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**AUX INTERNATIONAL HOLDINGS LIMITED**  
**奧克斯國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2080)**

**CONTINUING CONNECTED TRANSACTIONS:  
REVISION OF ANNUAL CