park units**
Year ending 31 December 2024	12,187	243
Year ending 31 December 2025	12,187	243
Year ending 31 December 2026	12,187	243

Accordingly, based on the estimated average rate of monthly management fee for office units and commercial properties of RMB5.9 per square metre and the average rate of monthly management fee for car park units of RMB81.2 per unit (each such rate being weighted-average of the range of service fees determined based on the respective pricing policy disclosed above), 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 2024, 2025 and 2026, which is calculated by multiplying the relevant average rate of monthly management fee by the size of office units and commercial properties or number of car park units as stated above and forms the basis for the annual caps for 2023 Framework Agreement II, is as follows:

	Office and commercial property management services *(RMB million)*	**Car park management services** *(RMB million)*
Year ending 31 December 2024	0.9	0.3
Year ending 31 December 2025	0.9	0.3
Year ending 31 December 2026	0.9	0.3

The proposed annual caps have been reduced as compared with the annual caps for the previous continuing connected transactions under 2020 Framework Agreement II, which is attributable to the fact that AUX Group has ceased its industrial park development plan and thus no longer requires property management services relating to industrial park projects, in addition to the decrease in size of office units and commercial properties and number of car park units occupied by AUX Group and its subsidiaries.

Amended 2023 Framework Agreement III

A summary of the principal terms of Amended 2023 Framework Agreement III is as follows:

Date:	14 December 2023
Parties:	(1) Shuyi 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, Amended 2023 Framework Agreement III shall be effective from 1 January 2024 until 31 December 2026.
Types of services to be provided, pricing policy and payment arrangement:	Shuyi Property and its subsidiaries shall be commissioned to provide property management services including maintenance, cleaning and security services in connection with the offices, car park units and industrial park 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. In particular, as Ningbo Sanxing and its subsidiaries are in need of better industrial park property management service quality, it is expected that the service scope shall be extended as compared with 2020 Framework Agreement III and Shuyi Property and its subsidiaries will provide industrial park property management services in respect of industrial park occupied and unlet industrial park units owned by Ningbo Sanxing and/or its subsidiaries under Amended 2023 Framework Agreement III.

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 approximate the prevailing rates of management fees charged by Shuyi Property and its subsidiaries for offices leased by at least two independent third parties factoring in the location, type and size of the properties to be managed by, the expected profit margin of, and the expected operational costs to be incurred by Shuyi Property and its subsidiaries as compared with the referenced transactions, ranging from RMB5.3 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 Shuyi 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 to independent third party customers. Accordingly, the Board considers that the pricing policy is fair and reasonable.
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 approximate the prevailing rates of management fees charged by Shuyi Property and its subsidiaries for car park units leased by at least two independent third parties at RMB 400 per unit per month factoring in the location, type and size of the properties to be managed by, the expected profit margin of, and the expected operational costs to be incurred by Shuyi Property and its subsidiaries as compared with the referenced transactions, and shall be on terms not more favourable to Ningbo Sanxing and/ or its subsidiaries than those offered by Shuyi 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 to independent third party customers. Accordingly, the Board considers that the pricing policy is fair and reasonable.
Payment term:	Payment shall be made monthly pursuant to the terms of the specific service agreements to be entered into.

c. Industrial park property management services

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

Pricing policy: The service fee will be agreed with Ningbo Sanxing and shall be based on the number of workers in each function to be sent by Shuyi Property and its subsidiaries for the provision of services in respect of the industrial park and their respective rates of service fees as agreed between Ningbo Sanxing and/or its relevant subsidiary and Shuyi Property and its subsidiaries on an arm's length. In respect of each industrial park, the specific terms and conditions on which services are to be provided shall be set out in a specific service agreement, including, the agreed number of workers to be sent, rates of service fees and service scope. 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 "Industrial Park Management Service Average Wage") of the workers in each function to be sent by Shuyi Property and its subsidiaries for the provision of services to Ningbo Sanxing and/or the relevant subsidiary during the period covered under the specific service agreement, plus (2) a markup (as a percentage of the Industrial Park Management Service Average Wage) (the "Industrial Park Management Service Markup") to cover the other costs and disbursements of Shuyi Property and its subsidiaries in providing the required services and its profit margin; and

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

The Industrial Park 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 property management services provided to industrial park properties in the past six months with reference to contracts displayed in the PRC Government procurement database;

(2) where the information as referred to in paragraph (1) above is not available or obtainable, the markups charged by Shuyi Property and its subsidiaries to at least two 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 14%, which approximates the estimated markups charged by at least three other companies listed on the Stock Exchange principally engaged in provision of property management services in the PRC deduced based on the profit margins in their published financial information in the range of 12.0% to 15.8% and also factors in the location, type and size of the properties to be managed by the Group. To the best of the knowledge, information and believe of the Directors, these three referenced listed companies derive the majority of their revenue from provision of property management services in the PRC. Given that the resource requirements and mode of delivery of their property management services do not vary materially from those of the industrial park property management services provided by the Group, the Directors are of the view that such property management services are generally comparable in terms of cost structure. Therefore, the profit margins recorded by these companies are considered appropriate points of reference reflecting the relevant general rate of markup charged by property management service providers in the market.

The pricing policy serves to ensure that the service fees will suffice to cover the costs incurred by Shuyi Property and its subsidiaries in providing the requisite management services and, on top of that, provide reasonable returns to Shuyi Property and its subsidiaries reflecting the prevailing market rate or that are otherwise in line with the market practice. Accordingly, the Board considers that the pricing policy is fair and reasonable.

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

d. Unlet Industrial park units property management services

Types of services to be provided: Maintenance, cleaning and security services in respect of unlet industrial park units owned by Ningbo Sanxing and/or its subsidiaries.

Pricing policy: The service fees will be agreed with Ningbo Sanxing and shall approximate the prevailing rates of management fees charged by Shuyi Property and its subsidiaries in respect of leased industrial park units of at least two independent third parties factoring in the location, type and size of the properties to be managed by, the expected profit margin of, and the expected operational costs to be incurred by Shuyi Property and its subsidiaries as compared with the referenced transactions, ranging from RMB2.3 to RMB4.5 per square metre per month depending on the respective location of the properties, and shall be on terms not more favourable to Ningbo Sanxing and/or its subsidiaries than those offered by Shuyi 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 to independent third party customers. Accordingly, the Board considers that the pricing policy is fair and reasonable.

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

Specific service agreements:	Shuyi 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 agreed rates of service fees and the pricing basis. Any such service agreement shall be within the ambit of Amended 2023 Framework Agreement III and shall not contravene the provisions of Amended 2023 Framework Agreement III; in case of any inconsistency, the provisions of Amended 2023 Framework Agreement III shall prevail.

Historical information and annual caps of transactions contemplated under Amended 2023 Framework Agreement III

Historical transaction amounts

The following table sets out the amounts of previous continuing connected transactions between Shuyi Property and its subsidiaries and Ningbo Sanxing and/or its subsidiaries under 2020 Framework Agreement III:

	For the year ended 31 December 2021	**For the year ended 31 December 2022**	**For the year ending 31 December 2023**
	RMB in million	*RMB in million*	*RMB in million*
Annual cap	0.5	0.5	0.5
Historical transaction recorded	0.4	0.4	0.5
Utilisation rate	80.0%	80.0%	100%

Proposed annual caps

The proposed annual caps for the transactions contemplated under Amended 2023 Framework Agreement III for the three years ending 31 December 2026 are as follows:

	For the year ending 31 December 2024 *RMB in million*	**For the year ending 31 December 2025** *RMB in million*	**For the year ending 31 December 2026** *RMB in million*
Annual cap	13.5	14.5	15.1

As explained above, as Ningbo Sanxing and its subsidiaries are in need of better industrial park property management service quality, the service scope under Amended 2023 Framework Agreement III shall be expanded as compared with 2020 Framework Agreement III with the addition of industrial park property management services in respect of industrial park occupied and unlet industrial park units owned by Ningbo Sanxing and/or its subsidiaries. Shuyi Property and its subsidiaries are expected to extend their services to three industrial park projects of Ningbo Sanxing under Amended 2023 Framework Agreement III. As a result, the proposed annual caps for the transactions contemplated under Amended 2023 Framework Agreement III represent a significant increase from the historical annual caps for the transactions contemplated under 2020 Framework Agreement III.

The proposed annual caps for the transactions contemplated under Amended 2023 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 in respect of which property management services of Shuyi Property and its subsidiaries are required and the historical size of unlet industrial park properties owned by Ningbo Sanxing and/or it subsidiaries which may require the property management services as at 31 December 2022 and as at 31 October 2023 as follows:

	Size of office units *(square metres)*	**Number of car park units**	**Size of unlet industrial park property properties** *(square meters)*
As at 31 December 2022	5,682	10	145,000
As at 31 October 2023	5,682	10	235,462

; 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 2024, 2025 and 2026 with reference to their needs for office space and car park units and unlet industrial park property units. It is estimated that the size of the office units and the number of car park units occupied by Ningbo Sanxing and/or its subsidiaries and unlet industrial park units owned by Ningbo Sanxing and/or its subsidiaries in respect of which property management services will be required to be provided by Shuyi Property and its subsidiaries for each of the three years ending 31 December 2024, 2025 and 2026 will be as follows:

	Size of office units *(square metres)*	**Number of car park units**	**Estimated size of unlet industrial park properties** *(square metres)*
Year ending 31 December 2024	5,682	10	235,462
Year ending 31 December 2025	5,682	10	235,462
Year ending 31 December 2026	5,682	10	235,462

Accordingly, based on the estimated average rate of monthly management fee for office units of RMB5.8 per square metre, the average rate of monthly management fee for car park units of RMB400.0 per unit and the average rate of monthly management fee for unlet industrial park properties of RMB3.0 per square meter per month (each such rate being the specific service fee specified in or the weighted-average of the range of service fees determined based on the respective pricing policy disclosed above), 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 2024, 2025 and 2026, which is calculated by multiplying the relevant average rate of monthly management fee by the size of office units, number of car park units or estimated size of unlet industrial park properties as stated above and forms the basis for the annual caps for Amended 2023 Framework Agreement III, is as follows:

	Office property management services *(RMB million)*	Car park management services *(RMB million)*	Unlet industrial park unit property management services *(RMB million)*
Year ending 31 December 2024	0.4	0.05	8.5
Year ending 31 December 2025	0.4	0.05	8.5
Year ending 31 December 2026	0.4	0.05	8.5

(iii) the estimated demand for the industrial park property management services to be provided by Shuyi Property and its subsidiaries during the three years ending 31 December 2026 to Ningbo Sanxing and/or its subsidiaries. It is expected that Shuyi Property and its subsidiaries will be providing services to the existing industrial park occupied by Ningbo Sanxing and/or its subsidiaries. In addition, it is expected that Ningbo Sanxing will further expand its industrial park network. Accordingly, while no workers had been sent by Shuyi Property and its subsidiaries for provision of industrial park property management services to Ningbo Sanxing and/or its subsidiaries during the three years ended 31 December 2023, it is expected that the average number of workers required to be sent by Shuyi Property for the provision of services will be approximately 88 per month for the year ending 31 December 2024 increase to approximately 119 per month for the year ending 31 December 2026; and

(iv) the wage levels of the workers of Shuyi Property and its subsidiaries during each of the three years ending 31 December 2026, which are anticipated to show no significant growth from the existing levels. The wage levels are estimated based on the consumer price indices in China in the ten months ended 31 October 2023 as compared with the corresponding period in 2022, as reported by the National Bureau of Statistics of the PRC. The service fee per worker for the industrial park property management services (calculated on the basis of the Industrial Park Management Service Average Wage) is therefore expected to remain relatively stable over the term of Amended 2023 Framework Agreement III.

2023 Framework Agreement IV

A summary of the principal terms of 2023 Framework Agreement IV is set forth below:

Date:	27 November 2023
Parties:	(1) Shuyi 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, 2023 Framework Agreement IV shall be effective from 1 January 2024 until 31 December 2026.
Types of services to be provided, pricing policy and payment arrangement:	The service scopes under 2020 Framework Agreement IV and 2021 Framework Agreement I have been consolidated with slight adjustments to the service scope. Shuyi 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 industrial park projects launched from time to time and shopping complexes owned by Ningbo AUX Real Estate and/ or its subsidiaries. Pre-sale management services, sales offices management services and unsold residential units property management services and industrial park units property management services will be provided to Ningbo AUX Real Estate and/or its subsidiaries in respect of its respective residential property development projects and industrial park projects according to the project schedule and sales phase. Vacant retail shop property management services will be provided to existing shopping complexes owned by Ningbo AUX Real Estate and/or its subsidiaries.

In addition, the service scope has been further expanded such that Shuyi Property and its subsidiaries will provide (a) property management services including maintenance, cleaning and security services in connection with the offices, commercial properties and car park units occupied by Ningbo AUX Real Estate and/or its subsidiaries; and (b) car park sales agency services in connection with the car park units 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 one property development project in the year ending 31 December 2024.
Pricing policy:	In respect of property development projects in the city of Ningbo and Anhui, 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／馬鞍山市住宅小區物業管理條例實施意見 (Opinions on Implementation of Ningbo/ Ma An Shan Residential Community Property Management Regulations*), which stipulate, among others, that the policy on charging of pre-sale property service fees shall be formulated by the governmental pricing authorities from time to time). Particularly, 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*) stipulate that the price floors of property management services for different types of properties should range from RMB7 to RMB11 per square meter.

	The Group will also take into account the expected operational costs (including the salaries of the staff, cleaning expenses, utilities, maintenance expenses and landscaping expenses) and the anticipated increase in such costs over the agreement term (estimated based on the inflation rate) when it decides to enter into specific service agreements for each development project. The pricing policy serves to ensure that the service fees will cover the costs incurred by the Group in providing the requisite management services and, on top of that, provide reasonable returns to the Group to the extent permissible within the boundaries established under the applicable local regulations or by the governmental pricing authorities. Accordingly, the Board considers that the pricing policy is fair and reasonable.
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 14%, which approximates the estimated markups charged by at least three other companies listed on the Stock Exchange providing similar services in the PRC deduced based on the profit margins in their published financial information and also factors in the location, type and size of the properties to be managed by the Group, and shall be on terms not more favourable to Ningbo AUX Real Estate and/or its subsidiaries than those then offered by Shuyi 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. The pricing policy serves to ensure that the service fees will suffice to cover the costs incurred by Shuyi Property and its subsidiaries in providing the requisite management services and, on top of that, provide reasonable returns to Shuyi Property and its subsidiaries reflecting the prevailing market rate or that are otherwise in line with the market practice. Accordingly, the Board considers that the pricing policy is fair and reasonable.
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 approximate the prevailing rates of management fees charged by Shuyi Property and its subsidiaries for in respect of sold property units of at least two independent third parties factoring in the location, type and size of the properties to be managed by, the expected profit margin of, and the expected operational costs to be incurred by Shuyi Property and its subsidiaries as compared with the referenced transactions, ranging from RMB1.4 to RMB3.3 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 Shuyi 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 to independent third party customers. Accordingly, the Board considers that the pricing policy is fair and reasonable.

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 approximate the prevailing rates of management fees charged by Shuyi Property and its subsidiaries for retail shop units rented to at least two independent third parties factoring in the location, type and size of the properties to be managed by, the expected profit margin of, and the expected operational costs to be incurred by Shuyi Property and its subsidiaries as compared with the referenced transactions, ranging from RMB1.8 to RMB21.0 per square metre per month depending on the location and nature of properties (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 Shuyi 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 to independent third party customers. Accordingly, the Board considers that the pricing policy is fair and reasonable.
Payment arrangement:	Payment shall be made monthly pursuant to the terms of the specific service agreements to be entered into.

e. Office property management services

Types of services to be provided:	Maintenance, cleaning and security services in respect of offices and commercial properties occupied by Ningbo AUX Real Estate and/or its subsidiaries.
Pricing policy:	The service fees will be agreed with Ningbo AUX Real Estate and shall approximate the prevailing rates of management fees charged by Shuyi Property and its subsidiaries for office units and commercial properties leased by at least two independent third parties factoring in the location, type and size of the properties to be managed by, the expected profit margin of, and the expected operational costs to be incurred by Shuyi Property and its subsidiaries as compared with the referenced transactions, at RMB6.0 per square metre per month, and shall be on terms not more favourable to Ningbo AUX Real Estate and/or its subsidiaries than those offered by Shuyi 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 to independent third party customers. Accordingly, the Board considers that the pricing policy is fair and reasonable.
Payment arrangement:	Payment shall be made monthly pursuant to the relevant terms of the specific service agreements to be entered into.

f. Car park management services

Types of services to be provided:	Maintenance, cleaning and security services in respect of car park units occupied and car park sales agency services in respect of car park units owned by AUX Real Estate and its subsidiaries.
Pricing policy:	Car park maintenance, cleaning and security services
	In relation to the maintenance, cleaning and security services in respect of car park units occupied by Ningbo AUX Real Estate and/or its subsidiaries, the service fees will be agreed with Ningbo AUX Real Estate and shall approximate the prevailing rates of management fees charged by Shuyi Property and its subsidiaries for car park units leased by at least two independent third parties factoring in the location, type and size of the properties to be managed by, the expected profit margin of, and the expected operational costs to be incurred by Shuyi Property and its subsidiaries as compared with the referenced transactions, ranging from RMB40 to RMB100 per unit per month depending on the location of the car park units (for example, different rates are charged in respect of car parks in Ningbo, Tianjin and Anhui), and shall be on terms not more favourable to Ningbo AUX Real Estate and/or its subsidiaries than those offered by Shuyi Property and its subsidiaries to independent third parties for comparable services.
	Car park sales agency services
	In relation to the car park sales agency services in respect of car park units owned by Ningbo AUX Real Estate and/or its subsidiaries, the service fees shall represent the difference between the actual selling price at which car park units are sold by Shuyi Property and/or its subsidiary and the pre-determined minimum prices of the car park units sold. The actual selling price is the price that Shuyi Property and/or its subsidiary negotiate with the buyer on behalf of the Ningbo AUX Real Estate and/or its subsidiaries and represents the total amount the buyer will pay and Ningbo AUX Real Estate and/or its subsidiaries will be entitled to receive in connection with the sale and purchase of the car park unit. The pre-determined price is the minimum amount that the Ningbo AUX Real Estate and/or its subsidiaries is willing to accept as its returns in connection with the sale of the car park unit to the buyer.

Service fees will be charged upon payment made by the buyer of the relevant car park units in accordance with the relevant sales agreement. Such service fees will be chargeable by Shuyi Property and/or its subsidiaries if any only if the relevant car park unit has been sold by Shuyi Property and/or its subsidiaries, and Shuyi Properties and its subsidiaries have no rights to sell the car park units below the pre-determined minimum prices. If a car park unit remains unsold for 18 months as a result of the impracticability to sell it above the relevant pre-determined minimum price, Shuyi Property and its subsidiaries will cease to conduct advertising activities in respect of the car park unit and Ningbo AUX Real Estate will keep it as long term investments. Such arrangements ensure that the resource contribution of Shuyi Property and its subsidiaries will effectively be capped in respect of those car park units that cannot practically be sold, so as to limit the loss Shuyi Property and its subsidiaries will have to incur. They are therefore fair and reasonable and in the interest of the Company and the Shareholders as a whole.

When determining the actual selling price, Shuyi Property and its subsidiaries will make reference to the prevailing market price of car parks by consulting with property agencies and conducting online searches for recent car park listings. Taking into account at least two reference prices so obtained, Shuyi Property and/or its subsidiaries will analyse the current market price of car parks and their past selling prices. Adjustments may be made taking into account the proximity of the car park location to the relevant housing estate, demand for car parks in the relevant housing estate, and the expected spending power of the property owners in the relevant housing estate.

The pre-determined minimum price of each car park unit will be determined after arm's length negotiations between Ningbo AUX Real Estate and Shuyi Property and/or its subsidiary with reference to the prevailing market price. From Ningbo AUX Real Estate's perspective, such price shall be based on assessment of its costs in making available the car park units and shall be no lower than the minimum level required for full recovery of the costs incurred. On the other hand, Shuyi Property and its subsidiaries will also assess and estimate the resources to be expended in providing the car park sales agency services and ensure that the pre-determined minimum price will at least be set at a level at which the service fee receivable by Shuyi Property and its subsidiaries will suffice to cover the costs incurred in providing the car park sales agency services. Subject to this pre-condition, Shuyi Properties and its subsidiaries will seek to fix the pre-determined minimum price at the lowest level acceptable to Ningbo AUX Real Estate so as to maximise the service fees receivable and the net returns (being the service fees received less the costs incurred in providing the car park sales agency services).

With reference to the prevailing market rate of the agency service fee (determined with reference to the markup charged by at least three other companies listed on the Stock Exchange that provide car park sales agency services ranging from 15% to 20%), it is agreed that the agency service fee per car park unit sold shall be at least 35% of the actual selling price. Such a minimum rate of agency service fee is equivalent to the difference between the average current market price and the expected pre-determined minimum price in respect of car parks in the relevant areas. Given that Shuyi Property and its subsidiaries have in place their own office resources and manpower and do not need to pay deposit to secure the agency right, the costs to be incurred in providing the car park sales agency services are expected to be minimal in general, and the above minimum rate will provide Shuyi Property and its subsidiaries with sufficient service fee to cover its costs. In the exceptional case that additional marketing and advertising activities have to be conducted, such additional expenses will be met out of the budget particularly assigned by Shuyi Property and its subsidiaries for specific marketing and advertising activities to boost car park sales. Given that standard marketing and promotion activities would normally suffice and the special needs to conduct additional marketing and advertising activities would only arise under exceptional circumstances, the Board believes that the minimum rate of agency service fee will provide the Group with adequate safeguard in all general cases and is therefore fair and reasonable.

Such rates of management fees in respect of maintenance, cleaning and security services have been adopted by the Group based on the prevailing market rates at which comparable services are provided to independent third party customers. In relation to the car park sales agency services, the pricing policy (including the minimum rate of service fee) serves to ensure that the service fees will at least suffice to cover the costs incurred by Shuyi Property and its subsidiaries in providing the services to avoid any loss on their part, and, on top of that, provides room for returns to Shuyi Property and its subsidiaries to gain additional returns where the differential between the actual selling price of a car park unit (as determined by Shuyi Properties in line with the prevailing market rate) and the pre-determined minimum price of the car park unit (set primarily based on Ningbo AUX Real Estate's costs in developing the car park unit) exceeds the minimum rate of service fee. Accordingly, the Board considers that the pricing policy reflects commercial reality with the financial interests of Shuyi Properties and its subsidiaries duly covered and is therefore fair and reasonable.

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

g. Industrial park units property management services

Types of services to be provided: Maintenance, cleaning and security services in respect of unlet industrial park units owned by Ningbo AUX Real Estate and/or its subsidiaries.

Pricing policy: The service fees will be agreed with the Ningbo AUX Real Estate and shall approximate the prevailing rates of management fees charged by Shuyi Property and its subsidiaries in respect of leased industrial park units of at least two independent third parties factoring in the location, type and size of the properties to be managed by, the expected profit margin of, and the expected operational costs to be incurred by Shuyi Property and its subsidiaries as compared with the referenced transactions, ranging from RMB1.8 to RMB4.5 per square metre per month depending the respective location of the properties, and shall be on terms not more favourable to Ningbo AUX Real Estate and/or its subsidiaries than those offered by Shuyi 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 to independent third party customers. Accordingly, the Board considers that the pricing policy is fair and reasonable.

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

Specific service agreements: Shuyi 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 2023 Framework Agreement IV and shall not contravene the provisions of 2023 Framework Agreement IV; in case of any inconsistency, the provisions of 2023 Framework Agreement IV shall prevail.

Historical information and annual caps of transactions contemplated under 2023 Framework Agreement IV

Historical transaction amounts

The following table sets out the amounts of previous continuing connected transactions between Shuyi Property and its subsidiaries and Ningbo AUX Real Estate and/or its subsidiaries under the 2020 Framework Agreement IV and 2021 Framework Agreement I:

	For the year ended 31 December 2021 *RMB in million*	**For the year ended 31 December 2022** *RMB in million*	**For the year ending 31 December 2023** *RMB in million*
Annual cap	38.0	54.2	60.5
Historical transaction recorded	19.5	36.7	26.2
Utilisation rate	51.3%	67.7%	43.3%

Given that the growth of the real estate industry in the PRC has slowed down in recent years, Ningbo AUX Real Estate has been cautious with and downsized its property development plan, with the number of residential projects developed over the period from 2021 to 2023 reduced from fourteen to two. As a result, the demand of Ningbo AUX Real Estate and its subsidiaries for property management services has fallen below expectations and the utilisation rates of the annual cap in the financial years ended 31 December 2021 and 2022 and in the financial year ending 31 December 2023 are lower than forecasted.

In the light of the slowdown in residential property development by Ningbo AUX Real Estate, it is expected that the demand of Ningbo AUX Real Estate for property management services relating to residential property development projects (i.e. pre-sale management services, sales offices management services and unsold residential units property management services) will remain low going forward. The proposed annual caps for the transactions contemplated under 2023 Framework Agreement IV will be reduced correspondingly. Further details regarding the proposed annual caps are set forth in the sub-section headed "Proposed annual caps" below.

Proposed annual caps

The proposed annual caps for the transactions contemplated under 2023 Framework Agreement IV for the three years ending 31 December 2026 are as follows:

	For the year ending 31 December 2024 *RMB in million*	For the year ending 31 December 2025 *RMB in million*	For the year ending 31 December 2026 *RMB in million*
Annual cap	37.5	31.5	28.0

Basis of determination of the annual caps

The proposed annual caps for the transactions contemplated under 2023 Framework Agreement IV are determined with reference to:

(i) the historical amounts of fees charged by Shuyi Property and its subsidiaries for the property management services provided to Ningbo AUX Real Estate and/or its subsidiaries under the 2020 Framework Agreement IV and 2021 Framework Agreement I, being approximately RMB19.5 million for the period for the year ended 31 December 2021, RMB36.7 million for the year ended 31 December 2022 and RMB26.2 million for the year ended 31 December 2023;

(ii) the expected demand of Ningbo AUX Real Estate and its subsidiaries for property management services for the years ending 31 December 2024, 2025 and 2026 with reference to the 2020 Framework Agreement IV and 2021 Framework Agreement I 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 property sales under existing project by the year ending 31 December 2026), the number of existing shopping complexes and the number of existing industrial parks;

(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 2024, 2025 and 2026 of an average of approximately 35%, as compared with the historical vacancy rate of the year ended 31 December 2022 and of the ten-month period ended 31 October 2023 of an average of approximately 21%; and

(iv) the historical size of office units and commercial properties occupied by Ningbo AUX Real Estate and/or its subsidiaries, number of car park units owned or occupied by Ningbo AUX Real Estate and/or its subsidiaries and industrial park properties owned by Ningbo AUX Real Estate and/or its subsidiaries which may require the property management services of Shuyi Property and its subsidiaries as at 31 October 2023 as follows:

	Size of office units and commercial properties *(square meters)*	**Number of car park units**	**Size of vacant industrial park properties** *(square meters)*
As at 31 December 2022	5,500	2,117	244,626
As at 31 October 2023	5,500	1,747	244,626

(v) the expected demand of Ningbo AUX Real Estate and/or its subsidiaries for property management services for the three years ending 31 December 2024, 2025 and 2026 with reference to the office units and commercial properties, number of vacant car park units and industrial park properties owned or occupied by them. It is estimated that the size of the office units and commercial properties, number of vacant car park units and the size of the industrial park properties owned or occupied by Ningbo AUX Real Estate and its subsidiaries in respect of which property management services will be required to be provided by Shuyi Property and its subsidiaries for the three years ending 31 December 2024, 2025 and 2026 will be as follows:

	Size of office units and commercial properties *(square meters)*	**Number of car park units**	**Size of vacant industrial park properties** *(square meters)*
Year ending 31 December 2024	5,500	1,687	244,626
Year ending 31 December 2025	5,500	1,637	244,626
Year ending 31 December 2026	5,500	1,597	244,626

Accordingly, based on the estimated average rate of monthly management fee for office units and commercial properties of RMB6.0 per square metre, the average rate of monthly management fee for car park units of RMB57.6 per unit and the average rate of monthly management fee for industrial park properties ranging from RMB3.0 per square meter (each such rate being the specific service fee specified in or the weighted-average of the range of service fees determined based on the respective pricing policy disclosed above), the aggregate amount of management fees to be charged to Ningbo AUX Real Estate and/or its subsidiaries in respect of each type of management services to be provided for each of the three years ending 31 December 2024, 2025 and 2026, which is calculated by multiplying the relevant average rate of monthly management fee by the size of office units and commercial properties, number of car park units or size of vacant industrial park properties as stated above and forms the basis for the annual caps for 2023 Framework Agreement IV, is as follows:

	Size of office units and commercial property management services *(RMB millions)*	**Car park management services** *(RMB millions)*	**Industrial park property management services** *(RMB millions)*
Year ending 31 December 2024	0.4	1.2	8.9
Year ending 31 December 2025	0.4	1.2	8.9
Year ending 31 December 2026	0.4	1.2	8.9

(vi) the expected number of the car park units which will be sold by the Group, the recent transaction prices of comparable car parking spaces within the locality of the car park units and the base price standards for sales determined by the Shuyi Property and Ningbo AUX Real Estate; and

(vii) other factors such as the business plans of Shuyi Property (based on the business plans to be provided by Ningbo AUX Real Estate, Shuyi 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 2023 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 Shuyi Property's schedules for the provision of property management services) and inflation.

2023 Framework Agreement V

A summary of the principal terms of 2023 Framework Agreement V is as follows:

Date: 27 November 2023

Parties:

(1) Shuyi 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, 2023 Framework Agreement V shall be effective from 1 January 2024 until 31 December 2026.

Types of services to be provided, pricing policy and payment arrangement: The service scopes under 2020 Framework Agreement V and 2021 Framework Agreement II have been consolidated with adjustments to the service scope. Shuyi Property and its subsidiaries shall be commissioned to provide property management services including maintenance, cleaning and/or security services in respect of industrial park properties owned or occupied by Ningbo AUX Electric and/or its subsidiaries. The types of services to be provided and their respective pricing policy and payment arrangement are summarised below:

a. Industrial Park Management Services

Type of services to be provided:	Maintenance, cleaning and security 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 Shuyi 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:

- 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, to be sent by Shuyi 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 (as a percentage of the Industrial Park Management Service Average Wage) (the ''Industrial Property Management Service Markup'') to cover the other costs and disbursements of Shuyi Property and its subsidiaries in providing the required services and its profit margin; and
- the average number of workers to be sent by Shuyi 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 Shuyi Property and its subsidiaries and Ningbo AUX Electric and/or its relevant subsidiary with reference to the actual demand, size and scale of operation of the industrial park facilities occupied 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 property management services provided to industrial park properties in the past six months with reference to contracts displayed in the PRC Government procurement database; and

(2) where the information as referred to in paragraph (1) above is not available or obtainable, the markups charged by Shuyi Property and its subsidiaries to at least two 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 14%, which approximates the estimated markups charged by at least three other companies listed on the Stock Exchange principally engaged in provision of property management services in the PRC deduced based on the profit margins in their published financial information in the range of 12.0% to 15.8% and also factors in the location, type and size of the properties to be managed by the Group. To the best of the knowledge, information and believe of the Directors, these three referenced listed companies derive the majority of their revenue from provision of property management services in the PRC. Given that the resource requirements and mode of delivery of their property management services do not vary materially from those of the industrial property management services provided by the Group, the Directors are of the view that such property management services are generally comparable in terms of cost structure. Therefore, the profit margins recorded by these companies are considered appropriate points of reference reflecting the relevant general rate of markup charged by property management service providers in the market.

The pricing policy serves to ensure that the service fees will suffice to cover the costs incurred by Shuyi Property and its subsidiaries in providing the requisite management services and, on top of that, provide reasonable returns to Shuyi Property and its subsidiaries reflecting the prevailing market rate or that are otherwise in line with the market practice. Accordingly, the Board considers that the pricing policy is fair and reasonable.

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

b. Vacant Industrial Park Units property management services

Types of services to be provided:	Maintenance, cleaning and security services in respect of vacant industrial park units owned by Ningbo AUX Electric and/or its subsidiaries.
Pricing policy:	The service fees will be agreed with the property owner and shall approximate the prevailing rates of management fees charged by Shuyi Property and its subsidiaries in respect of leased industrial park units of at least two independent third parties factoring in the location, type and size of the properties to be managed by, the expected profit margin of, and the expected operational costs to be incurred by Shuyi Property and its subsidiaries as compared with the referenced transactions, at RMB0.8 per square metre per month, and shall be on terms not more favourable to Ningbo AUX Electric and/or its subsidiaries than those offered by Shuyi 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 to independent third party customers. Accordingly, the Board considers that the pricing policy is fair and reasonable.
Payment arrangement:	Payment shall be made monthly pursuant to the terms of the specific service agreements to be entered into.

Specific service agreements: Shuyi 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 Shuyi 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 2023 Framework Agreement V and shall not contravene the provisions of 2023 Framework Agreement V; in case of any inconsistency, the provisions of 2023 Framework Agreement V shall prevail.

Historical information and annual caps of transactions contemplated under 2023 Framework Agreement V

Historical transaction amounts

The following table sets out the amounts of previous continuing connected transactions between Shuyi Property and its subsidiaries and Ningbo AUX Electric and/or its subsidiaries under the 2020 Framework Agreement V and 2021 Framework Agreement II:

	For the year ended 31 December 2021 *RMB in million*	**For the year ended 31 December 2022** *RMB in million*	**For the year ending 31 December 2023** *RMB in million*
Annual cap	5.9	9.7	10.1
Historical transaction recorded	2.1	5.5	8.2
Utilisation rate	35.6%	56.7%	81.2%

Due to the outbreak of COVID-19 pandemic, Ningbo AUX Electric had delayed the delivery of one of its property development projects to early 2022 and postponed its plan to use the services of professional property management company to improve their industrial park management quality to mid 2022. Therefore the utilisation rates in the year ended 31 December 2021 and the year ended 31 December 2022 have fallen in the lower range.

As the delay in delivery of property development projects by Ningbo AUX Electric was a one-off event and not expected to be recurring based on information currently available to the Directors, this incident has not been factored in when determining the proposed annual caps for the transactions contemplated under 2023 Framework Agreement V. Further details regarding the proposed annual caps are set forth in the sub-section headed "Proposed annual caps" below.

Proposed annual caps

The proposed annual caps for the transactions contemplated under 2023 Framework Agreement V for the three years ending 31 December 2026 are as follows:

	For the year ending 31 December 2024 *RMB in million*	**For the year ending 31 December 2025** *RMB in million*	**For the year ending 31 December 2026** *RMB in million*
Annual cap	8.6	9.9	10.7

Basis of determination of the annual caps

The proposed annual caps for the transactions contemplated under 2023 Framework Agreement V are determined with reference to:

(i) the services expected to be provided in connection with the industrial parks owned or occupied by Ningbo AUX Electric and/or the relevant subsidiaries in Nanchang, Anhui and Ningbo. Accordingly, it is expected that the average number of workers required to be sent by Shuyi Property and its subsidiaries for the provision of services to the industrial parks in Nanchang, Anhui and Ningbo will increase from approximately 141 per months for the year ending 31 December 2023 to approximately 157 per month for the three years ending 31 December 2026; and

(ii) the expected demand of Ningbo AUX Electric and its subsidiaries for industrial park units property management services for the years ending 31 December 2024, 2025 and 2026 and the timetable of future industrial park development projects of Ningbo AUX Electric and its subsidiary in accordance with its expansion plan; and

(iii) the wage levels of the workers of Shuyi Property and its subsidiaries during each of the three years ending 31 December 2026, which are anticipated to show no significant growth from the levels for the year ending 31 December 2023. The wage levels are estimated based on the consumer price indices in China in the ten months ended 31 October 2023 as compared with the corresponding period in 2022, as reported by the National Bureau of Statistics of the PRC. The service fee per worker for the industrial park management services (calculated on the basis of the Industrial Property Management Service Average Wage) is therefore expected to remain relatively stable as compared with the historical transaction periods.

Reasons for and Benefits of the 2023 Framework Agreements

Property management business segment has been a key contributor to the Company in the past years and recorded consistent revenue growth of 14.6% for year ended 31 March 2023, for which the Group's total revenue amounted to approximately HK$ 376.1 million as compared to approximately HK$328.2 million for the year ended 31 March 2022. It has been the Group's intention to continue to expand its portfolio of properties management in the PRC. As the 2020 property management agreements and 2021 property management agreements will expire on 31 December 2023, the entering into of the 2023 property management agreements will provide the Group with stable revenue and cash flow from its property management business segment. Further 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 Shuyi Property, has been a well-known property developer in Yangtze River Delta Economic Zones. As at the Latest Practicable Date, Ningbo AUX Real Estate holds unsold properties with a total area of approximately 0.25 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 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, Tianjin, Ma'anshan and Thailand.

Hence, the Directors are of the view that the proposed renewal of the 2020 Framework Agreements and 2021 Framework Agreements (by way of the entering into of 2023 Framework Agreement I, 2023 Framework Agreement II, Amended 2023 Framework Agreement III and 2023 Framework Agreement IV with Ningbo AUX Healthcare, AUX Group, Ningbo Sanxing, Ningbo AUX Real Estate and Ningbo AUX Electric respectively) will provide Shuyi 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 2023 Framework Agreements will provide a stable and strong support for the financial performance of the Group while the performance of Lifestyle Entertainment Segment and its contribution to the Group has became relatively insignificant and thus ensure the Group will have sufficient financial resources to achieve healthy and sustainable development of the Group as a whole in the long run.

Except for Mr. Zheng Jiang, the chairman of the Board and an executive Director who is the brother of Mr. JJ Zheng and holds equity interests in the counterparties of the 2023 Framework Agreements and Ms. Shen Guoying, an executive Director who is a director of Ningbo Sanxing and holds equity interest in certain counterparty of the 2023 Framework Agreements, none of the Directors has or is deemed to have any material interest in the 2023 Framework Agreements and the transactions contemplated thereunder (including their respective proposed annual caps). Mr. Zheng Jiang and Ms. Shen Guoying have abstained from voting on the relevant resolutions at the board meeting.

The terms and conditions of the 2023 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 2023 Framework Service Agreements (including the pricing mechanism and procedures) 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 2023 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 2023 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 prevailing level of property management fees charged for comparable services for comparable properties. References will be made (where applicable) to the property management fees charged by Shuyi Property and its subsidiaries to at least two independent third parties for comparable services for

comparable properties and the other relevant contract terms in respect thereof, and (where practicable) researches will be performed on the recent prices charged by at least two independent service providers in the area(s) in proximity to the new projects by referring to the properties located in the same or nearby streets or complexes, similar-sized properties and services prices charged on those properties, etc. A report on the above will be prepared afterwards. Pricing requirement(s) prescribed by the relevant local regulation(s) and guidance price(s) stipulated by local authority(ies) (where applicable) will also be observed. The above serve to ensure that the management fees charged by Shuyi Property and its subsidiaries and the terms of the specific service agreements are in conformity with the 2023 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 2023 Framework Agreements;

(2) upon execution of the specific service agreements under the 2023 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 and compliant with the requirements under the relevant laws and regulations; and

(3) throughout the term of the 2023 Framework Agreements, the operation department and the financial department are responsible for monitoring the implementation of the specific service agreements under the 2023 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 2023 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 2023 Framework Agreements:

(i) financial controller of Shuyi Property will be responsible for regular monitoring of the continuing connected transactions under the 2023 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 Shuyi 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 2023 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 2023 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 2023 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 2023 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 2023 Framework Agreements on an annual basis and confirm in the annual reports of the Company for the years ending 31 March 2023, 2024, 2025, 2026 and 2027 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 2023 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 2023 Framework Agreements will be conducted on normal and commercial terms and not prejudicial to the interests of the Group and the Shareholders.

IMPLICATION UNDER THE LISTING RULES

As at the Latest Practicable Date, (i) AUX Group was in aggregate directly held as to 100% by two companies, each of which was held as to 85.00% by Mr. JJ Zheng; (ii) Ningbo Sanxing was in aggregate directly held as to approximately 49.28% by Mr. JJ Zheng and the parties acting in concert with him (including Mr. Zheng Jiang and AUX Group); (iii) Ningbo AUX Electric was in aggregate held as to approximately 92.09% by Mr. JJ Zheng, including direct interests of 25.00% and indirect interests of approximately 67.09% held through various entities; (iv) Ningbo Mingzhou 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. JJ Zheng, and Mr. JJ Zheng indirectly held approximately 68.55% 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. JJ Zheng as a controlling shareholder of the Company and hence a connected person of the Company. Therefore, the transactions contemplated under the 2023 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 2023 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 2023 Framework Agreements), such transactions are subject to the reporting, announcement, annual review, annual reporting and circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the 2023 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps). Huiri Limited 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 2023 Framework Agreements and the continuing connected transaction contemplated thereunder (including their respective proposed annual cap), and Maxa Capital Limited has been appointed as the IFA to advise the Independent Board Committee and the Independent Shareholders in this regard.

INFORMATION ON PARTIES TO THE CONTINUING CONNECTED TRANSACTIONS

The Company

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, to the best of the knowledge and information of the Directors, AUX Group was in aggregate directly held as to 100% by two companies, each of which was directly held as to 85.00% by Mr. JJ Zheng.

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, to the best of the knowledge and information of the Directors, Ningbo AUX Real Estate was indirectly held as to 85.00% by Mr. JJ Zheng.

Ningbo AUX Electric

Ningbo AUX Electric is principally engaged in manufacturing of electrical equipment and household appliance. As at the Latest Practicable Date, to the best of the knowledge and information of the Directors, Ningbo AUX Electric was in aggregate held as to approximately 92.09% by Mr. JJ Zheng, including direct interests of 25.00% and indirect interests of approximately 67.09% held through various entities;

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, to the best of the knowledge and information of the Directors, Ningbo Sanxing was in aggregate directly held as to approximately 52.75% by Mr. JJ Zheng and the parties acting in concert with him (including Mr. Zheng Jiang and AUX Group).

Ningbo Mingzhou Healthcare

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

ADOPTION OF THE 2024 SHARE OPTION SCHEME

A resolution will be proposed at the EGM to approve and adopt the 2024 Share Option Scheme such that the Company can make further grants of share options to eligible participants as and when appropriate to motivate them to make continuous contribution to the development of the Group as the 2014 Share Option Scheme had expired on 2 January 2024. As at the Latest Practicable Date, there was no outstanding share option granted and no further grant of share options may be made under the 2014 Share Option Scheme.

A summary of the principal terms of the 2024 Share Option Scheme is set out in Appendix II to this circular. The full provisions of the 2024 Share Option Scheme will published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.auxint.com) for the period from the date of this circular up to and including the date of the EGM, which period is not less than 14 days before the date of the EGM as required under Rule 17.02(2) of the Listing Rules; and (ii) available for inspection at the venue of the EGM on the date of the EGM.

Terms for the 2024 Share Option Scheme

The purposes of the 2024 Share Option Scheme are (i) to enable the Company to grant Options to the eligible participants as incentives or rewards for their contribution to the growth and development of the Group; (ii) to attract and retain personnel to promote the sustainable development of the Group; and (iii) to align the interest of the grantees with those of the Shareholders to promote the long-term financial and business performance of the Group. In particular,

- the eligible participants whom the Board may invite to take up Options under the 2024 Share Option Scheme include employee participants only, i.e. employees (whether full time or part time, and including directors) of the Company or any of its subsidiaries (including persons who are granted Options under the 2024 Share Option Scheme as an inducement to enter into employment contracts with these companies).

  The eligibility of an employee to the offer of Options shall be determined by the Board from time to time on a case-by-case basis based on its opinion to his actual performance at work and previous and potential future contribution to the development and growth of the Group, taking into account, among others, (i) his skills, knowledge, experience, expertise and other relevant personal qualities; (ii) his role, position and job duties; (iii) his performance, time commitment, employment conditions and the prevailing market practice and industry standards; (iv) his length of engagement or employment with the Group; and (v) the prevailing circumstances and business needs of the Group at relevant times.

The Board is mindful of the recommended best practice E.1.9 of the corporate governance code set out in Appendix 14 to the Listing Rules that issuers generally should not grant equity-based remuneration with performance-related elements to independent non-executive directors as this may lead to bias in their decision-making and compromise their objectivity and independence. However, the Board considers that equity-based remuneration is an important means of ensuring alignment between the interests of Shareholders and the Board members, including the independent non-executive Directors. The inclusion of independent non-executive Directors as eligible employee participants and the flexibility to grant Options to the independent non-executive Directors in addition to cash-based incentives will allow the Company to keep its remuneration package competitive in order to attract and retain high-calibre candidates. Having considered the share option schemes adopted by industry peers in the property management sector, the Directors also noted that the inclusion of independent non-executive directors as eligible participants is in line with market practice. As opposed to cash remuneration, the Company may set vesting period for any Options to be granted to any independent non-executive Director which helps to retain their service. The Board considers that the independence and impartiality of the independent non-executive Directors will not be impaired by any potential grant of Options as the independent non-executive Directors are required to comply with the independence requirement under Rule 3.13 of the Listing Rules. Also, an Option shall only be exercisable when, among others, the Remuneration Committee determines that the performance target(s) attached thereto has(have) been attained, which decision will be made according to the assessment mechanism detailed below. In addition, under the 2024 Share Option Scheme and pursuant to Rule 17.04(3) of the Listing Rules, where any offer of Options to an independent non-executive Director or any of his associates would result in the Shares issued and to be issued in respect of all Options granted under the 2024 Share Option Scheme and all options and awards granted under any other Share Scheme(s) (excluding those that have lapsed in accordance with the terms of the relevant Share Scheme(s)) to such a person in the 12-month period up to and including the offer date representing in aggregate over 0.1% of the total number of Shares in issue, such an offer must be approved by the independent Shareholders at a general meeting. This would effectively avoid the taking of an excessive interest in the Shares by an independent non-executive Director to the point that objectivity is prejudiced, and serve as a safeguard against possible compromise of his independence. Notwithstanding the above, the Board will pay due regard to the recommended best practice E.1.9 of the corporate governance code; the Board will exercise caution when considering any grant of Options to independent non-executive Directors, and any such grant will be made if and only if it is backed by substantive and well-justified business, commercial, operational, administrative and/or managerial needs after carefully assessing the detrimental impact it may have;

- a grantee may exercise the Options granted to him and subscribe for the Shares only, among others, on or after the vesting date. The vesting period in respect of an Option, which shall commence on the date on which the grantee accepts the offer of the Option and end on the vesting date, shall not be shorter than 12 months from the date of acceptance of the offer.

  The Remuneration Committee (where the grantee is a Director or a Senior Manager) or the Board (where the grantee is any other type of employee participant) may set a shorter vesting period if it is considered that a shorter vesting period is appropriate to align the grant with the purposes of the 2024 Share Option Scheme, including ***only*** grants:

  (i) of 'make-whole' Options to employee participants who newly joined the Group to replace the share options they forfeited when leaving the previous employers;

  (ii) to an employee participant whose employment is terminated due to death or disability or occurrence of any out of control event;

  (iii) of Options with performance-based vetting conditions provided in the 2024 Share Option Scheme, in lieu of time-based vesting criteria; and

  (iv) that are made in batches during a year for administrative and compliance reasons, which may include Options that should have been granted earlier but are in the end granted on a subsequent date together with some other Options as a batch; in this case, the vesting date may be adjusted to take account of the point in time at which the Options should have been granted if not for such administrative and compliance reasons.

  The Board and the Remuneration Committee consider that each of the above constitutes an exceptional circumstance where a shorter vesting period is warranted. In particular, a shorter vesting period provides fairness under scenario (i) and is a show of care under scenario (ii), and the Company, as a considerate employer, will thus inspire respect and devotion from its employees. In addition, the Company will, under scenario (iii), be able to flexibly structure the vesting mechanisms of particular Options granted having regard to the specific nature of the roles, positions and job duties of the relevant grantees and the prevailing circumstances and business needs of the Group at the relevant times, thereby ensuring that the relevant grantees are most effectively incentivized to stay with the Group and make further contribution; under scenario (iv), the Company will also enjoy greater administrative efficiency in operating the 2024 Share Option Scheme which will help further the attainment of the purposes of the scheme. Hence, such arrangements, with the flexibility they bring to the Company, align with the purposes of the 2024 Share Option Scheme;

- the Remuneration Committee (where the grantee is a Director or a Senior Manager) or the Board (where the grantee is any other type of employee participant) may establish performance target(s) the attainment of which shall be a precondition for any exercise of the Options granted to the grantee concerned. The Board shall have the authority, after the grant of any Option which is performance-linked, to make fair and reasonable adjustments to the prescribed performance target(s) during an option period if there is any change in circumstances.

  The performance target(s) to be attached to an Option should take such a form as the Remuneration Committee (or, as the case may be, the Board) may consider appropriate having regard to the key performance indicators, at corporate, subsidiary, division, operating unity, business line, project, geographic or individual level or otherwise, commonly adopted by businesses operating in the industries and markets in which the Group operates. Such performance targets may be set in terms of sales, revenue, cash flow, cash collection, funding costs, returns on investment, number of instances of commencement and completion of projects, customer satisfaction metrics, key performance indicators of the respective department(s) and/or business unit(s) that the relevant grantee belongs, personal appraisal results or such other parameters or matters relevant to the individual roles and responsibilities of the relevant grantee as the Remuneration Committee (or, as the case may by, the Board) may determine from time to time. The Board is of the view that it is not practicable to set out with specificity descriptions of the target levels and performance-related measures in the 2024 Share Option Scheme, as each grantee will play a different role and contribute in a different way to the Group and it is advisable for the Company to retain flexibility in determining whether and to what extent each of the above proposed performance targets is relevant or appropriate in respect of each grantee.

  The Remuneration Committee (or, as the case may be, the Board) will conduct assessment at the end of the actual performance period by comparing the performance of the relevant business segment(s) and/or (as the case may be) the actual individual performance of the relevant grantee with the pre-determined target level(s) to determine whether or to what extent the performance target(s) has(have) been met. Such pre-determined target level(s) may be set by the Remuneration Committee (or, as the case may be, the Board) on a case-by-case basis with reference to factors including the specific position and role of the relevant grantee in the Group, and the overall business plan and strategy of the Group in the relevant period and the expected financial performance of the Group during the relevant period. Where a performance target is set in quantitative term, the performance target will be deemed to be met only if the actual level achieved reaches or exceeds the pre-determined target level. Alternatively, where a performance target is set in qualitative term, the Remuneration Committee (or, as the case may be, the Board) will carry out a performance appraisal and the performance target will be deemed to be met only if the performance is rated "A" (i.e. excellent) or "B" (i.e. great) on a scale of "A" to

"F". As a precondition for exercise of an Option granted, all quantitative and qualitative performance targets attached thereto must have been determined by the Remuneration Committee (or, as the case may be, the Board) to be met in accordance with the above mechanism, which decision shall be final, conclusive and binding on all persons who may be affected thereby.

An Option shall not be exercisable until, among others, the Remuneration Committee (or, as the case may be, the Board) have determined that the performance target(s) attached thereto has(have) been attained. In the event that the performance target(s) attached to an Option is(are) absolutely determined by the Remuneration Committee (or, as the case may be, the Board) not to have been attained, the Option shall never become exercisable and shall lapse forthwith;

- the Board may further provide in the notice of offer that any Option prior to it being exercised may be subject to clawback or a longer vesting period if any of the following clawback events shall occur during the option period:

  (i) there being any material misstatement in the audited consolidated financial statements of the Company that requires a restatement; or

  (ii) the grantee being guilty of fraud or any other form of persistent or serious misconduct; or

  (iii) where performance target(s) has(have) been attached to the Options, the Board being of the opinion that there exists any circumstance which shows that any of the prescribed performance targets has been set in a materially inaccurate manner or that leads to any of the prescribed performance targets being irrelevant, inapplicable or inappropriate.

  In any such event, the Board may by notice in writing to the grantee concerned

  (aa) claw back such number of Options granted to the grantee (to the extent not already exercised) as the Board may consider appropriate; and/or

  (bb) extend the vesting period (regardless of whether the initial vesting date has occurred) in relation to all or any of the Options granted to the grantee (to the extent not already exercised) to such a longer period as the Board may consider appropriate; and

- the price per Share at which a grantee may subscribe for the Share on the exercise of an Option shall be determined at the discretion of the Board, provided that it must be at least the highest of:

  (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day;

  (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and

  (iii) the nominal value of a Share.

Under the 2024 Share Option Scheme, Options may be offered by the Board to such employees as it may from time to time at its discretion determine on a case by case basis. In particular, in assessing eligibility, the Board will take into account factors as detailed above which the Board considers indicative as to (i) the contributions made by the employee to the Group; (ii) the future potential of the employee; and (iii) the future growth and contributions the employee could bring to the Group. In this sense, any such offer of Options is in itself a formal and official recognition of, and a show of appreciation for, the dedication and excellence the relevant grantees have demonstrated and delivered in their respective positions, and such rewards could help serve as an incentive and reward to increase their loyalty to the Group and motivate them to contribute further to the development and growth of the Group. In addition, the Board is given the authority to determine the terms and conditions in respect of the Options that may be granted, and any exercise of the Options will be subject to, among others, fulfilment of such terms and conditions, including particularly the occurrence of the vesting date (which shall not be less than 12 months from the date of acceptance of the offer unless under exceptional circumstances) and the attainment of the performance target(s) specified. Such arrangements will also serve to incentivise the grantees to continue to service the Group over a relatively long term and deliver quality performance. The Board also considers that the performance target(s) to be taken into account by the Remuneration Committee (or the Board, as the case may be), for example, instances of completion of projects, are qualitative and/or quantitative indicators of the actual performance of the grantee, which, when linked to the exercise of Options, will incentivise and reward the grantee for his excellent performance and the contributions he may bring to the Group. The mechanism in place for clawback of the Options granted in events such as serious misconduct or material misstatement in the Company's financial statements will provide effective deterrence against undesirable behaviour by the grantees at or outside work and safeguard the value of the Group. As the subscription price at which the grantees can exercise the Options offered is benchmarked against the prevailing market price of the Shares on or around the offer date, the grantees, who as directors and employees of the Group can exert direct influence on the formulation of strategies and the business operations of the Group, will be encouraged to stay with the Group and strive for continuous improvement in the Group's operational and financial performances and growth in share price, such that they will be able to reap rewards from exercise of the Options granted. Upon exercise of the Options, the grantees, as then Shareholders themselves, will have the opportunity to share the results achieved by the Group and be rewarded for their effort at work, and they will therefore have added incentives to work towards continuous improvements in business performance, sound corporate governance and sustainable growth of the Group. All of the above, collectively, will cause the grantees to have aligned interests with the Shareholders to drive the Group towards long-term growth. Accordingly, the Directors consider that the provisions of the 2024 Share Option Scheme can effectively serve the purposes of the scheme and it is in the interest of the Company to adopt the 2024 Share Option Scheme.

Operation of the 2024 Share Option Scheme

The 2024 Share Option Scheme will be administered by the Board. None of the Directors is a trustee of the 2024 Share Option Scheme or has any director or indirect interest in such trustee (if any). With respect to the operation of the 2024 Share Option Scheme, the Company will, where applicable, comply with the relevant requirements under Chapter 17 of the Listing Rules from time to time.

The Company has sought legal advice on the applicability of the prospectus requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (the ''Ordinance''). As advised by the Hong Kong legal advisers of the Company, the Directors understand that as the offer of Options under the 2024 Share Option Scheme will only be made by the Company to employees (including directors) of the Company or any of its subsidiaries on the terms that the only persons who can exercise the Options and accordingly subscribe for the Shares will be the grantees themselves, this circular containing details of and relating to such an offer does not fall within the definition of a ''prospectus'' and is not subject to the prospectus requirements under the Ordinance. The Board will ensure that the applicable requirements under the Ordinance will be fully complied with when administering the 2024 Share Option Scheme.

As at the Latest Practicable Date, there was no outstanding share option. If the 2024 Share Option Scheme is approved and adopted by the Shareholders at the EGM, taking into account the number of Shares in issue as at the Latest Practicable Date of 492,984,000 and assuming that there will be no change in the issued share capital of the Company from the Latest Practicable Date up to and including the date of the EGM, a total of 49,298,400 Shares may be issued in respect of all Options that may be granted under the 2024 Share Option Scheme and all options and awards that may be granted under any other Share Scheme(s), representing approximately 10% of the total number of Shares in issue as at the date of approval of the 2024 Share Option Scheme. Subject to adoption of the 2024 Share Option Scheme, the Company may seek approval of the Shareholders at a general meeting for refreshing the above scheme mandate limit, or for granting Options under the 2024 Share Option Scheme beyond the above scheme mandate limit or (if applicable) the refreshed limit, provided that all applicable requirements specified in the provisions of the 2024 Share Option Scheme and the Listing Rules are complied with.

As at the Latest Practicable Date, the Company did not have any plan to grant Options to any eligible participants after adoption of the 2024 Share Option Scheme. Further announcement(s) will be made by the Company as and when appropriate in connection with grants of Share Options in accordance with Rule 17.06A of the Listing Rules.

Conditions precedent of the 2024 Share Option Scheme

The 2024 Share Option Scheme is conditional upon:

(a) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares representing the scheme mandate limit to be issued and allotted by the Company pursuant to the exercise of Options in accordance with the terms and conditions of the 2024 Share Option Scheme; and

(b) the passing of the necessary resolution(s) to approve and adopt the 2024 Share Option Scheme at a general meeting of the Company or by way of written resolution(s) of all Shareholders.

Application for listing

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, such number of Shares representing the scheme mandate limit to be issued and allotted by the Company pursuant to the exercise of Options in accordance with the terms and conditions of the 2024 Share Option Scheme.

EGM

The EGM will be held on Tuesday, 20 February 2024 at 12:00 noon at Portion 2, 12/F, The Center, 99 Queen's Road Central, Central, Hong Kong during which ordinary resolutions shall be proposed to the Independent Shareholders to approve (i) the 2023 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps); and (ii) the adoption of the 2024 Share Option Scheme. A notice of the EGM is set out on pages EGM-1 to EGM-5 of this circular.

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

Mr. JJ Zheng, Ze Hui Limited and Huiri Limited and their respective associates, and all other Shareholders materially interested in the 2023 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps) are required to abstain from voting on the resolutions to be proposed at the EGM for approving the foregoing matters. In respect of the proposed adoption of the 2024 Share Option Scheme, no Shareholder has any material interest and is required to abstain from voting on the relevant resolution to be proposed at the EGM.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, Huiri Limited beneficially owned and controlled the voting rights in respect of 337,950,000 Shares, representing approximately 68.55% of the total number of Shares in issue as at the Latest Practicable Date, and Huiri Limited was directly held as to 90% by Ze Hui Limited, which was in turn directly wholly owned by Mr. JJ Zheng.

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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. at or before 12:00 noon on Sunday, 18 February 2024 (Hong Kong time)) or any adjournment of such meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the form of proxy previously submitted shall be deemed to be revoked.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out in this circular which contains the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the 2020 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps); (ii) the letter from IFA set out in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the foregoing matters, together with the reasons for its opinion, the key assumptions made and the factors taken into consideration in forming its opinion; and (iii) the additional information set out in Appendix I to this circular; and the summary of the principal terms of the 2024 Share Option Scheme set out in the Appendix II to this circular.

The Directors (including the Independent Board Committee) are of the view that the terms and conditions of the 2023 Framework 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 (including the Independent 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 interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM in the terms as set out in the notice of the EGM.

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)

2 February 2024

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular dated 2 February 2024 (the "Circular") issued by the Company to the Shareholders of which this letter forms part. Unless the context otherwise requires, terms and expressions defined in the Circular shall have the same meanings when used in this letter.

We have been appointed by the Board as the Independent Board Committee to consider and advise you as to whether, in our opinion, (i) the terms of the 2023 Framework Agreements (including the pricing mechanism and procedures) and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps) are fair and reasonable; (ii) whether 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 Shareholder as a whole; and (iii) how the Independent Shareholders should vote at the EGM, after taking into account the recommendations of the IFA.

Maxa Capital Limited has been appointed by the Board as the IFA to advise the Independent Board Committee and Independent Shareholders in connection with the foregoing matters. Details of the advice from the IFA, together with the reasons for its opinion, the key assumptions made and the factors taken into consideration in forming its opinion, are set out in its letter on pages 74 to 160 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 10 to 71 of the Circular and the additional information set out in the Appendix I.

Having considered the terms and conditions of the 2023 Framework Agreements, the interests of the Independent Shareholders and the advice of the IFA, we are of the opinion that the terms of the 2023 Framework 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 interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM in the terms as set out in the notice of the EGM so as to approve the 2023 Framework Agreements (including the pricing mechanism and procedures) and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps).

Yours faithfully
For and on behalf of
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 from Maxa Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders setting out its advice in respect of the terms of the 2023 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps), which has been prepared for the purpose of inclusion in this circular.

邁時資本
MAXA CAPITAL

Unit 2602, 26/F, Golden Centre
188 Des Voeux Road Central
Sheung Wan
Hong Kong

2 February 2024

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS: RENEWAL OF EXISTING FRAMEWORK AGREEMENTS FOR PROVISION OF PROPERTY MANAGEMENT SERVICES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2023 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps), details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 2 February 2024 (the "**Circular**"), of which this letter forms parts. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 27 November 2023, given that the 2020 Framework Agreements and 2021 Framework Agreements are due to expire on 31 December 2023, on 27 November 2023, Shuyi Property (for itself and as trustee for the benefit of its subsidiaries from time to time) as supplier entered into 2023 Framework Agreement I, 2023 Framework Agreement II, 2023 Framework Agreement III, 2023 Framework Agreement IV and 2023 Framework Agreement V with Ningbo Mingzhou Healthcare, AUX Group, Ningbo Sanxing, Ningbo AUX Real Estate and Ningbo AUX Electric (in each case, for itself and as trustee for the benefit of its subsidiaries from time to time) as customers to renew 2020 Framework Agreement I, 2020 Framework Agreement II, 2020 Framework Agreement III, 2020 Framework Agreement IV, 2020 Framework Agreement V, 2021 Framework Agreement I and the 2021 Framework Agreement II respectively on comparable terms with consolidation of and/or adjustments to the service scopes where necessary or appropriate depending on the business needs of the relevant counterparty, such that Shuyi Property could, subject to the Independent Shareholders' approval at the EGM, continue to provide property management and other ancillary services to such customers from 1 January 2024 onwards until 31 December 2026.

Reference is also made to the announcement of the Company dated 14 December 2023. On 14 December 2023, Shuyi Property (for itself and as trustee for the benefit of its subsidiaries from time to time) entered into the Supplemental Agreement with Ningbo Sanxing (for itself and as trustee for the benefit of its subsidiaries from time to time) to amend certain terms of 2023 Framework Agreement III, including, among others, expansion of service scope to include unlet industrial park units property management services. Accordingly, the annual caps for the continuing transactions contemplated should be increased, and it is expected that the aggregate amount of fees that may be charged by Shuyi Property and/or its subsidiaries for the services to be provided during the three years ending 31 December 2024, 2025 and 2026 pursuant to the Amended 2023 Framework Agreement III shall not exceed RMB13.5 million, RMB14.5 million and RMB15.1 million, respectively.

LISTING RULES IMPLICATION

As at the Latest Practicable Date, (i) AUX Group was in aggregate directly held as to 100% by two companies, each of which is held as to 85.00% by Mr. JJ Zheng; (ii) Ningbo Sanxing was in aggregate directly held as to approximately 49.28% by Mr. JJ Zheng and the parties acting in concert with him (including Mr. Zheng Jiang and AUX Group); (iii) Ningbo AUX Electric was in aggregate held as to approximately 92.09% by Mr. JJ Zheng, including direct interests of 25.00% and indirect interests of approximately 67.09% held through various entities; (iv) Ningbo Mingzhou 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. JJ Zheng, and Mr. JJ Zheng indirectly holds approximately 68.55% of the issued Shares. Accordingly, each of AUX Group, Ningbo Sanxing, Ningbo AUX Electric, Ningbo Mingzhou Healthcare and Ningbo AUX Real Estate was an associate (being a 30%-controlled company) of Mr. JJ Zheng, a controlling shareholder of the Company and hence a connected person of the Company. Therefore, the transactions contemplated under the 2023 Framework Agreements will constitute continuing connected transactions 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 2023 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 2023 Framework Agreements), such transactions are subject to the reporting, announcement, annual review, annual reporting, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the 2023 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps). Mr. JJ Zheng, Ze Hui Limited and Huiri 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.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all 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 on the terms of the 2023 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps). We, Maxa Capital Limited, has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company, its subsidiaries and any other parties that could reasonably be regarded as relevant to our independence in accordance with Rule 13.84 of the Listing Rules and accordingly, were qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2023 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps). Save for this appointment as the independent financial adviser in respect of the 2023 Framework Agreements and the continuing connected transactions contemplated thereunder, there was no other engagement between the Company and us in the past two years. Apart from the normal advisory fee payable to us in connection with this appointment, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things: (i) the 2023 Framework Agreements; (ii) the annual report of the Company for the year ended 31 March 2022 (the "**2022 AR**"); (iii) the annual report of the Company for the year ended 31 March 2023 (the "**2023 AR**"); (iv) the interim report of the Company for the six month ended 30 September 2023 (the "**2023 IR**"); and (v) the basis and assumption adopted in determining the proposed annual caps for the three years ending 31 December 2026. We consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Group (the "**Management**"). We have reviewed, *inter alia*, the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the Management. We have assumed that (i) all statements, information and representations provided by the Directors and the Management; and (ii) the information referred to in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations before the EGM. We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the representations and opinions expressed by the Company, its advisers and/or the Directors. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the Management nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the 2023 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps), we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

The Company is an investment holding company. The Group as a whole is principally engaged in operation of clubbing business and restaurant and bar outlets in Hong Kong (the "**Lifestyle Entertainment Segment**") and provision of property management services and related value-added services in the PRC (the "**Property Management Segment**").

Set out below is a summary of the consolidated financial information of the Group for the two years ended 31 March 2022 ("**FY2022**") and 31 March 2023 ("**FY2023**") as extracted from the 2022 AR and 2023 AR, respectively, and for the six months ended 30 September 2022 ("**1H2023**") and 30 September 2023 ("**1H2024**") as extracted from the 2023 IR:

	For the year ended 31 March		**For the six months ended 30 September**	
	2022	**2023**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(unaudited)*	*(unaudited)*
Revenue	**357,239**	**397,092**	**162,931**	**199,875**
– Lifestyle Entertainment Segment	29,074	20,973	6,411	10,216
– Property Management Segment	328,165	376,119	156,520	189,659
Profit from operations	**20,833**	**43,883**	**25,224**	**16,669**
Profit/(loss) for the year/period	**(108)**	**24,136**	**18,290**	**8,467**

FY2023 vs FY2022

As disclosed in the 2023 AR, the revenue of the Group amounted to approximately HK$397.1 million for FY2023, representing an increase of approximately HK$39.9 million or 11.2% as compared to approximately HK$357.2 million for FY2022. The increase in revenue was primarily attributable to (i) the Group's strong performance in relation to the Property Management Segment in China, representing an increase of approximately HK$48.0 million or 14.6% from approximately HK$328.2 million for FY2022 to approximately HK$376.1 million for FY2023 due to (a) the introduction of the value-added services, which generated approximately HK$56.4 million in revenue for this segment in FY2023; and (b) the Property Management Segment continued its improvement in project portfolio as the total gross floor area ("**GFA**") under management increased from approximately 8.7

million square metres ("**sq.m.**") as at 31 March 2022 to approximately 9.0 million sq.m. as at 31 March 2023; and partially offset by (ii) the decrease of approximately HK$8.1 million or approximately 27.9% in revenue generated from the Lifestyle Entertainment Segment as compared to approximately HK$29.1 million for FY2022, which was mainly due to the social restrictions and cautious consumer behaviour exhibited during the COVID-19 pandemic and a slower-than-expected recovery after the pandemic.

The Group recorded profit for the year of approximately HK$24.1 million for FY2023 as compared to the loss for the year of approximately HK$0.1 million for FY2022. Such turnaround from the loss to profit-making position in FY2023 was mainly attributable to (i) the increase in revenue of the Property Management Segment as mentioned above; (ii) the other net gain of approximately HK$12.6 million resulting from the net foreign exchange gain and gain on disposal of property, plant and equipment; and (iii) the decrease in staff cost of approximately HK$17.3 million as a result of the decrease in staff costs incurred from the Property Management Services segment as the human resources allocated to implement and manage various preventive measures for the COVID-19 pandemic had decreased in FY2023.

1H2023 vs 1H2024

As disclosed in the 2023 IR, the revenue of the Group amounted to approximately HK$199.9 million for 1H2024, representing an increase of approximately HK$36.9 million or 22.7% as compared to approximately HK$162.9 million for 1H2023. The increase in revenue was primarily attributable to (i) the revenue generated from the value-added services of approximately HK$40.8 million for 1H2024, which was commenced from the second half of FY2023; and (ii) the increase in revenue of approximately HK$3.8 million from the Lifestyle Entertainment Segment for 1H2024, which resulted mainly from the resumption of normal business hours after uplifting of the COVID-19 prevention measures.

The Group recorded a decrease in profit for the period by approximately 53.7% to approximately HK$8.5 million for 1H2024 as compared to approximately HK$18.3 million for 1H2023. Such decrease in profit for the period was mainly attributable to the Group recognised a net foreign exchange gain of approximately HK$7.4 million for 1H2023 in respect of the then RMB-denominated loan from the controlling shareholder (the "**Shareholder's Loan**") as a result of the depreciation of RMB against HKD during 1H2023. Due to the change in denomination of the Shareholder's Loan from RMB to HKD, the Group ceased to record such net foreign exchange gain or loss in respect of the Shareholder's Loan during 1H2024.

	As at 31 March		As at 30 September
	2022	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(unaudited)*
Non-current assets	172,010	157,480	143,079
Current assets	430,328	380,260	359,664
Total assets	**602,338**	**537,740**	**502,743**
Non-current liabilities	39,636	71,210	90,323
Current liabilities	318,812	234,574	192,032
Total liabilities	**358,448**	**305,784**	**282,355**
Net current assets	**111,516**	**145,686**	**167,632**
Net assets	**243,890**	**231,956**	**220,388**

31 March 2023 vs 31 March 2022

As disclosed in the 2023 AR, the Group had total assets of approximately HK$537.7 million as at 31 March 2023. Approximately 70.7% of the Group's total assets were current assets which primarily comprised of (i) cash at bank and in hand of approximately HK$286.4 million; and (ii) trade and other receivables of approximately HK$87.6 million. The decrease in total assets by approximately HK$64.6 million or 10.7% from approximately HK$602.3 million as at 31 March 2022 was primarily attributable to (i) the decrease in cash at bank and in hand of approximately HK$43.8 million or 13.3% as compared to approximately HK$330.2 million as at 31 March 2022; and (ii) the decrease in intangible assets of approximately HK$10.4 million or 25.6% as compared to approximately HK$40.7 million as at 31 March 2022, which was mainly due to (a) the decrease of the cost of intangible assets resulting from the exchange adjustments; and (b) the amortisation charge of approximately HK$7.9 million recognised for FY2023.

The Group had total liabilities of approximately HK$305.8 million as at 31 March 2023. Approximately 76.7% of the Group's total liabilities were current liabilities which primarily comprised of (i) trade and other payables of approximately HK$115.7 million; and (ii) contract liabilities of approximately HK$74.0 million. The decrease in total liabilities by approximately HK$52.7 million or 14.7% from approximately HK$358.4 million as at 31 March 2022 was primarily attributable to (i) the decrease in the Shareholder's Loan by approximately HK$36.4 million or 32.9% from approximately HK$110.9 million as at 31 March 2022 to approximately HK$74.4 million as at 31 March 2023 mainly due to partial repayment of the Shareholder's Loan; and (ii) the decrease in trade and other payables by approximately

HK$14.5 million or 11.1% as compared to approximately HK$130.2 million as at 31 March 2022 due to the decrease in deposits received from property owners/ occupants.

30 September 2023 vs 31 March 2023

As disclosed in the 2023 IR, the Group had total assets of approximately HK$502.7 million as at 30 September 2023. Approximately 71.5% of the Group's total assets were current assets which primarily comprised of (i) cash at bank and in hand of approximately HK$263.1 million; and (ii) trade and other receivables of approximately HK$89.0 million. The decrease in total assets by approximately HK$35.0 million or 6.5% from approximately HK$537.7 million as at 31 March 2023 was primarily attributable to (i) the decrease in cash at bank and in hand of approximately HK$23.3 million or 8.1% as compared to approximately HK$286.4 million as at 31 March 2023; and (ii) the decrease in intangible assets of approximately HK$5.3 million or 17.5% as compared to approximately HK$30.3 million as at 31 March 2023.

The Group had total liabilities of approximately HK$282.4 million as at 30 September 2023. Approximately 68.0% of the Group's total liabilities were current liabilities which primarily comprised of (i) trade and other payables of approximately HK$118.3 million; and (ii) Shareholder's Loan of approximately HK$74.8 million. The decrease in total liabilities by approximately HK$23.4 million or 7.7% from approximately HK$305.8 million as at 31 March 2023 was primarily attributable to the decrease in contract liabilities of approximately HK$24.1 million.

2. Background information of the counterparties

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, to the best of the knowledge and information of the Directors, AUX Group was in aggregate directly held as to 100% by two companies, each of which was directly held as to 85.00% by Mr. JJ Zheng, 10.00% by Mr. Zheng Jiang and 5.00% by Mr. XW He.

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, to the best of the knowledge and information of the Directors, Ningbo AUX Real Estate was indirectly held as to 85.00% by Mr. JJ Zheng, 10.00% by Mr. Zheng Jiang and 5.00% by Mr. XW He.

Ningbo AUX Electric

Ningbo AUX Electric is principally engaged in manufacturing of electrical equipment and household appliance. As at the Latest Practicable Date, to the best of the knowledge and information of the Directors, Ningbo AUX Electric was directly held as to 92.09% by Mr. JJ Zheng, including direct interests of 25.00% and indirect interests of approximately 67.09% held through various entities.

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, to the best of the knowledge and information of the Directors, Ningbo Sanxing was in aggregate directly held as to approximately 52.75% by Mr. JJ Zheng and the parties acting in concert with him (including Mr. Zheng Jiang and AUX Group).

Ningbo Mingzhou Healthcare

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

3. Reasons for and benefits of entering into of the 2023 Framework Agreements

The continuing connected transactions contemplated under the 2023 Framework Agreements are renewed on comparable terms and are of a recurrent nature. All the 2023 Framework Agreements are entered into for the provision of services in relation to the Property Management Segment to the connected persons. As disclosed in the section headed "1. Background information of the Group" above, the Property Management Segment has been the key contributor of the Group's revenue for the past few years, which accounted for approximately 91.9%, 94.7%, 96.1% and 94.9% of the Group's total revenue for FY2022, FY2023, 1H2023 and 1H2024 (collectively known as the "**Review Period**"), respectively. Thus, it is considered that the continuing connected transactions contemplated under the 2023 Framework Agreements will occur on a regular and continuing basis in the ordinary and usual course of business of the Group.

Throughout the Review Period, we note that the revenue generated from the Property Management Segment demonstrated a general upward trend, while the performance of the Lifestyle Entertainment Segment continued to deteriorate as compared with the pre-pandemic period. With reference to 2023 IR, the Property Management Segment remained strong and contributed the majority of the Group's revenue in 1H2024, with an increase of approximately HK$33.1 million or 21.2% as compared to 1H2023. Despite the recovery of the Lifestyle Entertainment Segment and recorded an increase in revenue of approximately HK$3.8 million or 59.4% as compared to 1H2023, benefited from the lifting of the COVID-19 prevention measures, the Management considered that such recovery was slower than expected as a result of the economic downturn and change in consumer attitude. Hence, during 1H2024, the Property Management Segment remained as the main growth driver of the Group's financial performance. As at 30 September 2023, the Group managed over 69 projects with a GFA of approximately 11.3 million sq.m., which represented an increase of approximately 25.6% as compared to a GFA of approximately 9.0 million sq.m. as at 31 March 2023.

As stated in the Letter from the Board, it has been the Group's intention to continue expanding its portfolio of properties management in the PRC. As the 2020 Framework Agreements and 2021 Framework Agreements will be expired on 31 December 2023, entering into of the 2023 Framework Agreements will provide the Group with stable revenue and cash flow from its Property Management Segment. Further 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.

As advised by the Management, the Group has maintained a long-term cooperation relationship with the counterparties of the 2023 Framework Agreements, and each of the counterparties has profound experiences and reputation in its respective areas of services. The Directors are of the view that the entering into of the 2023 Framework Agreements will provide the Group with access to a stable demand for the Group's Property Management Segment in the PRC. As such, the Directors believe that it will provide a stable and strong support to the Group's financial performance and thus ensure the Group will have sufficient financial resources to achieve healthy and sustainable development in the long run.

Having considered (i) the Property Management Segment is the Group's key revenue contributor during the Review Period; (ii) the entering into of the 2023 Framework Agreements will provide a stable and strong support to the financial performance of the Group; and (iii) the Group has maintained a long-term cooperation relationship with the counterparties of the 2023 Framework Agreements, we are of the view that the entering into of the 2023 Framework Agreements is in the interest of the Company and the Shareholders as a whole.

4. Principle terms of the 2023 Framework Agreements

4.1 2023 Framework Agreement I

4.1.1 Principal terms

A summary of the principal terms of the 2023 Framework Agreement I is as follows:

Date:	27 November 2023
Parties:	(1) Shuyi Property (for itself and as trustee for the benefits of its subsidiaries from time to time) (2) Ningbo Mingzhou Healthcare (for itself and as trustee for the benefits of its subsidiaries from time to time)
Term of the agreement:	Subject to approval by the Independent Shareholders, 2023 Framework Agreement I shall be effective from 1 January 2024 until 31 December 2026.
Type of services to be provided:	Shuyi Property and its subsidiaries shall send workers to the hospital(s) operated by Ningbo Mingzhou 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 safety of hospital personnel and 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; (ix) provision of security services to safeguard hospital equipments; and (x) landscaping services within the hospital area.

Pricing policy: The transactions under 2023 Framework Agreement I shall be conducted on normal commercial terms. The number of workers to be sent by Shuyi Property and its subsidiaries, the rates of fees payable by Ningbo Mingzhou Healthcare and/or its relevant subsidiary to Shuyi Property and its subsidiaries for the services to be provided pursuant to 2023 Framework Agreement I and the relevant service scope shall be agreed between Ningbo Mingzhou Healthcare and/or its relevant subsidiary and Shuyi 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 Shuyi Property and its subsidiaries for the provision of services to Ningbo Mingzhou Healthcare and/or its relevant subsidiary during the period covered under the specific service agreement, plus (2) a markup (as a percentage of the Hospital Property Management Service Average Wage) (the "**Hospital Property Management Service Markup**") to cover the other costs and disbursements of Shuyi Property and its subsidiaries in providing the required services and its profit margin; and

- the average number of workers to be sent by Shuyi Property and its subsidiaries for the provision of services to Ningbo Mingzhou Healthcare and/or its relevant subsidiary during the period covered under the specific service agreement, which shall be agreed between Shuyi Property and its subsidiaries and Ningbo Mingzhou Healthcare and/or its relevant subsidiary with reference to the actual demand and the hospital area size and scale of operations of the relevant hospital facilities operated by Ningbo Mingzhou Healthcare and/or its 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 property management services provided to hospital properties in the past six months with reference to contracts displayed in the PRC Government procurement database;

(2) where the information as referred to in paragraph (1) above is not available or obtainable, the markups charged by Shuyi Property and its subsidiaries to at least two independent third parties 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 14%, which approximates the estimated markups charged by at least three other companies listed on the Stock Exchange principally engaged in provision of property management services in the PRC deducted based on the profit margins in their published financial information in the range of 12.0% to 15.8% and also factors in the location, type and size of the properties to be managed by the Group. To the best of the knowledge, information and believe of the Directors, these three referenced listed companies derive the majority of their revenue from provision of property management services in the PRC. Given that the resource requirements and mode of delivery of their property management services do not vary materially from those of the types of hospital property management services provided by the Group on a frequent basis, the Directors are of the view that such property management services are generally comparable in terms of cost structure. Therefore, the profit margins recorded by these companies are considered appropriate points of reference reflecting the relevant general rate of markup charged by property management service providers in the market.

	The pricing policy serves to ensure that the service fees will suffice to cover the costs incurred by Shuyi Property and its subsidiaries in providing the requisite management services and, on top of that, provide reasonable returns to Shuyi Property and its subsidiaries reflecting the prevailing market rate or that are otherwise in line with the market practice. Accordingly, the Board considers that the pricing policy is fair and reasonable.
Payment arrangement:	Payment will be settled on a monthly basis within 10 business days after issue of the relevant invoices by Shuyi Property.
Specific service agreements:	Shuyi Property and/or its subsidiaries and Ningbo Mingzhou Healthcare and/or its subsidiaries will enter into, from time to time and as and when necessary, specific service agreements in respect of each individual hospital facility setting out the specific terms and conditions, including, among others, the agreed number of workers to be sent by Shuyi Property and its subsidiaries for provision of services, rates of service fee, and service scope. Any such service agreement shall be within the ambit of 2023 Framework Agreement I and shall not contravene the provisions of 2023 Framework Agreement I; in case of any inconsistency, the provisions of 2023 Framework Agreement I shall prevail.

4.1.2 Our analysis and view on the major terms

We have obtained and reviewed the separate services contracts contemplated under 2020 Framework Agreement I, which the pricing policy is generally in line with the 2023 Framework Agreement I, and noted that the service fees charged by the Group to the counterparties were primarily determined by the service fee per worker and the number of workers assigned to perform the services. For the purpose of assessing the fairness and reasonableness of the pricing policy for the provision of property management services, we have conducted on research of similar transactions in relation to the provision of property management services announced by other PRC property management companies listed on the Main Board of the Stock Exchange in the past 24 months prior to the date of the 2023 Framework Agreements, which constituted continuing connected transactions and adopted similar pricing policy (i.e. the service fees are determined based on costs plus profit margin). To the best of our knowledge and as far as we are aware of, we have identified an exhaustive list of eight comparable transactions (the "**Comparable Transactions**"), which we consider are comparable as (i) the Comparable Transactions were entered for the provision of property management services similar to those provide under the 2023 Framework Agreements or share similar scope of services; and (ii) the Comparable Transactions provide a fair and representative reference of the recent market practices, under the criteria as stated above. Details of the pricing policy of the Comparable Transactions are set out below:

Date of announcement	Company name	Stock code	Pricing policy
27 October 2023	S-Enjoy Service Group Co., Limited ("**SES Group**")	1755.HK	In respect of the property management services: the prevailing market rates (with reference to the locations of the properties, the scope of services and the expected operating costs, including but not limited to labour costs and administrative costs) and historical transaction amounts. In particular, for adhering to the pricing policy above, SES Group would generally take into account a number of factors, including (i) the type and location of properties, (ii) SES Group's budgeted costs, (iii) the contracted scope and standard of services, (iv) SES Group's brand recognition in the cities, (v) local government policies and pricing guidance (if applicable), (vi) the property management fee charged by preceding property management service providers (if applicable), and (vii) future profitability after taking into consideration the increase in labour costs in the foreseeable future. In respect of sales office management services: both parties to the transaction shall determine the price through negotiations with reference to the combination of such factors as transaction prices in surrounding active markets and SES Group's costs of services (including but not limited to labour costs and consumable costs), plus the reasonable management fees mark-up and others.

Date of announcement	Company name	Stock code	Pricing policy
25 October 2023	Fineland Living Services Group Limited	9978.HK	In respect of the property management services to school(s): the service fee shall be determined according to the group's service cost (including but not limited to labour cost, specific skills or qualifications required by employees, environmental cleaning cost, material cost and miscellaneous expenses) plus management fee profit margin (generally ranging from 3% to 15%) and tax.
28 July 2023	Ling Yue Services Group Limited ("**LYS Group**")	2165.HK	In respect of on-site sales office management services: the anticipated operation costs (including but not limited to labour costs, administration costs and costs of materials) to be incurred by LYS Group to provide such management services plus a reasonable profit margin rate.
28 April 2023	China Overseas Property Holdings Limited	2669.HK	In respect of property management services: (i) estimated expenses, based on factors including the scope and quality of the services required; (ii) the classifications, types and locations of the relevant properties and/or work sites; (iii) the pricing for comparable properties, projects or work sites (e.g. with respect to location and nature of use of the property, project or work site (as applicable) that are within reasonable walking distance of the relevant Properties and/or work sites); (iv) the guidance price on fees as formulated or implemented by local competent pricing authorities of each province, autonomous region and municipality directly under the central government, if any; and (v) the prevailing market rate. Furthermore, the group has set pricing guidelines which require a minimum profitability requirement will have to be met for engaging in property management projects (i.e. the estimated revenue must exceed the estimated direct cost).

Date of announcement	Company name	Stock code	Pricing policy
31 October 2022	Sundy Service Group Co. Ltd	9608.HK	In respect of property management services: the service fees will be negotiated by the relevant members of both parties with reference to (i) the size and location of the properties; (ii) budgeted operational expenses including but not limited to the historical labour, administrative, subcontracting and other expenses, for projects with similar size, location and scope of services; (iii) scope and quality of the services proposed; (iv) revenue generating model and targeted profit margins; (v) local government's pricing guidance or regulations on property management fees (if applicable); and (vi) the prevailing market price for similar services in the market.
31 October 2022	Huafa Property Services Group Company Limited ("**Huafa Property**")	983.HK	In respect of the provision of property management services for the property sales centres, sample flats: Huafa Property will take into account factors such as total labour allocation and estimated total expenses, as well as the target net profit margin which can be represented by the formula: cost x (1 + target net profit margin).
20 October 2022	Xingye Wulian Service Group Co. Ltd. ("**Xingye Wulian Group**")	9916.HK	In respect of the sales offices and show flats property management services: fees to be charged are based on a fixed sum per month determined by a mark-up of approximately 8% on cost incurred by Xingye Wulian Group in providing the service.
29 April 2022	Sunac Services Holdings Limited ("**Sunac Services**")	1516.HK	In respect of the property management services: the service fees shall be determined by arm's length commercial negotiations according to the principles of fairness and reasonableness by taking into account factors including the locations and configuration standards of the property projects, the prevailing market rate, the guidance price of such services for similar type of property projects issued by the local government (if applicable) and the fees charged to the third party customers independent of Sunac Services, the operational costs (including labour costs, material costs and administrative costs) to be incurred in the course of the provision of the services plus a profit margin and the anticipated increase in such costs due to inflation and economic and social development.

Source: the Stock Exchange website

In view of the pricing policy of the Comparable Transaction as stated above, we note that it is not uncommon for property management service fees to be charged based on total costs incurred in providing the required services plus a profit margin.

In order to assess the fairness and reasonableness of the Hospital Property Management Service Markup at or above 14%, we have conducted a search of comparable companies based on the following criteria: (i) listed on the Stock Exchange and primarily operated in the PRC; (ii) generated an annual revenue of not more than HK$500 million and was profit making in the latest financial year; (iii) generated not less than 50% of the total revenue from the provision of property management services and related value-added services. We have identified an exhaustive list of four listed companies (the "**Comparable Companies**") based on the above criteria. The table below sets out the net profit margins of the Comparable Companies for the latest financial year:

Company name (stock code)	**Total revenue for the latest financial year (HK$ million)**	**Percentage of revenue from the provision of property management services and related value-added services to total revenue**	**Net profit margin for the latest financial year**
Desun Real Estate Investment Services Group Co., Ltd. (2270.HK)	300.1	100.0%	12.5%
Sundy Service Group Co. Ltd (9608.HK)	305.7	95.3%	12.0%
Zhong An Intelligent Living Service Limited (2271.HK)	359.1	100.0%	15.8%
Xingye Wulian Service Group Co. Ltd. (9916.HK)	359.4	80.0%	14.7%
Maximum			**15.8%**
Minimum			**12.0%**
Average			**13.8%**
The Company	397.1	94.7%	

Source: the Stock Exchange website

As illustrated from the table above, given that (i) the total revenue of the Comparable Companies ranging from approximately HK$300.1 million to HK$359.4 million, which are comparable to the Group's total revenue of approximately HK$397.1 million for the latest financial year; and (ii) approximately 80.0% to 100.0% of the revenue of the Comparable Companies are derived from the provision of property management services and related value-added services, we consider the Comparable Companies are fair and representative samples for the purpose of net profit margins analysis. The net profit margins of the Comparable Companies for their respective latest financial year ranged from approximately 12.0% to 15.8% (the "**Comparable Net Profit Margins**"), with an average of approximately 13.8%. We note that the Hospital Property Management Service Markup of 14.0% falls within and above the average of the Comparable Net Profit Margins. While we reckon that the Comparable Companies provided property management services to different type of properties, we consider that the Comparable Net Profit Margins are relevant for the purpose of analysing the Hospital Property Management Service Markup given that

– (i) the scope of services to be provided under the 2023 Framework Agreement I generally include cleaning, security and maintenance services, which are typical and common services to be provided under the scope of property management services; and

– (ii) the skills and experiences of the property management staff are usually transferrable between different type of properties without the incurrence of significant costs.

Although the 2023 Framework Agreement I covers additional type of services such as transportation services, blood transportation services, auxiliary services, etc., which appear to be different from normal property management services provided by the Comparable Companies, we have enquired with the Management and understand that the provision of such additional type of services usually do not require the employment of any special work personnel or incur additional significant labour costs. Regarding the provision of personal nursing support services, the Management advises that such services did not happen frequently in the past three years and only accounted for a small fraction of the total operating costs incurred under the property management services.

In view of the above comparable analysis performed and the results of our due diligence works conducted, we consider the major terms of the 2023 Framework Agreement I are fair and reasonable and on normal commercial terms.

4.1.3 Historical transaction amounts and proposed annual caps

The following table sets out the historical amounts of previous continuing connected transactions between Shuyi Property and its subsidiaries and Ningbo Mingzhou Healthcare and its subsidiaries under the 2020 Framework Agreement I and the proposed annual caps for the transactions contemplated under the 2023 Framework Agreement I for the three years ending 31 December 2026:

	Historical amount for the year ended 31 December 2021	Historical amount for the year ended 31 December 2022	Historical amount for the year ended 31 December 2023	Proposed annual caps for the year ending 31 December 2024	Proposed annual caps for the year ending 31 December 2025	Proposed annual caps for the year ending 31 December 2026
	RMB in million	*RMB in million*	*RMB in million*	*RMB in million*	*RMB in million*	*RMB in million*
Annual cap	26.8	36.4	44.4	30.6	33.7	41.5
Historical transactions recorded	15.4	15.5	21.8			
Utilisation rate	57.5%	42.6%	49.1%			

The anti-pandemic policy and measures imposed by the government during the COVID-19 pandemic and the slower-than-expected post-pandemic economic recovery have caused a decrease in the demand of Ningbo Mingzhou Healthcare and its subsidiaries for the services. As a result, the utilisation rates in the financial year ended 31 December 2022 and in the financial year ended 31 December 2023 are lower than forecasted.

4.1.4 Basis of determination of the annual caps

The proposed annual caps for the transactions contemplated under 2023 Framework Agreement I are determined with reference to the amounts of previous transactions under 2020 Framework Agreement I and the followings:

(i) the estimated demand of the counterparty for the services to be provided by Shuyi Property and its subsidiaries during the three years ending 31 December 2026. It is expected that Shuyi Property and its subsidiaries will continue providing services in accordance with the existing service scope in respect of the existing hospitals operated by Ningbo Mingzhou Healthcare and/or its subsidiaries. As at the Latest Practicable Date, Ningbo Mingzhou Healthcare's hospital network comprises of 18 hospitals, of which Shuyi Property has been providing services to eight hospitals. The demand for property management services of Ningbo Mingzhou Healthcare's hospital network is expected to increase, and Shuyi Property's services may be extended to the other existing hospitals operated by Ningbo Mingzhou Healthcare and/or its subsidiaries over the coming years. It is also expected that Ningbo Mingzhou Healthcare will continue to require upgrade on service quality. Accordingly, it is expected that the number of workers required to be sent by Shuyi Property for the provision of services for the three years ending 31 December 2026 will increase from an average of approximately 338 per month for the three years ended 31 December 2023 to an average of approximately 746 per month for the three years ending 31 December 2026; and

(ii) the wage levels of the workers of Shuyi Property and its subsidiaries during each of the three years ending 31 December 2026, which are anticipated to show no significant growth from the levels for the year ended 31 December 2023. The wage levels are estimated based on the consumer price indices in China for the ten months ended 31 October 2023 as compared with the corresponding period in 2022, as reported by the National Bureau of Statistics of the PRC. The service fee per worker (calculated on the basis of the Hospital Property Management Service Average Wage) is therefore expected to remain relatively stable as compared with the historical transaction periods.

4.1.5 Our analysis and view on the proposed annual caps

The proposed annual caps of the 2023 Framework Agreement I for the year ending 31 December 2024 will be approximately RMB30.6 million, representing a decrease of approximately 31.1% from the existing annual cap of approximately RMB44.4 million for the year ended 31 December 2023. The proposed annual caps for the two years ending 31 December 2025 and 2026 represent year-on-year growth rates of approximately 10.1% and 23.1% respectively.

To assess the fairness and reasonableness of the proposed annual caps for the 2023 Framework Agreement I for the three years ending 31 December 2026, we have discussed with the Management on the basis and assumptions of determining the proposed annual caps and understand that the Management has primarily taken into account (i) the expected increase in the demand from Ningbo Mingzhou Healthcare and/or its subsidiaries for the services provided by Shuyi Property and its subsidiaries during the three years ending 31 December 2026; and (ii) the expected annual growth rate in wages of the workers. In this regard, we have performed the following due diligence works:

(i) we have obtained and reviewed a list of services expected to be provided by Shuyi Property to Ningbo Mingzhou Healthcare and its subsidiaries under the 2023 Framework Agreement I and note that Shuyi Property is expected to further extend its property management services to other hospitals operated by Ningbo Mingzhou Healthcare, with an expansion plan of three additional hospitals during the year of 2024 and two additional hospitals during the year of 2026. In addition, as advised by the Management, it is also expected the number of workers will increase in general to accommodate the growth of the operation scale of the existing hospitals served by Shuyi Property and its subsidiaries;

(ii) we have obtained and reviewed a breakdown of the proposed service scope, the expected number of workers and the service fee per worker in each function to be sent by Shuyi Property under the 2023 Framework Agreement I and note that number of workers to be sent by Shuyi Property will increase from an average of approximately 338 per month for the three years ended 31 December 2023 to an average of approximately 746 per month for the three years ending 31 December 2026. As discussed with the Management, the increase in number of workers sent by Shuyi Property is primarily due to (i) the need for manpower to support the expansion of hospitals and improvement of service quality; and (ii) the additional projects which the Shuyi Property plans to undertake during the three years ending 31 December 2026 as mentioned above;

(iii) in relation to the wage levels of the workers of Shuyi Property and its subsidiaries during the three years ending 31 December 2026 which are anticipated to be remained fairly stable. In this regard, we have reviewed the data released by the National Bureau of Statistics of the PRC and note that the average consumer price index of China for the ten months ended 31 October 2023 only increased by approximately 0.4% as compared with the corresponding period in 2022, which is generally in line with the expected annual growth rate in wages of the workers adopted in the calculation of the proposed annual caps; and

(iv) the utilisation rates under 2020 Framework Agreement I were maintained at a medium level, with the highest annual utilisation rate only reached approximately 57.5% during the three years ended 31 December 2023. In this regard, we have discussed with the Management and understand that the demand of services provided by Shuyi Property and its subsidiaries during the three years ended 31 December 2023 was impacted by the COVID-19 pandemic due to the implementation of anti-pandemic policy and measures and the slower-than expected economic recovery subsequent to the lifting of such policy and measures. Consequently, despite the anticipation of a higher demand from Ningbo Mingzhou Healthcare and its subsidiaries due to reasons mentioned as above, the Company proposed a generally lower level of annual caps under the 2023 Framework Agreement I as compared with the existing annual caps under the 2020 Framework Agreement I.

Having considered the above, we are of the view that the proposed annual caps under the 2023 Framework Agreement I for the three years ending 31 December 2026 are fair and reasonable.

4.2 2023 Framework Agreement II

4.2.1 Principal terms

A summary of the principal terms of 2023 Framework Agreement II is as follows:

Date:	27 November 2023
Parties:	(1) Shuyi Property (for itself and as trustee for the benefits of its subsidiaries from time to time) (2) AUX Group (for itself and as trustee for the benefits of its subsidiaries from time to time)
Term of the agreement:	Subject to approval by the Independent Shareholders, 2023 Framework Agreement II shall be effective from 1 January 2024 until 31 December 2026.
Type of services to be provided, pricing policy and payment arrangement:	Shuyi 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 arrangement as summarised below.

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/or its subsidiaries.
Pricing policy:	The service fees will be agreed with AUX Group and shall approximate the prevailing rates of management fees charged by Shuyi Property and its subsidiaries for office units and commercial properties leased by at least two independent third parties factoring in the location, type and size of the properties to be managed by, the expected profit margin of, and the expected operational costs to be incurred by Shuyi Property and its subsidiaries as compared with the referenced transactions, ranging from RMB5.3 to RMB6.0 per sq.m. 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 Shuyi 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 to independent third party customers. Accordingly, the Board considers that the pricing policy is fair and reasonable.
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 approximate the prevailing rates of management fees charged by Shuyi Property and its subsidiaries for car park units leased by at least two independent third parties factoring in the location, type and size of the properties to be managed by, the expected profit margin of, and the expected operational costs to be incurred by Shuyi Property and its subsidiaries as compared with the referenced transactions, ranging from RMB50 to RMB400 per unit per month depending on the location of the car park units (for example, different rates are charged in respect of car parks in Ningbo and Hangzhou), and shall be on terms not more favourable to AUX Group and/ or its subsidiaries than those offered by Shuyi 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 to independent third party customers. Accordingly, the Board considers that the pricing policy is fair and reasonable.
Payment arrangement:	Payment shall be made monthly pursuant to the relevant terms of the specific service agreements to be entered into.

Specific service agreements:	Shuyi 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 agreed rates of service fees and the pricing basis. Any such specific service agreement shall be within the ambit of 2023 Framework Agreement II and shall not contravene the provisions of 2023 Framework Agreement II; in case of any inconsistency, the provisions of 2023 Framework Agreement II shall prevail.

4.2.2 Our analysis and view on the major terms

In terms of the pricing policy for both the office and commercial property management services and the car park management services, we have randomly selected four projects, which represent no less than half of the total number of property management projects for each of the aforementioned services entered into between Shuyi Property and its subsidiaries and AUX Group and/or its subsidiaries in the past three years, and obtained a total of eight sample settlement receipts with (i) one sample settlement receipt provided to AUX Group and/or its subsidiaries; and (ii) one sample settlement receipt provided to independent third parties for each of the aforementioned projects. Given that all sample settlement receipts were selected on a random basis with a coverage ratio of no less than 50% in terms of number of projects selected and spread across the past three years, we consider the sample settlement receipts are sufficient, fair and representative. Based on our review, we note that the pricing term of the service fees charged to AUX Group are no less favourable to the pricing term of the service fees charged to independent third parties.

In view of the results of our due diligence works conducted, we consider that the major terms of the 2023 Framework Agreement II are fair and reasonable and on normal commercial terms.

4.2.3 Historical transaction amounts and proposed annual caps

The following table sets out the historical amounts of previous continuing connected transactions between Shuyi Property and its subsidiaries and AUX Group and its subsidiaries under the 2020 Framework Agreement II and the proposed annual caps for the transactions contemplated under the 2023 Framework Agreement II for the three years ending 31 December 2026:

	Historical amount for the year ended 31 December 2021	Historical amount for the year ended 31 December 2022	Historical amount for the year ended 31 December 2023	Proposed annual caps for the year ending 31 December 2024	Proposed annual caps for the year ending 31 December 2025	Proposed annual caps for the year ending 31 December 2026
	RMB in million	*RMB in million*	*RMB in million*	*RMB in million*	*RMB in million*	*RMB in million*
Annual cap	5.4	11.0	13.1	1.2	1.2	1.2
Historical transactions recorded	1.2	0.6	1.7			
Utilisation rate	22.2%	5.5%	13.0%			

Due to the uncertainty in China's manufacturing segment during the COVID-19 pandemic, AUX Group has put its industrial development plan on hold in the first quarter of 2020 and ceased its industrial park development plan later that year. As a result, no services related to industrial park properties were provided for AUX Group during the term of 2020 Framework Agreement II (including pre-sale management services, sales office management services and unsold industrial park units property management services, which fell within the service scope under 2020 Framework Agreement II but have not been included in 2023 Framework Agreement II). Therefore, the utilisation rates in the year ended 31 December 2021, the year ended 31 December 2022 and the year ended 31 December 2023 have fallen or are expected to fall in the lower range.

In the light of the cessation of the industrial park development plan by AUX Group, the related property management services have been excluded from the service scope of 2023 Framework Agreement II. The proposed annual caps for the transactions contemplated under 2023 Framework Agreement II will be reduced accordingly.

4.2.4 Basis of determination of the annual caps

The proposed annual caps for the transactions contemplated under 2023 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 by AUX Group and its subsidiaries in respect of which property management services of Shuyi Property and its subsidiaries are required as at 31 December 2022 and as at 31 October 2023 as follows:

	Size of office units and commercial properties *(sq.m.)*	**Number of car park units**
As at 31 December 2022	7,853	43
As at 31 October 2023	12,187	243

; 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 2024, 2025, and 2026 with reference to their needs for office space and commercial properties and car park units. It is estimated that the size of office units and commercial properties and number of car park units occupied by AUX Group and its subsidiaries in respect of which property management services will be required to be provided by Shuyi Property and its subsidiaries for each of the three years ending 31 December 2024, 2025, and 2026 will be as follows:

	Size of office units and commercial properties *(sq.m.)*	**Number of car park units**
Year ending 31 December 2024	12,187	243
Year ending 31 December 2025	12,187	243
Year ending 31 December 2026	12,187	243

Accordingly, based on the estimated average rate of monthly management fee for office units and commercial properties of approximately RMB5.9 per sq.m. and the average rate of monthly management fee for car park units of approximately RMB81.2 per unit (each such rate being weighted-average of the range of service fees determined based on the respective pricing policy disclosed above), the aggregate amount of management fees to be charged to AUX Group and its subsidiaries in respect of each type of management services to be provided for each of the three years ending 31 December 2024, 2025 and 2026, which is calculated by multiplying the relevant average rate of monthly management fee by the size of office units and commercial properties or number of car park units as stated above and forms the basis for the annual caps for 2023 Framework Agreement II, is as follows:

	Office and commercial property management services *(RMB million)*	**Car park management services** *(RMB million)*
Year ending 31 December 2024	0.9	0.3
Year ending 31 December 2025	0.9	0.3
Year ending 31 December 2026	0.9	0.3

The proposed annual caps have been reduced as compared with the annual caps for the previous continuing connected transactions under 2020 Framework Agreement II, which is attributable to the fact that AUX Group has ceased its industrial park development plan and thus no longer requires property management services relating to industrial park projects, in addition to the decrease in size of office units and commercial properties and number of car park units occupied by AUX Group and its subsidiaries.

4.2.5 Our analysis and view on the proposed annual caps

The proposed annual caps of the 2023 Framework Agreement II for the three years ending 31 December 2026 will be at RMB1.2 million, respectively, representing a substantial decrease of approximately 90.8% from the existing annual cap of RMB13.1 million for the year ended 31 December 2023.

To assess the fairness and reasonableness of the proposed annual caps for the 2023 Framework Agreement II for the three years ending 31 December 2026, we have discussed with the Company on the basis and assumptions of determining the proposed annual caps and understand that the Management has primarily taken into account (i) the historical size of office units and commercial properties and number of car park units occupied by AUX Group and its subsidiaries which required property management services from Shuyi Property and its subsidiaries; and (ii) the expected demand of AUX Group and its subsidiaries for property management services for the three years ending 31 December 2026 with reference to their needs for office space and commercial properties and car park units. In this regard, we have performed the following due diligence works:

(i) we have obtained and reviewed a list of services expected to be provided by Shuyi Property to AUX Group and/or its subsidiaries under the 2023 Framework Agreement II and note that Shuyi Property will be providing property management services to four properties during the three years ending 31 December 2026. We note that the estimated size of office units and commercial properties and estimated number of car park units for the three years ending 31 December 2026 are generally in line with those as at 31 October 2023. As advised by the Management, due to the uncertain economic outlook of the PRC, AUX Group and its subsidiaries have no intention in increasing their demand on the property management services for both the office and commercial property management services and the car park management services in the near future; and

(ii) we have discussed with the Management and note that AUX Group has ceased its industrial park development plan during the term of 2020 Framework Agreement II due to the uncertainty in China's manufacturing segment during the COVID-19 pandemic. Subsequently, Shuyi Property no longer provides property management services relating to industrial park projects to AUX Group. We further note that the historical transaction amounts contemplated under the 2020 Framework Agreement II were close to the proposed annual caps of approximately RMB1.2 million under the 2023 Framework Agreement II.

Having considered the above, we are of the view that the proposed annual caps under the 2023 Framework Agreement II for the three years ending 31 December 2026 are fair and reasonable.

4.3 Amended 2023 Framework Agreement III

4.3.1 Principal terms

A summary of the principal terms of Amended 2023 Framework Agreement III is as follows:

Date:	14 December 2023
Parties:	(1) Shuyi Property (for itself and as trustee for the benefits of its subsidiaries from time to time) (2) Ningbo Sanxing (for itself and as trustee for the benefits of its subsidiaries from time to time)
Term of the agreement:	Subject to approval by the Independent Shareholders, Amended 2023 Framework Agreement III shall be effective from 1 January 2024 until 31 December 2026.
Type of services to be provided, pricing policy and payment arrangement:	Shuyi Property and its subsidiaries shall be commissioned to provide property management services including maintenance, cleaning and security services in connection with the offices, car park units and industrial park 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. In particular, as Ningbo Sanxing and its subsidiaries are in need of better industrial park property management service quality, it is expected that the service scope shall be extended as compared with 2020 Framework Agreement III and Shuyi Property and its subsidiaries will provide industrial park property management services in respect of industrial park occupied and unlet industrial park units owned by Ningbo Sanxing and/or its subsidiaries under Amended 2023 Framework Agreement III.

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 approximate the prevailing rates of management fees charged by Shuyi Property and its subsidiaries for offices leased by at least two independent third parties factoring in the location, type and size of the properties to be managed by, the expected profit margin of, and the expected operational costs to be incurred by Shuyi Property and its subsidiaries as compared with the referenced transactions, ranging from RMB5.3 to RMB6.0 per sq.m. 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 Shuyi 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 to independent third party customers. Accordingly, the Board considers that the pricing policy is fair and reasonable.
Payment arrangement:	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 approximate the prevailing rates of management fees charged by Shuyi Property and its subsidiaries for car park units leased by at least two independent third parties, at RMB400 per unit per month factoring in the location, type and size of the properties to be managed by, the expected profit margin of, and the expected operational costs to be incurred by Shuyi Property and its subsidiaries as compared with the referenced transactions, and shall be on terms not more favourable to Ningbo Sanxing and/or its subsidiaries than those offered by Shuyi 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 to independent third party customers. Accordingly, the Board considers that the pricing policy is fair and reasonable.
Payment term:	Payment shall be made monthly pursuant to the terms of the specific service agreements to be entered into.

c. Industrial park property management services

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

Pricing policy: The service fee will be agreed with Ningbo Sanxing and shall be based on the number of workers in each function to be sent by Shuyi Property and its subsidiaries for the provision of services in respect of the industrial park and their respective rates of service fees as agreed between Ningbo Sanxing and/or its relevant subsidiary and Shuyi Property and its subsidiaries on an arm's length. In respect of each industrial park, the specific terms and conditions on which services are to be provided shall be set out in a specific service agreement, including, the agreed number of workers to be sent, rates of service fees and service scope. 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 "**Industrial Park Management Service Average Wage**") of the workers in each function to be sent by Shuyi Property and its subsidiaries for the provision of services to Ningbo Sanxing and/or the relevant subsidiary during the period covered under the specific service agreement, plus (2) a markup (as a percentage of the Industrial Park Management Service Average Wage) (the "**Industrial Park Management Service Markup**") to cover the other costs and disbursements of Shuyi Property and its subsidiaries in providing the required services and its profit margin; and

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

The Industrial Park 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 property management services provided to industrial park properties in the past six months with reference to contracts displayed in the PRC Government procurement database;

(2) where the information as referred to in paragraph (1) above is not available or obtainable, the markups charged by Shuyi Property and its subsidiaries to at least two 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 14%, which approximates the estimated markups charged by at least three other companies listed on the Stock Exchange principally engaged in provision of property management services in the PRC deduced based on the profit margins in their published financial information in the range of 12.0% to 15.8% and also factors in the location, type and size of the properties to be managed by the Group. To the best of the knowledge, information and believe of the Directors, these three referenced listed companies derive the majority of their revenue from provision of property management services in the PRC. Given that the resource requirements and mode of delivery of their property management services do not vary materially from those of the industrial park property management services provided by the Group, the Directors are of the view that such property management services are generally comparable in terms of cost structure. Therefore, the profit margins recorded by these companies are considered appropriate points of reference reflecting the relevant general rate of markup charged by property management service providers in the market.

	The pricing policy serves to ensure that the service fees will suffice to cover the costs incurred by Shuyi Property and its subsidiaries in providing the requisite management services and, on top of that, provide reasonable returns to Shuyi Property and its subsidiaries reflecting the prevailing market rate or that are otherwise in line with the market practice. Accordingly, the Board considers that the pricing policy is fair and reasonable.
Payment term:	Payment shall be made monthly pursuant to the terms of the specific service agreements to be entered into.

d. Unlet industrial park unit property management services

Types of services to be provided:	Maintenance, cleaning and security services in respect of unlet industrial park units owned by Ningbo Sanxing and/or its subsidiaries.
Pricing policy:	The service fees will be agreed with Ningbo Sanxing and shall approximate the prevailing rates of management fees charged by Shuyi Property and its subsidiaries in respect of leased industrial park units of at least two independent third parties factoring in the location, type and size of the properties to be managed by, the expected profit margin of, and the expected operational costs to be incurred by Shuyi Property and its subsidiaries as compared with the referenced transactions, ranging from RMB2.3 to RMB4.5 per sq.m. per month depending on the respective location of the properties, and shall be on terms not more favourable to Ningbo Sanxing and/or its subsidiaries than those offered by Shuyi 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 to independent third party customers. Accordingly, the Board considers that the pricing policy is fair and reasonable.

Payment arrangement:	Payment shall be made monthly pursuant to the terms of the specific service agreements to be entered into.
Specific service agreements:	Shuyi 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 agreed rates of service fees and the pricing basis. Any such service agreement shall be within the ambit of Amended 2023 Framework Agreement III and shall not contravene the provisions of Amended 2023 Framework Agreement III; in case of any inconsistency, the provisions of Amended 2023 Framework Agreement III shall prevail.

4.3.2 Our analysis and view on the major terms

In terms of the pricing policy for the office property management services, we have randomly selected two projects, which represent no less than half of the total number of office property management projects entered into between Shuyi Property and its subsidiaries and Ningbo Sanxing and/or its subsidiaries in the past three years, and obtained a total of four sample settlement receipts with (i) one sample settlement receipt provided to Ningbo Sanxing and/or its subsidiaries; and (ii) one sample settlement receipt provided to independent third parties for each of the aforementioned projects. Given that all sample settlement receipts were selected on a random basis with a coverage ratio of no less than 50% in terms of number of projects selected and spread across the past three years, we consider the sample settlement receipts are sufficient, fair and representative. Based on our review, we note that the pricing term of the service fees charged to Ningbo Sanxing and/or its subsidiaries are no less favourable to the pricing term of the service fees charged to the independent third parties.

In terms of the car park management services, we have selected one project, being the only car park management project entered into between Shuyi Property and its subsidiaries and Ningbo Sanxing and/or its subsidiaries in the past three years, and randomly obtained a total of four sample settlement receipts with (i) two sample settlement receipts provided to Ningbo Sanxing and/or its subsidiaries; and (ii) two sample settlement receipts provided to independent third parties for the aforementioned project. In view of the similar reasons as mentioned above in respect of the sampling of settlement receipts, we consider the sample settlement receipts are sufficient, fair and representative. Based on our review, we note that the pricing term of the service fees charged to Ningbo Sanxing and/or its subsidiaries are no less favourable to the pricing term of the service fees charged to the independent third parties.

In respect of the pricing policy for the industrial park property management services, we note that such fees were primarily determined by the service fee per worker and the number of workers assigned to perform the property management services, which is not an uncommon market practice based on our independent research conducted on the comparable PRC property management companies listed on the Stock Exchange. In terms of the Industrial Park Management Service Markup at or above 14%, based on our independent research (details of which are stated under the sub-section headed "4.1.2 Our analysis and view on the major terms" above), we note that the Industrial Park Management Service Markup falls within and above the average of the Comparable Net Profit Margins, which ranged from approximately 12.0% to 15.8% with an average of approximately 13.8%. In light of the above and further taking into account that (i) the Comparable Companies are comparable to the Group due to reasons as mentioned above; (ii) the scope of services to be provided under the industrial park property management services is similar to those provided by the Comparable Companies, which generally include cleaning, security and maintenance services (the commercial rationale of which are stated under the sub-section headed "4.1.2 Our analysis and view on the major terms" above), we consider that the Comparable Net Profit Margins are comparable to the Industrial Park Management Service Markup and the markup of 14.0% is justifiable.

In terms of unlet industrial park units property management services, we have discussed with the Management and understand that the Group did not provide such services to Ningbo Sanxing and/or its subsidiaries in the past and had not entered into any contracts for the provision of such similar services with any independent third parties. Nevertheless, we noted from the Amended 2023 Framework Agreement III that the service fees in respect of the unlet industrial park units property management services provided to Ningbo Sanxing and/or its subsidiaries shall be based on the prevailing rates of management fees charged by Shuyi Property and its subsidiaries in respect of leased industrial park units of independent third parties and on terms not more favourable than those offered to independent third parties for comparable services. As discussed with the Management, we understand that the cost incurred for the provision of property management services to the unlet industrial park units are generally lower than the property management service fees charged for leased industrial park units given the scope of property management services required for unlet industrial park units is less than leased industrial park units and hence less manpower are required. For example, the unlet industrial park units would generally only require cleaning and sanitisation on a monthly basis whereas daily cleaning and sanitisation are required for leased industrial park units.

Furthermore, in order to assess whether the property management service fees charged for unlet industrial park units would enable the Group to generate reasonable net profit margins, for our due diligence purpose, we have obtained and reviewed the estimated income statement of the unlet industrial park property projects, which is prepared by the Management based on (i) the estimated service fees charged based on the pricing policy of the unlet industrial park units property management services ranging from RMB2.3 to RMB4.5 per sq.m.; (ii) the estimated number of workers required based on the GFA of the unlet industrial park property projects under management; and (iii) the estimated costs to be incurred in each function which take reference from existing leased industrial park project. We then compared the estimated profit margins of the unlet industrial park property projects to the historical profit margin of the existing leased industrial park property project and note that the estimated profit margins from the provision of property management services to the unlet industrial park property projects are no less than the profit margin generated under the existing leased industrial park property project entered with independent third party. In view of the above, we consider the pricing policy for the unlet industrial park units property management services is justifiable.

In view of the above comparable analysis performed and the results of our due diligence works conducted, we consider the major terms of the Amended 2023 Framework Agreement III are fair and reasonable and on normal commercial terms.

4.3.3 Historical transaction amounts and proposed annual caps

The following table sets out the historical amounts of previous continuing connected transactions between Shuyi Property and its subsidiaries and Ningbo Sanxing and its subsidiaries under 2020 Framework Agreement III and the proposed annual caps for the transactions contemplated under Amended 2023 Framework Agreement III for the three years ending 31 December 2026:

	Historical amount for the year ended 31 December 2021 *RMB in million*	**Historical amount for the year ended 31 December 2022** *RMB in million*	**Historical amount for the year ended 31 December 2023** *RMB in million*	**Proposed annual caps for the year ending 31 December 2024** *RMB in million*	**Proposed annual caps for the year ending 31 December 2025** *RMB in million*	**Proposed annual caps for the year ending 31 December 2026** *RMB in million*
Annual cap	0.5	0.5	0.5	13.5	14.5	15.1
Historical transactions recorded	0.4	0.4	0.5			
Utilisation rate	80.0%	80.0%	100.0%			

As explained above, Ningbo Sanxing and its subsidiaries are in need of better industrial park property management service quality, the service scope under Amended 2023 Framework Agreement III shall be expanded as compared with 2020 Framework Agreement III with the addition of industrial park property management services in respect of industrial park occupied and unlet industrial park units owned by Ningbo Sanxing and/or its subsidiaries. Shuyi Property and its subsidiaries are expected to extend their services to three industrial park projects of Ningbo Sanxing under Amended 2023 Framework Agreement III. As a result, the proposed annual caps for the transactions contemplated under Amended 2023 Framework Agreement III represent a significant increase from the historical annual caps for the transactions contemplated under 2020 Framework Agreement III.

4.3.4 Basis of determination of the annual caps

The proposed annual caps for the transactions contemplated under Amended 2023 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 in respect of which property management services of Shuyi Property and its subsidiaries are required and the historical size of unlet industrial park properties owned by Ningbo Sanxing and/or its subsidiaries which may require the property management services as at 31 December 2022 and as at 31 October 2023 as follows:

	Size of office units *(sq.m.)*	**Number of car park units**	**Size of unlet industrial park properties** *(sq.m.)*
As at 31 December 2022	5,682	10	145,000
As at 31 October 2023	5,682	10	235,462

(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 2024, 2025 and 2026 with reference to their needs for office space and car park units and unlet industrial park property units. It is estimated that the size of the office units and the number of car park units occupied by Ningbo Sanxing and/or its subsidiaries and unlet industrial park units owned by Ningbo Sanxing and/or its subsidiaries in respect of which property management services will be required to be provided by Shuyi Property and its subsidiaries for each of the three years ending 31 December 2024, 2025 and 2026 will be as follows:

	Size of office units *(sq.m.)*	**Number of car park units**	**Estimated size of unlet industrial park properties** *(sq.m.)*
Year ending 31 December 2024	5,682	10	235,462
Year ending 31 December 2025	5,682	10	235,462
Year ending 31 December 2026	5,682	10	235,462

Accordingly, based on the estimated average rate of monthly management fee for office units of approximately RMB5.8 per sq.m., the average rate of monthly management fee for car park units of approximately RMB400.0 per unit and the average rate of monthly management fee for unlet industrial park properties ranging from RMB3.0 per sq.m. per month (each such rate being the specific service fee specified in or the weighted-average of the range of service fees determined based on the respective pricing policy disclosed above), the aggregate amount of management fees to be charged to Ningbo Sanxing and/or its subsidiaries in respect of each relevant type of management services to be provided for each of the three years ending 31 December 2024, 2025 and 2026, which is calculated by multiplying the relevant average rate of monthly management fee by the size of office units, number of car park units or estimated size of unlet industrial park properties as stated above and forms the basis for relevant parts of the annual caps for Amended 2023 Framework Agreement III, is as follows:

	Office property management services *(RMB million)*	**Car park management services** *(RMB million)*	**Unlet industrial park unit property management services** *(RMB million)*
Year ending 31 December 2024	0.4	0.05	8.5
Year ending 31 December 2025	0.4	0.05	8.5
Year ending 31 December 2026	0.4	0.05	8.5

(iii) the estimated demand for the industrial park property management services to be provided by Shuyi Property and its subsidiaries during the three years ending 31 December 2026 to Ningbo Sanxing and/or its subsidiaries. It is expected that Shuyi Property and its subsidiaries will be providing services to the existing industrial park occupied by Ningbo Sanxing and/or its subsidiaries. In addition, it is expected that Ningbo Sanxing will further expand its industrial park network. Accordingly, while no workers had been sent by Shuyi Property and its subsidiaries for provision of industrial park property management services to Ningbo Sanxing and/or its subsidiaries during the three years ended 31 December 2023, it is expected that the average number of workers required to be sent by Shuyi Property for the provision of services will be approximately 88 per month for the year ending 31 December 2024 increase to approximately 119 per month for the year ending 31 December 2026; and

(iv) the wage levels of the workers of Shuyi Property and its subsidiaries during each of the three years ending 31 December 2026, which are anticipated to show no significant growth from the existing levels. The wage levels are estimated based on the consumer price indices in China in the ten months ended 31 October 2023 as compared with the corresponding period in 2022, as reported by the National Bureau of Statistics of the PRC. The service fee per worker for the industrial park property management services (calculated on the basis of the

Industrial Park Management Service Average Wage) is therefore expected to remain relatively stable over the term of Amended 2023 Framework Agreement III.

4.3.5 Our analysis and view on the proposed annual caps

The proposed annual caps of the Amended 2023 Framework Agreement III for the year ending 31 December 2024 will be approximately RMB13.5 million, representing an increase of approximately RMB13.0 million from the existing annual cap of approximately RMB0.5 million for the year ended 31 December 2023. The proposed annual caps for the two years ending 31 December 2025 and 2026 represent year-on-year growth rates of approximately 7.4% and 4.1%, respectively.

To assess the fairness and reasonableness of the proposed annual caps for the Amended 2023 Framework Agreement III for the three years ending 31 December 2026, we have discussed with the Management on the basis and assumptions of determining the proposed annual caps and understand that the Management has primarily taken into account (i) the historical size of office units, number of car park units and historical size of unlet industrial park properties owned or occupied by Ningbo Sanxing and/or its subsidiaries which may require property management services from Shuyi Property and its subsidiaries; (ii) the expected demand of Ningbo Sanxing and/or its subsidiaries for property management services for the three years ending 31 December 2026 with reference to their needs for office space and car park units and unlet industrial park property units; (iii) the estimated demand of Ningbo Sanxing and/or its subsidiaries for industrial park property management services for the three years ending 31 December 2026; and (iv) the expected annual growth rate in wages of the workers. In this regard, we have performed the following due diligence works:

(i) we have obtained and reviewed a list of services expected to be provided by Shuyi Property to Ningbo Sanxing and/or its subsidiaries under the 2023 Framework Agreement III and note that Shuyi Property is (i) currently providing property management services to two property projects, which in aggregate equivalent to approximately 5,682 sq.m. of office units and 10 car park units, and it is expected that such demand will remain at current level for the three years ending 31 December 2026; and (ii) expected to extend its property management services to two industrial park property projects and two unlet industrial park property projects during 2024, and one additional industrial park property project during 2025;

(ii) we have obtained and reviewed a breakdown of the proposed service scope, the expected number of workers and the service fee per worker in each function to be sent by Shuyi Property for industrial park property management services and note that the number of workers to be sent by Shuyi Property will increase from approximately 88 per month for the year ending 31 December 2024 to approximately 119 per month for the year ending 31 December 2026. As advised by the Management, such increase in the number of workers is mainly attributable to the anticipation of the expansion of industrial park properties and the addition of new industrial park property project;

(iii) in relation to the wage levels of the workers of Shuyi Property and its subsidiaries during the three years ending 31 December 2026 which are anticipated to be remained stable. According to the analysis performed under the sub-section headed "4.1.5 Our analysis and view on the proposed annual caps" above, we consider that the expected annual growth rate in wages of the workers adopted in the calculation of the proposed annual caps is justifiable; and

(iv) the utilisation rates under 2020 Framework Agreement III were maintained at a relative high level, with the lowest utilisation rate only reached approximately 80% during the three years ended 31 December 2023. As advised by the Management, although the annual caps for the three years ending 31 December 2026 increase significantly, the increased amounts are primarily for accommodating the additional demand arose from the industrial park property management services and unlet industrial park unit property management services. Based on our review of (i) the expected number of workers and the service fee per worker for the industrial park property management services; and (ii) the estimated size of the unlet industrial park units which Shuyi Property and its subsidiaries are expected to serve and the respective average rate of monthly management fee, we note that the additional service fees expected to be generated under the industrial park property management services and unlet industrial park unit property management services are in line with increased amount of the proposed annual caps.

Having considered the above, we are of the view that the proposed annual caps under the Amended 2023 Framework Agreement III for the three years ending 31 December 2026 are fair and reasonable.

4.4 2023 Framework Agreement IV

4.4.1 Principal terms

A summary of the principal terms of 2023 Framework Agreement IV is set forth below:

Date:	27 November 2023
Parties:	(1) Shuyi Property (for itself and as trustee for the benefits of its subsidiaries from time to time) (2) Ningbo AUX Real Estate (for itself and as trustee for the benefits of its subsidiaries from time to time)
Term of the agreement:	Subject to approval by the Independent Shareholders, 2023 Framework Agreement IV shall be effective from 1 January 2024 until 31 December 2026.
Type of services to be provided, pricing policy and payment arrangement:	The service scopes under 2020 Framework Agreement IV and 2021 Framework Agreement I have been consolidated with slight adjustments to the service scope. Shuyi 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 industrial park projects launched from time to time and shopping complexes owned by Ningbo AUX Real Estate and/or its subsidiaries. Pre-sale management services, sales offices management services and unsold residential units property management services and

industrial park units property management services will be provided to Ningbo AUX Real Estate and/or its subsidiaries in respect of its respective residential property development projects and industrial park projects according to the project schedule and sales phase. Vacant retail shop property management services will be provided to existing shopping complexes owned by Ningbo AUX Real Estate and/or its subsidiaries.

In addition, the service scope has been further expanded such that Shuyi Property and its subsidiaries will provide (a) property management services including maintenance, cleaning and security services in connection with the offices, commercial properties and car park units occupied by Ningbo AUX Real Estate and/or its subsidiaries; and (b) car park sales agency services in connection with the car park units 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 one property development projects in the year ending 31 December 2024.

Pricing policy: In respect of property development projects in the city of Ningbo and Anhui, 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／馬鞍山市住宅小區物業管理條例實施意見 (Opinions on Implementation of Ningbo/Ma An Shan Residential Community Property Management Regulations*) which stipulate, among others, that the policy on charging of pre-sale property service fees shall be formulated by the governmental pricing authorities from time to time). Particularly, 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*) stipulate that the price floors of property management services for different types of properties should range from RMB7 to RMB11 per square meter.

The Group will also take into account the expected operational costs (including the salaries of the staff, cleaning expenses, utilities, maintenance expenses and landscaping expenses) and the anticipated increase in such costs over the agreement term (estimated based on the inflation rate) when it decides to enter into specific service agreements for each development project. The pricing policy serves to ensure that the service fees will cover the costs incurred by the Group in providing the requisite management services and, on top of that, provide reasonable returns to the Group to the extent permissible within the boundaries established under the applicable local regulations or by the governmental pricing authorities. Accordingly, the Board considers that the pricing policy is fair and reasonable.

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 14%, which approximates the estimated markups charged by at least three other companies listed on the Stock Exchange providing similar services in the PRC deduced based on the profit margins in their published financial information and also factors in the location, type and size of the properties to be managed by the Group, and shall be on terms not more favourable to Ningbo AUX Real Estate and/or its subsidiaries than those then offered by Shuyi 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. The pricing policy serves to ensure that the service fees will suffice to cover the costs incurred by Shuyi Property and its subsidiaries in providing the requisite management services and, on top of that, provide reasonable returns to Shuyi Property and its subsidiaries reflecting the prevailing market rate or that are otherwise in line with the market practice. Accordingly, the Board considers that the pricing policy is fair and reasonable.
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 approximate the prevailing rates of management fees charged by Shuyi Property and its subsidiaries in respect of sold property units of at least two independent third parties factoring in the location, type and size of the properties to be managed by, the expected profit margin of, and the expected operational costs to be incurred by Shuyi Property and its subsidiaries as compared with the referenced transactions, ranging from RMB1.4 to RMB3.3 per sq.m. 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 Shuyi 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 to independent third party customers. Accordingly, the Board considers that the pricing policy is fair and reasonable.
Payment term:	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 approximate the prevailing rates of management fees charged by Shuyi Property and its subsidiaries for retail shop units rented to at least two independent third parties factoring in the location, type and size of the properties to be managed by, the expected profit margin of, and the expected operational costs to be incurred by Shuyi Property and its subsidiaries as compared with the referenced transactions, ranging from RMB1.8 to RMB21.0 per sq.m. per month depending on the location and nature of the properties (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 Shuyi 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 to independent third party customers. Accordingly, the Board considers that the pricing policy is fair and reasonable.
Payment arrangement:	Payment shall be made monthly pursuant to the terms of the specific service agreements to be entered into.

e. Office property management services

Types of services to be provided:	Maintenance, cleaning and security services in respect of offices and commercial properties occupied by Ningbo AUX Real Estate and/or its subsidiaries.
Pricing policy:	The service fees will be agreed with Ningbo AUX Real Estate and shall approximate the prevailing rates of management fees charged by Shuyi Property and its subsidiaries for office units and commercial properties leased by at least two independent third parties factoring in the location, type and size of the properties to be managed by, the expected profit margin of, and the expected operational costs to be incurred by Shuyi Property and its subsidiaries as compared with the referenced transactions, at RMB6.0 per sq.m. per month, and shall be on terms not more favourable to AUX Group and/or its subsidiaries than those offered by Shuyi 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 to independent third party customers. Accordingly, the Board considers that the pricing policy is fair and reasonable.
Payment arrangement:	Payment shall be made monthly pursuant to the relevant terms of the specific service agreements to be entered into.

f. Car park management services

Types of services to be provided:	Maintenance, cleaning and security services in respect of car park units occupied and car park sales agency services in respect of car park units owned by Ningbo AUX Real Estate and/or its subsidiaries.
Pricing policy:	Car park maintenance, cleaning and security services
	In relation to the maintenance, cleaning and security services in respect of car park units occupied by Ningbo AUX Real Estate and/or its subsidiaries, the service fees will be agreed with Ningbo AUX Real Estate and shall approximate the prevailing rates of management fees charged by Shuyi Property and its subsidiaries for car park units leased by at least two independent third parties factoring in the location, type and size of the properties to be managed by, the expected profit margin of, and the expected operational costs to be incurred by Shuyi Property and its subsidiaries as compared with the referenced transactions, ranging from RMB40 to RMB100 per unit per month depending on the location of the car park units (for example, different rates are charged in respect of car parks in Ningbo, Tianjin and Anhui), and shall be on terms not more favourable to Ningbo AUX Real Estate and/or its subsidiaries than those offered by Shuyi Property and its subsidiaries to independent third parties for comparable services.

Car park sales agency services

In relation to the car park sales agency services in respect of car park units owned by Ningbo AUX Real Estate and/or its subsidiaries, the service fees shall represent the difference between the actual selling price at which car park units are sold by Shuyi Property and/or its subsidiary and the pre-determined minimum prices of the car park units sold. The actual selling price is the price that Shuyi Property and/or its subsidiary negotiate with the buyer on behalf of the Ningbo AUX Real Estate and/or its subsidiaries and represents the total amount the buyer will pay and Ningbo AUX Real Estate and/or its subsidiaries will be entitled to receive in connection with the sale and purchase of the car park unit. The pre-determined price is the minimum amount that the Ningbo AUX Real Estate and/or its subsidiaries is willing to accept as its returns in connection with the sale of the car park unit to the buyer.

Service fees will be charged upon payment made by the buyer of the relevant car park units in accordance with the relevant sales agreement. Such service fees will be chargeable by Shuyi Property and/or its subsidiaries if any only if the relevant car park unit has been sold by Shuyi Property and/ or its subsidiaries, and Shuyi Properties and its subsidiaries have no rights to sell the car park units below the pre-determined minimum prices. If a car park unit remains unsold for 18 months as a result of the impracticability to sell it above the relevant pre-determined minimum price, Shuyi Property and its subsidiaries will cease to conduct advertising activities in respect of the car park unit and Ningbo AUX Real Estate will keep it as long term investments. Such arrangements ensure that the resource contribution of Shuyi Property and its subsidiaries will effectively be capped in respect of those car park units that cannot practically be sold, so as to limit the loss Shuyi Property and its subsidiaries will have to incur. They are therefore fair and reasonable and in the interest of the Company and the Shareholders as a whole.

When determining the actual selling price, Shuyi Property and its subsidiaries will make reference to the prevailing market price of car parks by consulting with property agencies and conducting online searches for recent car park listings. Taking into account at least two reference prices so obtained, Shuyi Property and/or its subsidiaries will analyse the current market price of car parks and their past selling prices. Adjustments may be made taking into account the proximity of the car park location to the relevant housing estate, demand for car parks in the relevant housing estate, and the expected spending power of the property owners in the relevant housing estate. The pre-determined minimum prices of each car park unit will be determined after arm's length negotiations between Ningbo AUX Real Estate and Shuyi Property and/or its subsidiary with reference to the prevailing market price. From Ningbo AUX Real Estate's perspective, such price shall be based on assessment of its costs in making available the car park units and shall be no lower than the minimum level required for full recovery of the costs incurred. On the other hand, Shuyi Property and its subsidiaries will also assess and estimate the resources to be expended in providing the car park sales agency services and ensure that the pre-determined minimum price will at least be set at a level at which the service fee receivable by Shuyi Property and its subsidiaries will suffice to cover the costs incurred in providing the car park sales agency services. Subject to this pre-condition, Shuyi Properties and its subsidiaries will seek to fix the pre-determined minimum price at the lowest level acceptable to Ningbo AUX Real Estate so as to maximise the service fees receivable and the net returns (being the service fees received less the costs incurred in providing the car park sales agency services).

With reference to the prevailing market rate of the agency service fee (determined with reference to the markup charged by at least three other companies listed on the Stock Exchange that provide car park sales agency services ranging from 15% to 20%), it is agreed that the agency service fee per car park unit sold shall be at least 35% of the actual selling price. Such a minimum rate of agency service fee is equivalent to the difference between the average current market price and the expected pre-determined minimum price in respect of car parks in the relevant areas. Given that Shuyi Property and its subsidiaries have in place their own office resources and manpower and do not need to pay deposit to secure the agency right, the costs to be incurred in providing the car park sales agency services are expected to be minimal in general, and the above minimum rate will provide Shuyi Property and its subsidiaries with sufficient service fee to cover its costs. In the exceptional case that additional marketing and advertising activities have to be conducted, such additional expenses will be met out of the budget particularly assigned by Shuyi Property and its subsidiaries for specific marketing and advertising activities to boost car park sales. Given that standard marketing and promotion activities would normally suffice and the special needs to conduct additional marketing and advertising activities would only arise under exceptional circumstances, the Board believes that the minimum rate of agency service fee will provide the Group with adequate safeguard in all general cases and is therefore fair and reasonable.

Such rates of management fees in respect of maintenance, cleaning and security services have been adopted by the Group based on the prevailing market rates at which comparable services are provided to independent third party customers. In relation to the car park sales agency services, the pricing policy (including the minimum rate of service fee) serves to ensure that the service fees will at least suffice to cover the costs incurred by Shuyi Property and its subsidiaries in providing the services to avoid any loss on their part, and, on top of that, provides room for returns to Shuyi Property and its subsidiaries to gain additional returns where the differential between the actual selling price of a car park unit (as determined by Shunyi Properties in line with the prevailing market rate) and the pre-determined minimum price of the car park unit (set primarily based on Ningbo AUX Real Estate's costs in developing the car park unit) exceeds the minimum rate of service fee. Accordingly, the Board considers that the pricing policy reflects commercial reality with the financial interests of Shuyi Properties and its subsidiaries duly covered and is therefore fair and reasonable.

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

g. Industrial park units property management services

Types of services to be provided:	Maintenance, cleaning and security services in respect of industrial park units owned by Ningbo AUX Real Estate and/or its subsidiaries.

Pricing policy:	The service fees will be agreed with the Ningbo AUX Real Estate and shall approximate the prevailing rates of management fees charged by Shuyi Property and its subsidiaries in respect of leased industrial park units of at least two independent third parties factoring in the location, type and size of the properties to be managed by, the expected profit margin of, and the expected operational costs to be incurred by Shuyi Property and its subsidiaries as compared with the referenced transactions, ranging from RMB1.8 to RMB4.5 per sq.m. per month depending the respective location of the properties, and shall be on terms not more favourable to Ningbo AUX Real Estate and/or its subsidiaries than those offered by Shuyi 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 to independent third party customers. Accordingly, the Board considers that the pricing policy is fair and reasonable.
Payment arrangement:	Payment shall be made monthly pursuant to the terms of the specific service agreements to be entered into.
Specific service agreements:	Shuyi 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 2023 Framework Agreement IV and shall not contravene the provisions of 2023 Framework Agreement IV; in case of any inconsistency, the provisions of 2023 Framework Agreement IV shall prevail.

4.4.2 Our analysis and view on the major terms

In respect of the pricing policy of the pre-sale management services, we have independently obtained and reviewed the Ningbo Residential Community Property Management Regulations* (《寧波市住宅小區物業管理條例》) which sets out the minimum requirements for the determination of the service fees and the major duties required for the provision of pre-sale management services. Furthermore, we have discussed with the Management and note that the pre-sale property management service fees are mainly charged on fixed fee basis with reference to the relevant price guide under local pricing regulations (if any) and the expected operational costs to be incurred. For our due diligence purpose, we have discussed with the Management and understand that the Group did not provide such services to any independent third parties in the past. Nonetheless, we have randomly selected not less than half of the number of projects entered into between Shuyi Property and its subsidiaries and Ningbo AUX Real Estate and/or its subsidiaries for the procurement of similar type of services and were effective during the term of the 2020 Framework Agreement IV, and reviewed the respective pre-sale management service agreement. Based on our review, we note that (i) such projects are located in cities of Ningbo, Huzhou, Changsha, Zhengzhou and Ma'anshan; (ii) the pricing policy for projects located in the city of Ningbo is in line with the pricing policy and requirements as set out in the Ningbo Residential Community Property Management Regulations independently obtained by us; and (iii) the service fees charged for services provided in the other cities, where the local government did not prescribe any pricing requirement, are no less than the service fees charged for services provided in the city of Ningbo and the pricing policy and requirements as set out in the Ningbo Residential Community Property Management Regulations.

In respect of the pricing policy of the sales offices management services, we note from the 2023 Framework Agreement IV that the service fees for such services shall be determined and charged based on the actual costs incurred for the provision of management services plus a rate of management fee (which shall in any event be not less than 14%). Based on our independent research on the comparable transactions regarding the pricing terms for providing similar services, we note that it is not uncommon for property management service fees to be charged based on total costs incurred in providing the required services plus a profit margin. Furthermore, based on our independent research (details of which are stated under the sub-section headed "4.1.2 Our analysis and view on the major terms" above), we note that the rate of management fee of 14% falls within and above the average of the Comparable Net Profit Margins, which ranged from approximately 12.0% to 15.8% with an average of approximately 13.8%. In light of the above and further taking into account that (i) the Comparable Companies are comparable to the Group due to reasons as mentioned above; (ii) the scope of services to be provided under the sale offices management services is similar to those provided by the Comparable Companies, which generally include cleaning, security and maintenance services (the commercial rationale of which are stated under the sub-section headed "4.1.2 Our analysis and view on the major terms" above), we consider that the Comparable Net Profit Margins are comparable to the sales office management fee rate and the fee rate of 14.0% is justifiable.

In terms of unsold residential units property management services and vacant retail shop property management services, we have randomly selected seven projects, which represent no less than half of the total number of property management projects for each of the aforementioned services entered into between Shuyi Property and its subsidiaries and Ningbo AUX Real Estate and/or its subsidiaries in the past three years, and obtained a total of 14 sample settlement receipts with (i) one settlement receipt provided to Ningbo AUX Real Estate and/or its subsidiaries; and (ii) one settlement receipt provided to independent third parties for each of the aforementioned projects. Given that all sample settlement receipts were selected on a random basis with a coverage ratio of no less than 50% in terms of number of projects selected and spread across the past three years, we consider the sample settlement receipts are sufficient, fair and representative. Based on our review, we note that the pricing term of the service fees charged to Ningbo AUX Real Estate and/or its subsidiaries are no less favourable to the pricing term of the service fees charged to independent third parties.

In terms of office property management services, car park management services and industrial park units property management services, given these are newly added property management services under 2023 Framework Agreement IV, we have randomly selected two sets of sample contracts and/or settlement receipts for each type of property management services, provided to the independent third parties in the past three years, which the property management projects are expected to fall within the scope of the 2023 Framework Agreement IV. Given that all sample contracts and settlement receipts were selected on a random basis and spread across the past three years, we consider the sample documents are sufficient, fair and representative. Based on our review, we note that the pricing term of the service fees charged to independent third parties are no less favourable to the pricing term of the service fees as stipulated under the 2023 Framework Agreement IV for the respective services.

In respect of the pricing policy of the car park sales agency services, we have conducted research on recent announcements and their respective circular (if any) published by the PRC property management companies, which are listed on the Main Board of the Stock Exchange, in the past twelve months prior to the date of the 2023 Framework Agreement IV in relation to the provision of car park sales agency services to connected persons(s). To the best of our knowledge and as far as we are aware of, we have identified an exhaustive list of 14 comparable transactions which met the criteria as stated above (the "**Comparable Sales Agency Transactions**"):

Date of announcement	Company name	Stock code	Basis to determine sales prices of the car park unit	Rate of agency fees
14 November 2023	Kangqiao Service Group Limited	2205.HK	Determined solely by the group, with reference to (i) the popularity of the unsold parking spaces; (ii) the real estate market condition and the scope of services provided; and (iii) the location of the unsold parking spaces	55% of the contract price
3 November 2023	Poly Property Services Co., Ltd	6049.HK	Details undisclosed	Details undisclosed
27 October 2023	S-Enjoy Service Group Co., Limited	1755.HK	Details undisclosed	24% to 47% of the sales amount
26 October 2023	Jinmao Property Services Co., Limited	816.HK	Details undisclosed	20% to 70% of the actual sales price
18 October 2023	Dowell Service Group Co. Limited	2352.HK	Details undisclosed	Details undisclosed
13 October 2023	Landsea Green Life Service Company Limited	1965.HK	Details undisclosed	Details undisclosed
10 October 2023	Beijing Capital Jiaye Property Services Co., Limited	2210.HK	Determined with reference to the appraised value of the target carpark spaces after the appraisal of the sales/leasing price of the target carpark spaces by an independent appraiser engaged by the two parties	least 20% of the selling price
22 September 2023	Xinyuan Property Management Service (Cayman) Ltd.	1895.HK	Details undisclosed	Details undisclosed
20 July 2023	Shimao Services Holdings Limited	873.HK	Details undisclosed	15% of the contract value for the sale of the relevant carpark space
7 June 2023	Redsun Services Group Limited	1971.HK	Details undisclosed	Details undisclosed
8 May 2023	S-Enjoy Service Group Co., Limited	1755.HK	Details undisclosed	Details undisclosed
8 December 2022	Redsun Services Group Limited	1971.HK	Determined with reference to the prevailing market price charged by other independent third party services providers to Redsun Properties Group Limited and its associates in respect of comparable locations	Details undisclosed
6 December 2022	Shimao Services Holdings Limited	873.HK	Details undisclosed	Details undisclosed

Date of announcement	Company name	Stock code	Basis to determine sales prices of the car park unit	Rate of agency fees
29 November 2022	Jiayuan Services Holdings Limited	1153.HK	Details undisclosed	20% of the estimated sales prices of the designated car parking spaces
Maximum				**70% of the sales price**
Minimum				**15% of the sales price**

Source: the Stock Exchange website

In respect of the actual selling price, we note from the Management that it will be principally determined based on the prevailing market price of car park units of the nearby residential properties, which are mostly obtained through consulting with other property agencies as the sales prices of car parks are generally not available on the public domain. In this regard, we have randomly selected two car park projects (the "**Selected Car Park Projects**"), which represents no less than half of the total number of car park sales agency projects to be entered into between Shuyi Property and its subsidiaries and Ningbo AUX Real Estate and/or its subsidiaries under the 2023 Framework Agreement IV, and reviewed their respective price research. Based on our review, we note that the estimated selling prices of the Selected Car Park Projects are within the ranges of the sales prices of the comparable car parks (the "**Comparable Car Parks**") as stated in the aforementioned research. We have also independently reviewed the location of the Comparable Car Parks and note that the Comparable Car Parks are in close proximity to the Selected Car Park Projects. Furthermore, based on our review of the Comparable Sales Agency Transactions, we note that, among the Comparable Sales Agency Transactions with relevant information available, it is not uncommon that the sales prices of the car park unit to be determined based on the factors considered under 2023 Framework Agreement IV, which include the prevailing market prices of the comparable car park units, the proximity of the car park location to the relevant housing estate, demand for car parks in the relevant housing estate and the expected spending power of the property owners in the relevant housing estate. As such, we consider the basis to determine the actual selling price is fair and reasonable.

In respect of the agency service fee, it is calculated based on the differences between the actual selling prices and the pre-determined minimum prices of the car park units sold. We note that the agency service fee per car park unit sold of at least 35% of the actual selling price (the "**Agency Service Fee**") is higher than the low end of the range of the agency service fees to be charged under the Comparable Sales Agency Transactions as illustrated in the table above. Having considered that the pre-determined minimum prices will be fixed at not more than 65% of the actual selling prices which enable to the Group to earn a reasonable rate of agency service fee as compared to the Comparable Sales Agency Transactions mentioned above, we consider that the rate of the Agency Service Fee and the determination of the pre-determined minimum prices of the car park units are justifiable.

In the event that the Group is unable to record any services fee if the car park unit could not be sold within 18 months, the Group will cease to conduct advertising activities in respect of the car park unit. As advised by the Management, given Shuyi Property and its subsidiaries have in place their own office resources and manpower, the additional costs to be incurred under the provision of car park sales agency services are expected to be minimal in general. Furthermore, based on our review of the annual budget prepared by the Management, we note that the estimated return of the car park sales agency services is well above the expected operational costs, which comprised of the costs expected to incurred from the marketing and advertising activities. In view of the above and taking into account the potential upside of the car park sales agency services, we consider the arrangement of the car park sales agency services is fair and reasonable.

In view of the above comparable analysis performed and the results of our due diligence works conducted, we consider that the major terms of the 2023 Framework Agreement IV are fair and reasonable and on normal commercial terms.

4.4.3 Historical transaction amounts and proposed annual caps

The following table sets out the historical amounts of previous continuing connected transactions between Shuyi Property and its subsidiaries and Ningbo AUX Real Estate and/or its subsidiaries under the 2020 Framework Agreement IV and 2021 Framework Agreement I and the proposed annual caps for the transactions contemplated under the 2023 Framework Agreement IV for the three years ending 31 December 2026:

	Historical amount for the year ended 31 December 2021	Historical amount for the year ended 31 December 2022	Historical amount for the year ended 31 December 2023	Proposed annual caps for the year ending 31 December 2024	Proposed annual caps for the year ending 31 December 2025	Proposed annual caps for the year ending 31 December 2026
	RMB in million	*RMB in million*	*RMB in million*	*RMB in million*	*RMB in million*	*RMB in million*
Annual cap	38.0	54.2	60.5	37.5	31.5	28.0
Historical transactions recorded	19.5	36.7	26.2			
Utilisation rate	51.3%	67.7%	43.3%			

Given that the growth of the real estate industry in the PRC has slowed down in recent years, Ningbo AUX Real Estate has been cautious with and downsized its property development plan, with the number of residential projects developed over the period from 2021 to 2023 reduced from fourteen to two. As a result, the demand of Ningbo AUX Real Estate and its subsidiaries for property management services has fallen below expectations and the utilisation rates of the annual cap for the two years ended 31 December 2021 and 2022 and for the year ended 31 December 2023 are lower than forecasted.

In the light of the slowdown in residential property development by Ningbo AUX Real Estate, it is expected that the demand of Ningbo AUX Real Estate for property management services relating to residential property development projects (i.e. pre-sale management services, sales offices management services and unsold residential units property management services) will remain low going forward. The proposed annual caps for the transactions contemplated under 2023 Framework Agreement IV will be reduced correspondingly.

4.4.4 Basis of determination of the annual caps

The proposed annual caps for the transactions contemplated under 2023 Framework Agreement IV are determined with reference to:

(i) the historical amounts of fees charged by Shuyi Property and its subsidiaries for the property management services provided to Ningbo AUX Real Estate and/or its subsidiaries under the 2020 Framework Agreement IV and 2021 Framework Agreement I, being approximately RMB19.5 million for the year ended 31 December 2021, RMB36.7 million for the year ended 31 December 2022 and RMB26.2 million for the year ended 31 December 2023;

(ii) the expected demand of Ningbo AUX Real Estate and its subsidiaries for property management services for the years ending 31 December 2024, 2025 and 2026 with reference to 2020 Framework Agreement IV and 2021 Framework Agreement I 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 property sales under existing projects by the year ending 31 December 2026), the number of existing shopping complexes and the number of existing industrial parks;

(iii) the estimated vacancy rate of the existing shopping complexes owned by Ningbo AUX Real Estate and/or its subsidiaries for the three years ending 31 December 2024, 2025 and 2026 of an average of approximately 35% , as compared with the historical vacancy rate for the year ended 31 December 2022 and of the ten-month period ended 31 October 2023 of an average of approximately 21%;

(iv) the historical size of office units and commercial properties occupied by Ningbo AUX Real Estate and/or its subsidiaries, number of car park units owned or occupied by Ningbo AUX Real Estate and/or its subsidiaries and industrial park properties owned by Ningbo AUX Real Estate and/or its subsidiaries which may require the property management services of Shuyi Property and its subsidiaries as at 31 October 2023 as follows:

	Size of office units and commercial properties *(sq.m.)*	**Number of car park units**	**Size of vacant industrial park properties** *(sq.m.)*
As at 31 December 2022	5,500	2,117	244,626
As at 31 October 2023	5,500	1,747	244,626

(v) the expected demand of Ningbo AUX Real Estate and/or its subsidiaries for property management services for the three years ending 31 December 2024, 2025, and 2026 with reference to the office units and commercial properties, number of vacant car park units and industrial park properties owned or occupied by them. It is estimated that the size of the office units and commercial properties, number of vacant car park units and the size of the industrial park properties owned or occupied by Ningbo AUX Real Estate and its subsidiaries in respect of which property management services will be required to be provided by Shuyi Property and its subsidiaries for the three years ending 31 December 2024, 2025, and 2026 will be as follows:

	Size of office units and commercial properties *(sq.m.)*	**Number of car park units**	**Size of vacant industrial park properties** *(sq.m.)*
Year ending 31 December 2024	5,500	1,687	244,626
Year ending 31 December 2025	5,500	1,637	244,626
Year ending 31 December 2026	5,500	1,597	244,626

Accordingly, based on the estimated average rate of monthly management fee for office units and commercial properties of RMB6.0 per sq.m., the average rate of monthly management fee for car park units of RMB57.6 per unit and the average rate of monthly management fee for industrial park properties ranging from RMB3.0 per sq.m. (each such rate being the specific service fee specified in or the weighted-average of the range of service fees determined based on the respective pricing policy disclosed above), the aggregate amount of management fees to be charged to Ningbo AUX Real Estate and/or its subsidiaries in respect of each relevant type of management services to be provided for each of the three years ending 31 December 2024, 2025 and 2026, which is calculated by multiplying the relevant average rate of monthly management fee by the size of office units and commercial properties, number of car park units or size of vacant industrial park properties as stated above and forms the basis for the annual caps for relevant parts of 2023 Framework Agreement IV, is as follows:

	Size of office units and commercial property management services *(RMB millions)*	**Car park management services** *(RMB millions)*	**Industrial park property management services** *(RMB millions)*
Year ending 31 December 2024	0.4	1.2	8.9
Year ending 31 December 2025	0.4	1.2	8.9
Year ending 31 December 2026	0.4	1.2	8.9

(vi) the expected number of the car park units which will be sold by the Group, the recent transaction prices of comparable car parking spaces within the locality of the car park units and the base price standards for sales determined by the Shuyi Property and Ningbo AUX Real Estate; and

(vii) other factors such as the business plans of Shuyi Property (based on the business plans to be provided by Ningbo AUX Real Estate, Shuyi 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 2023 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 Shuyi Property's schedules for the provision of property management services) and inflation.

4.4.5 Our analysis and view on the proposed annual caps

The proposed annual caps of the 2023 Framework Agreement IV for the year ending 31 December 2024 will be at approximately RMB37.5 million, representing a decrease of approximately 38.0% from the existing annual cap of approximately RMB60.5 million for the year ended 31 December 2023. The proposed annual caps for the two years ending 31 December 2025 and 2026 will decrease by approximately 16.0% and 11.1% on a year-on-year basis, respectively.

To assess the fairness and reasonableness of the proposed annual caps for the 2023 Framework Agreement IV for the three years ending 31 December 2026, we have discussed with the Company on the basis and assumptions of determining the proposed annual caps and understand that the Management has primarily taken into account (i) the historical amounts of fees charged by Shuyi Property and its subsidiaries for the property management services provided to Ningbo AUX Real Estate and/or its subsidiaries; (ii) the expected demand of Ningbo AUX Real Estate and its subsidiaries for property management services for the three years ending 31 December 2026; (iii) the estimated vacancy rate of the existing shopping complexes owned by Ningbo AUX Real Estate and/or its subsidiaries for the three years ending 31 December 2026; (iv) the historical size of office units and commercial properties, number of car park units and historical size of vacant industrial park properties owned or occupied by Ningbo AUX Real Estate and/or its subsidiaries which may require the property management services of Shuyi Property and its subsidiaries; (v) the expected demand of Ningbo AUX Real Estate and/or its subsidiaries for property management services for the three years ending 31 December 2026 with reference to their needs for office units and commercial properties, number of car park units and vacant industrial park properties; (vi) the expected number of the car park units to be sold by the Group; and (vii) other factors such as the business plans of Shuyi Property and inflation. In this regard, we have performed the following due diligence works:

(i) we have obtained and reviewed a list of services expected to be provided by Shuyi Property to Ningbo AUX Real Estate and/or its subsidiaries under the 2023 Framework Agreement IV and note that Shuyi Property is expected to (i) deliver one property development project in 2024 which requires pre-sale management services; (ii) provide sales offices management services to six, five and four projects during each of the years ending 31 December 2024, 2025 and 2026, respectively; (iii) provide unsold residential units property management services to seven projects; (iv) provide vacant retail shop property management services to five projects; (v) provide office property management services to one project; (vi) provide car park management services to eight projects; and (vii) provide industrial park units property management services to four projects;

(ii) we have obtained and reviewed a breakdown of (i) the size or number of unsold residential units, vacant retail shops, office units and commercial properties, car park units, and industrial park units owned or occupied by Ningbo AUX Real Estate and/or its subsidiaries; and (ii) their respective monthly management fee, and note that (i) the monthly management fee for each property is expected to remain at the same level during the three years ending 31 December 2026; (ii) there are no material fluctuation in respect of the size or number of property for each types of services during the three years ending 31 December 2026. As advised by the Management, according to their discussion with Ningbo AUX Real Estate, the demand for the property management services for the aforementioned types of property is expected to remain stable throughout the three years ending 31 December 2026;

(iii) we have obtained and reviewed the sales schedule of the car park units owned by Ningbo AUX Real Estate and/or its subsidiaries and note the sales agency services is expected to be provided to four properties. As advised by the Management, the sales rates for the car park units are mainly estimated based on the historical sales rates for each property and/or the estimation made by the sales department based on the condition of each property, whereas the sales price for the car park unit is determined based on the recent transaction prices of comparable car parking spaces; and

(iv) the historical transaction amounts of the transactions contemplated under 2020 Framework Agreement IV and 2021 Framework Agreement I were approximately RMB19.5 million for the year ended 31 December 2021, approximately RMB36.7 million for the year ended 31 December 2022, approximately RMB26.2 million for the year ended 31 December 2023. We have compared the proposed annual caps with the historical transaction amounts and note that the highest proposed annual caps during the three years ending 31 December 2026 is approximately RMB37.5 million, which is generally in line with the historical transaction amounts of approximately RMB36.7 million recorded for the year ended 31 December 2022, being the latest full year available under the 2020 Framework Agreement IV and 2021 Framework Agreement I as at date of the entering of the 2023 Framework Agreement IV.

Having considered the above, we are of the view that the proposed annual caps under the 2023 Framework Agreement IV for the three years ending 31 December 2026 are fair and reasonable.

4.5 2023 Framework Agreement V

4.5.1 Principal terms

A summary of the principal terms of 2023 Framework Agreement V is set forth below:

Date:	27 November 2023
Parties:	(1) Shuyi Property (for itself and as trustee for the benefits of its subsidiaries from time to time) (2) Ningbo AUX Electric (for itself and as trustee for the benefits of its subsidiaries from time to time)
Term of the agreement:	Subject to approval by the Independent Shareholders, 2023 Framework Agreement V shall be effective from 1 January 2024 until 31 December 2026.

Types of services to be provided, pricing policy and payment arrangement:	The service scopes under 2020 Framework Agreement V and 2021 Framework Agreement II have been consolidated with adjustments to the service scope. Shuyi Property and its subsidiaries shall be commissioned to provide property management services including maintenance, cleaning and/or security services in respect of industrial park properties owned or occupied by Ningbo AUX Electric and/or its subsidiaries. The types of services to be provided and their respective pricing policy and payment arrangement are summarised below:

a. Industrial park management services

Type of services to be provided:	Maintenance, cleaning and security 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 Shuyi 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:

- 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, to be sent by Shuyi 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 (as a percentage of the Industrial Property Management Service Average Wage) (the "**Industrial Property Management Service Markup**") to cover the other costs and disbursements of Shuyi Property and its subsidiaries in providing the required services and its profit margin; and
- the average number of workers to be sent by Shuyi 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 Shuyi Property and its subsidiaries and Ningbo AUX Electric and/or its relevant subsidiary with reference to the actual demand, size and scale of operation of the industrial park facilities occupied 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 property management services provided to industrial park properties in the past six months with reference to contracts displayed in the PRC Government procurement database; and

(2) where the information as referred to in paragraph (1) above is not available or obtainable, the markups charged by Shuyi Property and its subsidiaries to at least two 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 14%, which approximates the estimated markups charged by at least three other companies listed on the Stock Exchange principally engaged in provision of property management services in the PRC deduced based on the profit margins in their published financial information in the range of 12.0% to 15.8% and also factors in the location, type and size of the properties to be managed by the Group. To the best of the knowledge, information and believe of the Directors, these three referenced listed companies derive the majority of their revenue from provision of property management services in the PRC. Given that the resource requirements and mode of delivery of their property management services do not vary materially from those of the industrial property management services provided by the Group, the Directors are of the view that such property management services are generally comparable in terms of cost structure. Therefore, the profit margins recorded by these companies are considered appropriate points of reference reflecting the relevant general rate of markup charged by property management service providers in the market.

	The pricing policy serves to ensure that the service fees will suffice to cover the costs incurred by Shuyi Property and its subsidiaries in providing the requisite management services and, on top of that, provide reasonable returns to Shuyi Property and its subsidiaries reflecting the prevailing market rate or that are otherwise in line with the market practice. Accordingly, the Board considers that the pricing policy is fair and reasonable.
Payment arrangement:	Payment shall be made monthly pursuant to the terms of the specific service agreements to be entered into.

b. Vacant industrial park units property management services

Types of services to be provided:	Maintenance, cleaning and security services in respect of vacant industrial park units of Ningbo AUX Electric and/or its subsidiaries.
Pricing policy:	The service fees will be agreed with the property owner and shall approximate the prevailing rates of management fees charged by Shuyi Property and its subsidiaries in respect of leased industrial park units of at least two independent third parties factoring in the location, type and size of the properties to be managed by, the expected profit margin of, and the expected operational costs to be incurred by Shuyi Property and its subsidiaries as compared with the referenced transactions, at RMB0.8 per sq.m. per month, and shall be on terms not more favourable to Ningbo AUX Real Estate and/or its subsidiaries than those offered by Shuyi 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 to independent third party customers. Accordingly, the Board considers that the pricing policy is fair and reasonable.
Payment arrangement:	Payment shall be made monthly pursuant to the terms of the specific service agreements to be entered into.
Specific service agreements:	Shuyi 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 Shuyi Property and its subsidiaries for the provision of services, rates of service fee, and service scope. Any such service agreement shall be within the ambit of 2023 Framework Agreement V and shall not contravene the provisions of 2023 Framework Agreement V; in case of any inconsistency, the provisions of 2023 Framework Agreement V shall prevail.

4.5.2 Our analysis and view on the major terms

In respect of the pricing policy for the industrial park management services, we note that the service fees were primarily determined by the service fee per worker and the number of workers assigned to perform the services, which is identical to the pricing policy for the provision of industrial park property management services under 2023 Framework Agreement III and is not an uncommon market practice based on our independent research conducted on the comparable PRC property management companies listed on the Stock Exchange.

In terms of the pricing policy for the vacant industrial park units property management services, we understand from the Management that the Group had not entered into any contracts for the provision of such similar services with any independent third parties. Nonetheless, similar to the unlet industrial park units property management services as provided under 2023 Framework Agreement III, the service fees in respect of the vacant industrial park units property management services provided to Ningbo AUX Electric and/or its subsidiaries shall also be based on the prevailing rates of management fees charged by Shuyi Property and its subsidiaries in respect of leased industrial park units of independent third parties and on terms not more favourable than those offered to independent third parties for comparable services. Therefore, for similar reason and our due diligence work as mentioned above, we consider the pricing policy for the vacant industrial park units property management services is justifiable.

In view of the above comparable analysis performed and the results of our due diligence works conducted, we consider that the major terms of the 2023 Framework Agreement V are fair and reasonable and on normal commercial terms.

4.5.3 Historical transaction amounts and proposed annual caps

The following table sets out the historical amounts of previous continuing connected transactions between Shuyi Property and its subsidiaries and Ningbo AUX Electric and/or its subsidiaries under the 2020 Framework Agreement V and 2021 Framework Agreement II and the proposed annual caps for the transactions contemplated under the 2023 Framework Agreement V for the three years ending 31 December 2026:

	Historical amount for the year ended 31 December 2021	Historical amount for the year ended 31 December 2022	Historical amount for the year ended 31 December 2023	Proposed annual caps for the year ending 31 December 2024	Proposed annual caps for the year ending 31 December 2025	Proposed annual caps for the year ending 31 December 2026
	RMB in million	*RMB in million*	*RMB in million*	*RMB in million*	*RMB in million*	*RMB in million*
Annual cap	5.9	9.7	10.1	8.6	9.9	10.7
Historical transactions recorded	2.1	5.5	8.2			
Utilisation rate	35.6%	56.7%	81.2%			

Due to the outbreak of COVID-19 pandemic, Ningbo AUX Electric had delayed the delivery of one of its property development projects to early 2022 and postponed its plan to use the services of professional property management company to improve their industrial park management quality to mid 2022. Therefore the utilisation rates for the year ended 31 December 2021 and year ended 31 December 2022 have fallen in the lower range.

As the delay in delivery of property development projects by Ningbo AUX Electric was a one-off event and not expected to be recurring based on information currently available to the Directors, this incident has not been factored in when determining the proposed annual caps for the transactions contemplated under 2023 Framework Agreement V.

4.5.4 Basis of determination of the annual caps

The proposed annual caps for the transactions contemplated under 2023 Framework Agreement V are determined with reference to:

(i) the services expected to be provided in connection with the industrial parks owned or occupied by Ningbo AUX Electric and/or the relevant subsidiaries in Nanchang, Anhui and Ningbo. It is expected that the average number of workers required to be sent by Shuyi Property and its subsidiaries for the provision of services to the industrial parks in Nanchang, Anhui and Ningbo will increase from approximately 141 per months for the year ended 31 December 2023 to approximately 157 per month for the three years ending 31 December 2026;

(ii) the expected demand of Ningbo AUX Electric and its subsidiaries for industrial park units property management services for the years ending 31 December 2024, 2025 and 2026 and the timetable of future industrial park development projects of Ningbo AUX Electric and its subsidiary in accordance with its expansion plan; and

(iii) the wage levels of the workers of Shuyi Property and its subsidiaries during each of the three years ending 31 December 2026, which are anticipated to show no significant growth from the levels for the year ended 31 December 2023. The wage levels are estimated based on the consumer price indices in China in the ten months ended 31 October 2023 as compared with the corresponding period in 2022, as reported by the National Bureau of Statistics of the PRC. The service fee per worker for the industrial park management services (calculated on the basis of the Industrial Property Management Service Average Wage) is therefore expected to remain relatively stable as compared with the historical transaction periods.

4.5.5 Our analysis and view on the proposed annual caps

The proposed annual caps of the 2023 Framework Agreement V for the year ending 31 December 2024 will be approximately RMB8.6 million, representing a decrease of approximately 14.9% from the existing annual cap of approximately RMB10.1 million for the year ended 31 December 2023. The proposed annual caps for the two years ending 31 December 2025 and 2026 represent year-on-year growth rates of approximately 15.1% and 8.1%, respectively.

To assess the fairness and reasonableness of the proposed annual caps for the 2023 Framework Agreement V for the three years ending 31 December 2026, we have discussed with the Company on the basis and assumptions of determining the proposed annual caps and understand that the Management has primarily taken into account (i) the services expected to be provided in connection with the industrial parks owned or occupied by Ningbo AUX Electric and/or its subsidiaries; (ii) the expected demand of Ningbo AUX Electric and its subsidiaries for industrial park units property management services for the three years ending 31 December 2026; and (iii) the expected annual growth rate in wages of the workers. In this regard, we have performed the following due diligence works:

(i) we have obtained and reviewed a list of services expected to be provided by Shuyi Property to Ningbo AUX Electric and/or its subsidiaries under the 2023 Framework Agreement V and note that Shuyi Property is expected to (i) provide property management services to five existing industrial park property projects located in the cities of Nanchang, Ma'anshan and Ningbo and one vacant industrial park units property located in Tianjin during the three years ending on 31 December 2026; and (ii) further extend its services to a new industrial park property during the year of 2025;

(ii) we have obtained and reviewed a breakdown of the proposed service scope, the expected number of workers and the service fee per worker in each function to be sent by Shuyi Property for industrial park management services and vacant industrial park units property management services. We note that the number of workers to be sent by Shuyi Property will increase from approximately 141 per month for the year ending 31 December 2024 to approximately 157 per month for the year ending 31 December 2026. As advised by the Management, such increase in the number of workers is mainly attributable to the expansion of the operational scale of industrial park properties to accommodate the increase of demand on air-conditioners manufactured by the Ningbo AUX Electric and the addition of new industrial park property project; and

(iii) in relation to the wage levels of the workers of Shuyi Property and its subsidiaries during the three years ending 31 December 2026 which are anticipated to be remained stable. According to the analysis performed under the sub-section headed "4.1.5 Our analysis and view on the proposed annual caps" above, we consider that the expected annual growth rate in wages of the workers adopted in the calculation of the proposed annual caps is justifiable.

Having considered the above, we are of the view that the proposed annual caps under the 2023 Framework Agreement V for the three years ending 31 December 2026 are fair and reasonable.

5. Internal control measures

We note that the Group will adopt the following internal control measures to monitor the pricing and terms of the transactions contemplated under the 2023 Framework Agreements and to ensure 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 2023 Framework Agreements, the legal department, the financial department and the operation department of the Group 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. References will be made (where applicable) to the property management fees charged by Shuyi Property and its subsidiaries to at least two independent third parties for comparable services for comparable properties and the other relevant contract terms in respect thereof and (where practicable) researches will be performed on the recent prices charged by at least two independent service providers in the area(s) in proximity to 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. A report on the above will be prepared afterwards. Pricing requirement(s) prescribed by the relevant local regulation(s) and guidance price(s) stipulated by local authority(ies) (where applicable) will also be observed. The above serve to ensure that the management fees charged by Shuyi Property and its subsidiaries and the terms of the specific service agreements are in conformity with the 2023 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 2023 Framework Agreements;

(2) upon execution of the specific service agreements under the 2023 Framework Agreements, the legal department of the Group is responsible for continuously monitoring and checking on a monthly basis as to whether there has been any amendment to the relevant laws and regulations on property management prices have been amended, in order to ensure that the price(s) paid by property owners remain consistent and compliant with the requirements under the relevant laws and regulations; and

(3) throughout the term of the 2023 Framework Agreements, the operation department and the financial department of the Group are responsible for monitoring the implementation of the specific service agreements under the 2023 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 2023 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 2023 Framework Agreements:

(i) financial controller of Shuyi Property will be responsible for regular monitoring of the continuing connected transactions under the 2023 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 Shuyi 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 2023 Framework Agreements respectively. In particular, the financial department and the audit department of the Company will be responsible for

   (a) 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;

(b) 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 2023 Framework Agreements in respect of the continuing connected transactions;

(c) conducting continuous evaluation on the fairness of the transaction terms and the pricing terms; and

(d) 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 2023 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 2023 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 2023 Framework Agreements on an annual basis and confirm in the annual reports of the Company for the years ending 31 March 2023, 2024, 2025, 2026 and 2027 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 2023 Framework Agreements on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

For our due diligence purpose, we have reviewed 2022 AR and 2023 AR and note that the independent non-executive Directors and the auditor of the Company have reviewed the continuing connected transactions contemplated under the 2020 Framework Agreements and 2021 Framework Agreements during such years and provided the relevant confirmations. As confirmed by the Company, the Company will continue to comply with the relevant annual review requirement under the Listing Rules on an on-going basis. For the purpose of evaluating the effectiveness of internal control measures in place to monitor continuing connected transactions contemplated under the 2023 Framework Agreements, we have randomly selected three relevant transactions contemplated under the 2020 Framework Agreements and 2021 Framework Agreements and obtained the relevant walk-through documents including, amongst others, the specific services agreements, the internal approvals records and the records of the actual transaction amounts incurred. Based on our review, we note that (i) prior to the entering of the specific services agreements, they were first submitted by the operation department and subsequently reviewed and approved by the legal department, finance department and other relevant departments in respects of the contractual terms; and (ii) subsequent to the entering of the specific services agreements, the finance department and audit department of the Group regularly monitor the transactions contemplated under the specific services agreements on a monthly basis and check whether the relevant annual caps are not exceeded. In view of the above, the Management confirmed and we concur with the Management's view that appropriate measures are in place to govern the conduct of the continuing connected transaction and safeguard the interests of the Shareholders.

RECOMMENDATION

Having taken into consideration the factors and reasons discussed above, we are of the view that (i) the terms of the 2023 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the 2023 Framework Agreements is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we also recommend, the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM for approving the 2023 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps).

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

Mr. Sammy Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 11 years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the 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 AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF DIRECTORS AND CHIEF EXECUTIVE

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

Name of associated corporation	Name of Director	Capacity/ Nature of interest	Number and class of shares	Approximately percentage of the issued share capital
Huiri Limited *(Note 1)*	Zheng Jiang	Interest of a controlled corporation	0.1 ordinary share	10%
China Prosper Enterprise Holding Co., Ltd. *(Note 2)*	Zheng Jiang	Interest of a controlled corporation	1,000 ordinary shares	10%

Notes:

1. As at the Latest Practicable Date, Ze Hong Limited, a company wholly owned by Mr. Zheng Jiang, was interested in 10% of the issued share capital of Huiri Limited, the holding company of the Company which beneficially owned 337,950,000 Shares, representing approximately 68.55% of the total number of Shares in issue as at the Latest Practicable Date. By virtue of the SFO, Mr. Zheng Jiang was taken to be interested in the shares in Huiri Limited, an associated corporation of the Company, in which Ze Hong Limited was interested.

2. As at the Latest Practicable Date, Ze Hong Limited, a company wholly owned by Mr. Zheng Jiang, was interested in 10% of the issued share capital of China Prosper Enterprise Holding Co., Ltd., which was a subsidiary of Huiri Limited, the holding company of the Company, as at the Latest Practicable Date. By virtue of the SFO, Mr. Zheng Jiang was taken to be interested in the shares in China Prosper Enterprise Holding Co., Ltd., an associated corporation of the Company, in which Ze Hong Limited was interested.

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

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

3. DIRECTORS' SERVICE CONTRACTS

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

4. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS AND COMPETING INTERESTS

None of the Directors had any interest, direct or indirect, in any asset which had, since 31 March 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, been acquired or disposed of by or leased to any member of the Group or which were, as at the Latest Practicable Date, proposed to be acquired or disposed of by or leased to any member of the Group.

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

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

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, these was no material adverse change in the financial or trading position of the Group since 31 March 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the expert which has given advice, letter and opinion contained in this circular:

Name	Qualification
Maxa Capital Limited	A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

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

The expert identified above did not have any interest, direct or indirect, in any asset which had, since 31 March 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, been acquired or disposed of by or leased to any member of the Group or which were, as at the Latest Practicable Date, proposed to be acquired or disposed of by or leased to any member of the Group.

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

7. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.auxint.com) for the period of not less than 14 days from the date of this circular up to and including the date of the EGM:

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

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

(c) the 2023 Framework Agreement I;

(d) the 2023 Framework Agreement II;

(e) the 2023 Framework Agreement III;

(f) the Supplemental Agreement;

(g) the 2023 Framework Agreement IV; and

(h) the 2023 Framework Agreement V.

8. GENERAL

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

(b) The joint company secretaries 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.

This appendix summaries the principal terms of the 2024 Share Option Scheme and does not form, nor is intended to be, part of the 2024 Share Option Scheme nor should it be taken as affecting the interpretation of the provisions of the 2024 Share Option Scheme.

THE 2024 Share Option Scheme

The following is a summary of the principal terms of the 2024 Share Option Scheme proposed to be approved and adopted by an ordinary resolution of the Shareholders at the EGM.

1. Purposes of the scheme

The purposes of the 2024 Share Option Scheme are (i) to enable the Company to grant Options to the Eligible Participants as incentives or rewards for their contribution to the growth and development of the Group; (ii) to attract and retain personnel to promote the sustainable development of the Group; and (iii) to align the interest of the grantees with those of the Shareholders to promote the long-term financial and business performance of the Group.

2. Participants of the scheme and basis of determination of eligibility

The Board shall, in accordance with the provisions of the 2024 Share Option Scheme and the Listing Rules, be entitled but shall not be bound at any time during the scheme life to make an offer of Options to any person belonging to the following class of participants (the ''Eligible Participants'') to subscribe for such number of Shares as the Board shall determine: employees (whether full time or part time, and including directors) of the Company or any of its subsidiaries (including persons who are granted Options under the 2024 Share Option Scheme as an inducement to enter into employment contracts with these companies) (the ''Employee Participants'').

The eligibility of an employee to the offer of Options shall be determined by the Board from time to time on a case-by-case basis based on its opinion as to his actual performance at work and previous and potential future contribution to the development and growth of the Group, taking into account, among others, (i) his skills, knowledge, experience, expertise and other relevant personal qualities; (ii) his role, position and job duties; (iii) his performance, time commitment, employment conditions and the prevailing market practice and industry standards; (iv) his length of engagement or employment with the Group; and (v) the prevailing circumstances and business needs of the Group at the relevant times.

3. Maximum number of Shares

(a) The maximum number of Shares which may be allotted and issued in respect of all Options to be granted under the 2024 Share Option Scheme and all options and awards to be granted under any other Share Scheme(s) (the "Scheme Mandate Limit") shall not exceed 10 per cent. of the number of Shares in issue as at the date of approval of the 2024 Share Option Scheme. Options that have lapsed in accordance with the terms of the 2024 Share Option Scheme and options and awards that have lapsed in accordance with the terms of any other Share Scheme(s) will not be regarded as utilised for the purpose of calculating the Scheme Mandate Limit. Unless expressly approved by the Shareholders at a general meeting and expressly allowed by the Stock Exchange, no Option may be granted under the 2024 Share Option Scheme and no option or award may be granted under any other Share Scheme(s) if such a grant will result in the limit referred to in this paragraph being exceeded.

(b) Subject to paragraph 3(a) above and without prejudice to paragraph 3(c) below, the Company may seek approval of the Shareholders at a general meeting for refreshing the Scheme Mandate Limit under the 2024 Share Option Scheme, provided that

(i) the total number of Shares which may be allotted and issued in respect of all Options to be granted under the 2024 Share Option Scheme and all options and awards to be granted under any other Share Scheme(s) under the scheme mandate as refreshed must not exceed 10 per cent. of the Shares in issue as at the date of approval of the refreshed scheme mandate; and

(ii) where the refreshment of the Scheme Mandate Limit is sought within three years from the date of Shareholders' approval for the last refreshment (or, as the case may be, the date of adoption of the 2024 Share Option Scheme),

(A) at a general meeting for considering and approving the resolution proposed in respect of such refreshment, the controlling shareholders and their associates (or if there is no controlling shareholder, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates) shall abstain from voting in favour of the relevant resolution(s). Alternatively, they may vote against the relevant resolution(s) at the general meeting provided that their intention to do so has been stated in the relevant circular to Shareholders; and

(B) the Company shall comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules (or the successor provisions then prevailing),

provided that the requirements under this paragraph 3(b)(ii) shall not apply if the refreshment is made immediately after an issue of securities by the Company to the Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules such that the unused part of the Scheme Mandate Limit (as a percentage of the Shares in issue) upon refreshment is the same as the unused part of the Scheme Mandate Limit immediately before the issue of securities, rounded to the nearest whole Share.

(c) Subject to paragraph 3(a) above and without prejudice to paragraph 3(b) above, the Company may seek separate Shareholders' approval at a general meeting for granting Options under the 2024 Share Option Scheme beyond the Scheme Mandate Limit or, if applicable, the refreshed limit referred to in paragraph 3(b) above to Eligible Participants specifically identified by the Company before such approval is sought. The number and terms of the Options to be granted to such participants must be fixed before Shareholders' approval. In respect of any such Option to be granted, the date of the board meeting for proposing such an offer should be taken as the offer date for the purpose of calculating the Subscription Price (as defined below).

4. Maximum entitlement of each participant

Subject to paragraph 5(b) below, where any offer of Options to an Eligible Participant under the 2024 Share Option Scheme would result in the Shares issued and to be issued in respect of all Options granted to the Eligible Participant under the 2024 Share Option Scheme and all options and awards granted to the Eligible Participant under any other Share Scheme(s) (excluding all Options that have lapsed in accordance with the terms of the 2024 Share Option Scheme and all options and awards that have lapsed in accordance with the terms of any other Share Scheme(s)) in the 12-month period up to and including the offer date representing in aggregate over 1 per cent. of the total number of Shares in issue (the "1% Individual Limit"), such an offer must be separately approved by the Shareholders at a general meeting with the Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person of the Company) abstaining from voting. The number and terms of Options to be granted to the Eligible Participant must be fixed before Shareholders' approval. In respect of any such Option to be granted, the date of the board meeting for proposing such an offer should be taken as the offer date for the purpose of calculating the Subscription Price.

5. Grant of options to connected persons

(a) Without prejudice to paragraph 5(b) below, the offer of Options to any Director, chief executive or substantial shareholder of the Company or any of their respective associates, must be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the proposed grantee of the Options). The requirements applicable to the offer to a Director or chief executive of the Company set out in this paragraph do not apply where options are proposed to be granted to a proposed Director or proposed chief executive of the Company.

(b) Without prejudice to paragraph 5(a) above, where any offer of Options to an Eligible Participant who is an independent non-executive Director or a substantial shareholder of the Company or any of their respective associates under the 2024 Share Option Scheme would result in the Shares issued and to be issued in respect of all Options granted under the 2024 Share Option Scheme and all options and awards granted under any other Share Scheme(s) (excluding all Options that have lapsed in accordance with the terms of the 2024 Share Option Scheme and all options and awards that have lapsed in accordance with the terms of any other Share Scheme(s)) to such a person in the 12-month period up to and including the offer date representing in aggregate over 0.1 per cent. of the total number of Shares in issue, such an offer must be approved by the Shareholders at a general meeting. The Eligible Participant, his associates and all core connected persons of the Company must abstain from voting in favour of the relevant resolution(s) at the general meeting; alternatively, they may vote against the relevant resolution(s) at the general meeting provided that their intention to do so has been stated in the relevant circular to Shareholders. In this connection, the Company shall comply with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules (or the successor provisions then prevailing). The number and terms of the Options to be granted to the Eligible Participant must be fixed before the general meeting. In respect of any such Option to be granted, the date of the board meeting for proposing such an offer should be taken as the offer date for the purpose of calculating the Subscription Price.

6. Acceptance of Options

An offer of Options shall be made to an Eligible Participant in writing (and unless so made shall be invalid) in such form as the Board may from time to time determine, either generally or on a case-by-case basis, specifying the number of Shares, the option period and the vesting period in respect of which the offer is made and further requiring the Eligible Participant to undertake to hold the Options on the terms on which it is to be granted and to be bound by the provisions of the 2024 Share Option Scheme and shall remain open for acceptance by the Eligible Participant concerned (and by no other person) for a period of up to 21 days from the offer date.

An offer shall have been accepted by an Eligible Participant in respect of all the Options which are offered to such an Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). The offer may also be accepted by the Eligible Participant in respect of part only of the Options which are offered to the Eligible Participant, provided that the number of Options accepted is clearly stated in the duplicate letter signed and returned to the Company. Such remittance shall in no circumstances be refundable. The date on which the duplicate letter and the remittance are actually received by the Company shall be the date of acceptance of such Options for the purpose of determining the vesting period under paragraph 7 below.

Upon an offer being accepted by an Eligible Participant in whole or in part in accordance with the above, the Options to subscribe for the number of Shares in respect of which the offer has been so accepted will be deemed to have been granted by the Company to such an Eligible Participant on the offer date. To the extent that the offer is not accepted within the time specified in the offer in accordance with the above, it will be deemed to have been irrevocably declined.

7. Vesting date and vesting period

A grantee may exercise the Options granted to him and subscribe for the Shares on or after the vesting date, subject to the attainment of the performance target(s) attached to the Options as determined by the Remuneration Committee (or, as the case may be, the Board) under paragraph 8(b) below and other conditions imposed under the provisions of the 2024 Share Option Scheme.

The vesting period in respect of an Option, which shall commence on the date on which the grantee accepts the offer of the Option and end on the vesting date, shall not be shorter than 12 months from the date of acceptance of the offer, provided that:

(a) where the grantee is an Employee Participant who is a Director or a Senior Manager specifically identified by the Company, the Remuneration Committee shall; or

(b) where the grantee is an Employee Participant who is neither a Director nor a Senior Manager specifically identified by the Company, the Board shall

have the authority to set a shorter vesting period if the Remuneration Committee, or, as the case may be, the Board, considers that a shorter vesting period is appropriate to align the grant with the purpose of the 2024 Share Option Scheme, including ***only*** grants:

(i) of "make-whole" Options to Employee Participants who newly joined the Group to replace the share options they forfeited when leaving the previous employers;

(ii) to an Employee Participant whose employment is terminated due to death or disability or occurrence of any out of control event;

(iii) of Options with performance-based vesting conditions provided in the 2024 Share Option Scheme, in lieu of time-based vesting criteria; and

(iv) that are made in batches during a year for administrative and compliance reasons, which may include Options that should have been granted earlier but are in the end granted on a subsequent date together with some other Options as a batch; in this case, the vesting date may be adjusted to take account of the point in time at which the Options should have been granted if not for such administrative and compliance reasons.

8. Performance target and clawback mechanism

(a) Subject to the terms and conditions of the 2024 Share Option Scheme,

(i) in respect of any Employee Participant who is a Director or a Senior Manager, the Remuneration Committee may; or

(ii) in respect of any other Employee Participant, the Board may

establish performance target(s) the attainment of which shall be a precondition for any exercise of the Options granted to the grantee concerned. The Board shall have the authority, after the grant of any Option which is performance-linked, to make fair and reasonable adjustments to the prescribed performance target(s) during an option period if there is any change in circumstances.

(b) The performance target(s) to be attached to an Option should take such a form as the Remuneration Committee (or, as the case may be, the Board) may consider appropriate having regard to the key performance indicators, at corporate, subsidiary, division, operating unit, business line, project, geographic or individual level or otherwise, commonly adopted by businesses operating in the industries and markets in which the Group operates. Such performance targets may be set in terms of sales, revenue, cash flow, cash collection, funding costs, returns on investment, number of instances of commencement and completion of projects, customer satisfaction metrics or such other parameters, key performance indicators of the respective department(s) and/or business unit(s) that the relevant grantee belongs, personal appraisal results or matters relevant to the individual roles and responsibilities of the relevant grantee as the Remuneration Committee (or, as the case may be, the Board) may determine from time to time.

The Remuneration Committee (or, as the case may be, the Board) will conduct assessment at the end of the performance period by comparing the actual performance of the relevant business segment(s) and/or (as the case may be) the actual individual performance of the relevant grantee with the pre-determined target level(s) to determine whether or to what extent the performance target(s) has(have) been met. Such pre-determined target level(s) may be set by the Remuneration Committee (or, as the case may be, the Board) on a case by case basis with reference to factors including the specific position and role of the relevant grantee in the Group, and the overall business plan and strategy of the Group in the relevant period and the expected financial performance of the Group during the relevant period. Where a performance target is set in quantitative term, the performance target will be deemed to be met only if the actual level achieved reaches or exceeds the pre-determined target level. Alternatively, where a performance target is set in qualitative term, the Remuneration Committee (or, as the case may be, the Board) will carry out a performance appraisal and the performance target will be deemed to be met only if the performance is rated "A" (i.e. excellent) or "B" (i.e. great) on a scale of "A" to "F". As a precondition for exercise of an Option granted, all quantitative and qualitative performance targets attached thereto must have been determined by the Remuneration Committee (or, as the case may be, the Board) to be met in accordance with the above mechanism, which decision shall be final, conclusive and binding on all persons who may be affected thereby.

An Option shall not be exercisable until the Remuneration Committee (or, as the case may be, the Board) has determined that the performance target(s) attached thereto has(have) been attained, subject further to the occurrence of the Vesting Date and other conditions imposed under the provisions of the 2024 Share Option Scheme. In the event that the performance target(s) attached to an Option is(are) absolutely determined by the Remuneration Committee (or, as the case may be, the Board) not to have been attained, the Option shall never become exercisable and shall lapse forthwith.

(c) Notwithstanding the terms and conditions of the 2024 Share Option Scheme, the Board may provide in the notice of offer that any Option prior to it being exercised may be subject to clawback or a longer vesting period if any of the Clawback Events (as defined below) stated in paragraph 8(d) below shall occur.

(d) In respect of Options granted to a particular grantee, if any of the following events (the "Clawback Event") shall occur during the option period:

(i) there being any material misstatement in the audited consolidated financial statements of the Company that requires a restatement; or

(ii) the grantee being guilty of fraud or any other form of persistent or serious misconduct; or

(iii) where performance target(s) has(have) been attached to the Options, the Board being of the opinion that there exists any circumstance which shows that any of the prescribed performance targets has been set in a materially inaccurate manner or that leads to any of the prescribed performance targets being irrelevant, inapplicable or inappropriate,

the Board may by notice in writing to the grantee concerned

(aa) claw back such number of Options granted to the grantee (to the extent not already exercised) as the Board may consider appropriate; and/or

(bb) extend the vesting period (regardless of whether the initial vesting date has occurred) in relation to all or any of the Options granted to the grantee (to the extent not already exercised) to such a longer period as the Board may consider appropriate.

The Options that are clawed back pursuant to the above will be regarded as cancelled, and the Options so cancelled will be regarded as utilised for the purpose of calculating the Scheme Mandate Limit.

9. Exercise of Option

Subject to, among others, fulfilment of all terms and conditions set out in the offer, including, among others, the attainment of the performance target(s) attached to the Options stated therein (if any) as determined by the Remuneration Committee (or, as the case may be, the Board) under paragraph 8(b) above and the occurrence of the vesting date, a grantee may exercise the Options granted to him at any time(s) during the option period by giving notice in writing to the Company stating that the Options are thereby exercised and the number of Shares in respect of which they are so exercised (which, except where the number of Shares in respect of which the Options remain unexercised is less than one board lot or where the Options are exercised in full, must be for a board lot for dealings in Shares on the Stock Exchange or an integral multiple thereof). Each such notice must be accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given. Save as otherwise specified in the provisions of the 2024 Share Option Scheme, within 21 days after receipt of the notice, the Company shall accordingly allot and issue the relevant number of Shares to the grantee fully paid and issue to the grantee a share certificate for the Shares so allotted and issued.

The option period within which an Option may be exercised by a grantee may be determined and notified by the Board to the grantee, which must not be more than 10 years from the offer date of the Option. In the absence of such determination, the option period of an Option shall commence on the offer date of the Option to the earlier of (i) the date on which the Option is cancelled or lapses under the 2024 Share Option Scheme; and (ii) 10 years from the offer date of the Option.

10. Subscription price

The price per Share at which a grantee may subscribe for the Share on the exercise of an Option (the "Subscription Price") shall be determined at the discretion of the Board, provided that it must be at least the highest of:

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day;

(b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and

(c) the nominal value of a Share.

11. Ranking of Shares

The Share to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the articles of association of the Company in force from time to time and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date on which the Option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the "Exercise Date"). Accordingly, such a Share will entitle the holder thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date, including those arising on a liquidation of the Company, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with the record date falling before the Exercise Date. A Share allotted and issued upon the exercise of an Option shall not carry voting rights and may not be transferred by the grantee until the name of the grantee has been duly entered in the register of members of the Company as the holder thereof.

12. Restrictions on the time of grant of options

So long as the Shares are listed on the Stock Exchange,

(a) the Board may not make any offer of Options to any Eligible Participant after inside information has come to the Company's knowledge until (and including) the trading day after the Company has announced the information in accordance with the requirements of the Listing Rules. In particular, no offer of Options may be made during the period commencing one month immediately preceding the earlier of

(i) the date of the board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company's results for any yearly, half-yearly, quarterly or other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for the Company to announce its results for any yearly, half-yearly, quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. For the avoidance of doubt, no offer may be made during any period of delay in publishing a results announcement; and

(b) the Board may not make any offer of Options to any Eligible Participant who is a Director during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

13. Scheme life of the 2024 Share Option Scheme

The 2024 Share Option Scheme shall be valid and effective for the period commencing on the date on which the 2024 Share Option Scheme is approved and adopted by an ordinary resolution of the Shareholders (the "Adoption Date") and ending on the date which is 10 years from the Adoption Date, after which period no further Options may be issued but the provisions of the 2024 Share Option Scheme shall remain in force to the extent necessary to give effect to the vesting and exercise of all Options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the 2024 Share Option Scheme.

14. Rights on ceasing employment

In respect of a grantee of Options who is an Employee Participant, if he ceases to be an Employee Participant for any reason other than his death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds specified in paragraph 16 below before exercising the Options in full, the Options (to the extent vested but not already exercised) shall lapse on the date of cessation or termination of employment and not be exercisable, unless the Board otherwise determine in which event the grantee may exercise the Options (to the extent vested but not already exercised) in whole or in part in such number(s) and within such period(s) as the Board may determine following the date of such cessation or termination of employment. The date of cessation or termination of employment as aforesaid shall be the last day on which the grantee was actually at work with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not. For the avoidance of doubt, all unvested Options shall lapse on the date of cessation or termination of employment.

15. Rights on death, ill-health, disability or retirement

In respect of a grantee of Options who is an Employee Participant, if he ceases to be an Employee Participant by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the Options in full, he or, as appropriate, his personal representative(s) may exercise the Options (to the extent vested but not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment, which date shall be the last day on which the grantee was at work with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not, or such a longer period as the Board may determine.

In respect of those Options that have met the 12-month vesting period (or such shorter vesting period as determined by the Board) but have not been exercisable because the performance target(s) stated in the offer has(have) not been satisfied, the Board may, by reference to the level of attainment of the prescribed performance target(s) and other equitable factors, determine that the grantee or, his personal representative, may exercise such number(s) of Options within such period(s) as the Board may consider appropriate, subject to any condition or limitation they may impose. For the avoidance of doubt, save as provided in the foregoing, all unvested Options shall lapse on the date of cessation of employment.

16. Right on dismissal

In respect of a grantee who is an Employee Participant, the option period in respect of any option granted to him shall automatically terminate and that Option (if unvested, or if vested but not already exercised) shall lapse and cease to be exercisable on the date on which the grantee ceases to be an Employee Participant by reason of termination of his employment on the grounds that he has

(a) been guilty of persistent or serious misconduct;

(b) committed any act of bankruptcy, become insolvent or made any arrangement or composition with his creditors generally; or

(c) been convicted of any criminal offence (other than an offence which in the opinion of the Board does not bring the grantee or any member of the Group into disrepute).

17. Rights on breach of contract

In respect of a grantee other than an Employee Participant, the option period in respect of any option granted to him shall automatically terminate and that Option (if unvested, or if vested but not already exercised) shall lapse and cease to be exercisable on the date on which the Board shall at its absolute discretion determine that

(a) the grantee or any of his associates has committed any breach of any contract entered into between the grantee or any of his associates on the one part and any member of the Group on the other part;

(b) the grantee has committed any act of bankruptcy, become insolvent or made any arrangement or composition with his creditors generally; or

(c) the grantee could no longer make any contribution to the growth and development of any member of the Group by reason of the cessation of its relations with the Group or by any other reason whatsoever,

and that the Option shall lapse as a result of any event specified in paragraph 17(a), (b) or (c) above.

18. Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner, is made to all the Shareholders, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, during the option period, the Company shall use all reasonable endeavours to procure that such an offer is extended to all the grantees of Options on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the Options granted to them, Shareholders. If such an offer becomes or is declared unconditional or such a scheme of arrangement is formally proposed to the Shareholders, the grantee of Options shall, notwithstanding any other term on which his Options were granted, be entitled to exercise the Options (to the extent vested but not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in accordance with paragraph 9 above at any time thereafter and up to the close of such an offer (or any revised offer) or the record date for entitlements under such a scheme of arrangement, as the case may be.

Subject to the above, all vested Options (to the extent not exercised) and unvested Options then outstanding will lapse on the date on which such an offer (or, as the case may be, the revised offer) closes or the relevant record date for entitlements under such a scheme of arrangement, as the case may be.

19. Rights on winding up

If a resolution is proposed for the voluntary winding-up of the Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company in accordance with the provisions of paragraph 9 above at any time not less than two business days before the date on which such a resolution is to be considered and/or passed, exercise his Options (to the extent vested but not already exercised) either to its full extent or to the extent specified in the notice, and the Company shall allot and issue to the grantee the Shares in respect of which the grantee has exercised his Options not less than one Business Day before the date on which such a resolution is to be considered and/or passed, whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of the Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such a resolution.

Subject to the above, all vested Options (to the extent not exercised) and unvested Options then outstanding will lapse on the commencement of the winding-up of the Company.

20. Options held by a company wholly-owned by an Eligible Participant

If the Options have been transferred by the grantee to and are held by a Participant Vehicle,

(a) the provisions of paragraphs 14, 15, 16 and 17 above shall apply to the such Options, *mutatis mutandis*, as if such Options had all along been held by the grantee, and such Options shall accordingly fall to be exercisable or lapse upon occurrence of the event referred to in paragraph 14, 15, 16 or 17 above with respect to the grantee; and

(b) the Options (if unvested, or if vested but not already exercised) granted to the grantee shall lapse on the date the Participant Vehicle ceases to be wholly owned by the grantee (where the Participant Vehicle is originally a private company wholly owned by the grantee), or the date the grantee ceases to be a beneficiary or discretionary object of the Participant Vehicle (where the Participant Vehicle is originally a trust of which the grantee is a beneficiary or discretionary object), provided that the Board may at its absolute discretion decide that such Options or any part thereof shall not so lapse subject to such conditions or limitations as they may impose.

21. Adjustments to the subscription price

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable or the 2024 Share Option Scheme remains in effect, and such event arises from a capitalisation issue, rights issue, consolidation or sub-division of the Shares or reduction of the share capital of the Company, then, in any such case the Company shall instruct the auditors of the Company or an independent financial adviser to certify in writing the adjustments, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular grantee, to:

(a) the number or nominal amount of Shares to which the 2024 Share Option Scheme or any Option(s) relate(s) (insofar as it is/they are unexercised);

(b) the Subscription Price of any Option(s); and/or

(c) (unless the relevant grantee elects to waive such adjustment) the number of Shares underlying or which remain underlying the Options granted to any grantee,

and an adjustment as so certified by the auditors of the Company or the independent financial adviser shall be made, provided that:

(aa) any such adjustment shall give the grantee the same proportion of the issued share capital of the Company (rounded to the nearest whole Share) as that to which the grantee was entitled immediately prior to such an adjustment;

(bb) no such adjustment may be made to the extent that a Share would be issued at less than its nominal value;

(cc) the issue of Shares or other securities of the Group as consideration in a transaction may not be regarded as a circumstance requiring any such adjustment; and

(dd) any such adjustment shall be in compliance with the Listing Rules and such applicable rules, codes, guidance notes and/or interpretation of the Listing Rules as may be promulgated by the Stock Exchange from time to time.

In respect of any adjustment referred to above, other than any adjustment made on a capitalisation issue, the auditors of the Company or the independent financial adviser must confirm to the Board in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

22. Lapse of option

In the event that the performance target(s) attached to an Option is(are) absolutely determined by the Remuneration Committee (or, as the case may be, the Board) not to have been attained under paragraph 8(b) above, the Option shall never become exercisable and shall lapse forthwith.

In addition, the option period in respect of an Option shall automatically terminate and that Option (if unvested, or if vested but not already exercised) shall lapse and cease to be exercisable upon the earliest of

(a) the expiry of the option period referred to in paragraph 9 above; and

(b) the dates specified in paragraphs 14, 15, 16, 17, 18, 19 and 20 above as applicable.

23. Cancellation of options

An Option shall be cancelled when it is clawed back by the Board under paragraph 8(d) above, or when the Board shall exercise the Company's rights under paragraph 25(c) below to cancel the Option by reason of a breach of paragraph 25(a) or (b) below by the grantee in respect of that or any other Option.

Subject to paragraphs 8(d) above and 25(c) below and Chapter 17 of the Listing Rules, any Option granted but not exercised may not be cancelled except with the prior written consent of the relevant grantee and the approval of the Board.

Where the Company cancels any Option granted to a grantee and offers new Option(s) to the same Eligible Participant, such an offer of new Option(s) may only be made with available Scheme Mandate Limit approved by the Shareholders pursuant to paragraph 3(a) or 3(b) above. The Options cancelled shall be regarded as utilised for the purpose of calculating the Scheme Mandate Limit.

24. Termination of the 2024 Share Option Scheme

The Company may by resolution at a general meeting at any time terminate the 2024 Share Option Scheme and in any such event, no further Options will be offered but in all other respects the provisions of the 2024 Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of the Options (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the 2024 Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and (subject to vesting in accordance with the terms of the offer) exercisable in accordance with the terms of the 2024 Share Option Scheme.

25. Rights are personal to the grantee

(a) Subject to paragraph 25(b) below, an Option shall be personal to the grantee and shall not be transferable or assignable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any Option or enter into any agreement to do so.

(b) Subject to (i) written consent given by the Board (which the Board may or may not give at its absolute discretion); and (ii) waiver granted by the Stock Exchange, an Option held by a grantee may be transferred to a vehicle (such as a private company wholly owned by the grantee, or a trust of which the grantee is a beneficiary or discretionary object) (the "Participant Vehicle") for the benefit of the grantee and any family member of such a grantee (for estate planning or tax planning purposes, or such other reasons as the Board and the Stock Exchange may consider to be justifiable) that would continue to meet the purpose of the 2024 Share Option Scheme and comply with the requirements of Chapter 17 of the Listing Rules. In connection with the application for the above consent from the Board and the above waiver from the Stock Exchange, the grantee shall (A) provide information on the beneficiaries or discretionary objects of the trust or the ultimate beneficial owners of the Participant Vehicle, and such other information as may be required by the Board and/or the Stock Exchange; and (B) consent to the disclosure of such information in the announcement, circular and/or report to be published by the Company. The provisions of the 2024 Share Option Scheme shall apply, *mutatis mutandis*, to the Participant Vehicle.

(c) Any breach of the provisions above by a grantee shall entitle the Company to cancel all unvested Options granted to such a grantee and to cancel all vested Options granted to such a grantee to the extent not already exercised.

26. Alteration of the 2024 Share Option Scheme

(a) Subject to paragraphs 26(b) and 26(d) below, the 2024 Share Option Scheme may be altered in any respect by a resolution of the Board, except that:

(i) any alteration to the terms and conditions of the 2024 Share Option Scheme which is of a material nature, including but not limited to the provisions of the 2024 Share Option Scheme as to the definitions of "Eligible Participant", "Grantee", "Option Period" and "Termination Date", shall not be made; and

(ii) the provisions of the 2024 Share Option Scheme relating to the matters governed by Rule 17.03 of the Listing Rules shall not be altered to the advantage of the Eligible Participants,

except with the sanction of a resolution of the Shareholders at a general meeting.

(b) Subject to paragraph 26(c) below, any change to the terms of any Options granted to a grantee must be approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders at a general meeting (as the case may be) if the initial offer of the Options was approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders at a general meeting (as the case may be), in accordance with the terms of the 2024 Share Option Scheme and Chapter 17 of the Listing Rules. The foregoing provisions shall not apply where the alterations take effect automatically under the existing terms of the 2024 Share Option Scheme.

(c) Any change to the authority of the Board or the administrators of the 2024 Share Option Scheme to alter the terms of the 2024 Share Option Scheme must be approved by the Shareholders at a general meeting.

(d) The terms of the 2024 Share Option Scheme and/or any Option amended pursuant to this paragraph 26 must comply with the applicable requirements under Chapter 17 of the Listing Rules.

27. Others

The 2024 Share Option Scheme is conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares representing the Scheme Mandate Limit to be issued and allotted by the Company pursuant to the exercise of Options in accordance with the terms and conditions of the 2024 Share Option Scheme, including any such listing or permission which is granted subject to the fulfilment of any condition precedent or condition subsequent.

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 an extraordinary general meeting (the "EGM") of AUX International Holdings Limited (the "Company") will be held at Portion 2, 12/F, The Center, 99 Queen's Road Central, Central, Hong Kong on Tuesday, 20 February 2024 at 12:00 noon for the purpose of considering and, if thought fit, passing (with or without modifications) each of the following resolutions as an ordinary resolution of the Company:

ORDINARY RESOLUTION

(1) "**THAT**

(a) 2023 Framework Agreement I (as defined in the circular of the Company dated 2 February 2024 (the "Circular") and a copy of which is tabled at the meeting and marked "A" and initialled 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 in respect of the transactions contemplated under 2023 Framework Agreement I in the amounts of RMB30.6 million, RMB33.7 million and RMB41.5 million for the three years ending 31 December 2024, 31 December 2025 and 31 December 2026 respectively be and are hereby approved; and

(c) any director of the Company (the "Director") or any other person authorised by the board of Directors be and is hereby authorised to do and execute all such acts, matters, deeds, documents and things as he/she may in his/her absolute discretion consider necessary, desirable or expedient for or in connection with the implementation of 2023 Framework Agreement I and all transactions and other matters contemplated thereunder or ancillary thereto, to agree to any waiver of compliance with or amendment or supplement to any of the provisions of 2023 Framework Agreement I which is in his/her opinion not of a material nature and necessary, desirable or expedient for or in connection with the implementation of 2023 Framework Agreement I and all transactions and other matters contemplated thereunder or ancillary thereto, and to effect or implement any other matter referred to in this resolution."

(2) "**THAT**

(a) 2023 Framework Agreement II (as defined in the Circular and a copy of which is tabled at the meeting and marked "B" and initialled 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 in respect of the transactions contemplated under 2023 Framework Agreement II in the amounts of RMB1.2 million, RMB1.2 million and RMB1.2 million for the three years ending 31 December 2024, 31 December 2025 and 31 December 2026 respectively be and are hereby approved; and

(c) any Director or any other person authorised by the board of Directors be and is hereby authorised to do and execute all such acts, matters, deeds, documents and things as he/she may in his/her absolute discretion consider necessary, desirable or expedient for or in connection with the implementation of 2023 Framework Agreement II and all transactions and other matters contemplated thereunder or ancillary thereto, to agree to any waiver of compliance with or amendment or supplement to any of the provisions of 2023 Framework Agreement II which is in his/her opinion not of a material nature and necessary, desirable or expedient for or in connection with the implementation of 2023 Framework Agreement II and all transactions and other matters contemplated thereunder or ancillary thereto, and to effect or implement any other matter referred to in this resolution."

(3) "**THAT**

(a) Amended 2023 Framework Agreement III (as defined in the Circular and a copy of which is tabled at the meeting and marked "C" and initialled 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 in respect of the transactions contemplated under Amended 2023 Framework Agreement III in the amounts of RMB13.5 million, RMB14.5 million and RMB15.1 million for the three years ending 31 December 2024, 31 December 2025 and 31 December 2026 respectively be and are hereby approved; and

(c) any Director or any other person authorised by the board of Directors be and is hereby authorised to do and execute all such acts, matters, deeds, documents and things as he/she may in his/her absolute discretion consider necessary, desirable or expedient for or in connection with the implementation of Amended 2023 Framework Agreement III and all transactions and other matters contemplated thereunder or ancillary thereto, to agree to any waiver of compliance with or amendment or supplement to any of the provisions of Amended 2023 Framework Agreement III which is in his/her opinion not of a material nature and necessary, desirable or expedient for or in connection with the implementation of Amended 2023 Framework Agreement III and all transactions and other matters contemplated thereunder or ancillary thereto, and to effect or implement any other matter referred to in this resolution."

(4) "**THAT**

(a) 2023 Framework Agreement IV (as defined in the Circular and a copy of which is tabled at the meeting and marked "D" and initialled 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 in respect of the transactions contemplated under 2023 Framework Agreement IV in the amounts of RMB37.5 million, RMB31.5 million and RMB28.0 million for the three years ending 31 December 2024, 31 December 2025 and 31 December 2026 respectively be and are hereby approved; and

(c) any Director or any other person authorised by the board of Directors be and is hereby authorised to do and execute all such acts, matters, deeds, documents and things as he/she may in his/her absolute discretion consider necessary, desirable or expedient for or in connection with the implementation of 2023 Framework Agreement IV and all transactions and other matters contemplated thereunder or ancillary thereto, to agree to any waiver of compliance with or amendment or supplement to any of the provisions of 2023 Framework Agreement IV which is in his/her opinion not of a material nature and necessary, desirable or expedient for or in connection with the implementation of 2023 Framework Agreement IV and all transactions and other matters contemplated thereunder or ancillary thereto, and to effect or implement any other matter referred to in this resolution."

(5) "**THAT**

(a) 2023 Framework Agreement V (as defined in the Circular and a copy of which is tabled at the meeting and marked "E" and initialled 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 in respect of the transactions contemplated under 2023 Framework Agreement V in the amounts of RMB8.6 million, RMB9.9 million and RMB10.7 million for the three years ending 31 December 2024, 31 December 2025 and 31 December 2026 respectively be and are hereby approved; and

(c) any Director or any other person authorised by the board of Directors be and is hereby authorised to do and execute all such acts, matters, deeds, documents and things as he/she may in his/her absolute discretion consider necessary, desirable or expedient for or in connection with the implementation of 2023 Framework Agreement V and all transactions and other matters contemplated thereunder or ancillary thereto, to agree to any waiver of compliance with or amendment or supplement to any of the provisions of 2023 Framework Agreement V which is in his/her opinion not of a material nature and necessary, desirable or expedient for or in connection with the implementation of 2023 Framework Agreement V and all transactions and other matters contemplated thereunder or ancillary thereto, and to effect or implement any other matter referred to in this resolution."

(6) "**THAT**

with effect from the date of passing of this resolution, the provisions of the 2023 Share Option Scheme (as defined in the Circular and a copy of which is tabled at the meeting and marked "F' and initialled by the chairman of the meeting for identification purpose) be and are hereby approved and adopted as the share option scheme of the Company and that the Directors be and are hereby authorised to approve any amendment to the provisions of the 2023 Share Option Scheme as may be acceptable or not objected to by The Stock Exchange of Hong Kong Limited, to grant options to subscribe for shares of the Company thereunder at the Directors' sole and absolute discretion, to allot, issue and deal with shares of the Company pursuant to the exercise of options granted thereunder from time to time, and to do all such acts and enter into all such transactions and arrangements as may be necessary or expedient in order to give effect thereto."

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

Hong Kong, 2 February 2024

Registered office:	*Principal place of business in Hong Kong:*
Clifton House	Unit 1, 10/F
75 Fort Street	Emperor Group Centre
P.O. Box 1350	288 Hennessy Road
Grand Cayman KY1-1108	Wanchai
Cayman Islands	Hong Kong

Notes:

1. Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.

2. A form of proxy for the extraordinary general meeting is enclosed. In order to be valid, a form of proxy, together with the power of attorney or other authority (if any), under which the form is signed or a notarially certified copy of that power or authority must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 17F, Fast East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time fixed for the holding of the EGM (i.e. at or before 12:00 noon on Sunday, 18 February 2024 (Hong Kong time)) or any adjournment of such meeting (as the case may be).

3. Completion and return of the form of proxy will not preclude shareholders of the Company from attending and voting in person (or in the case of a shareholder being a corporation, its duly authorised representative) at the 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 at any meeting, 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 personally or by proxy that one of the said persons so present whose name stands first on the register of shareholders of the Company in respect of such share shall alone be entitled to vote in respect thereof.

5. On a poll, a shareholder of the Company entitled to more than one vote need not, use all his votes or cast all the votes he uses in the same way.

6. The resolutions are to be voted on by way of poll.

7. For determining the entitlement to attend and vote at the extraordinary general meeting, the transfer book and register of members will be closed from Monday, 19 February 2024 to Tuesday, 20 February 2024, 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 17F, Fast East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:00 p.m. on Friday, 16 February 2024.

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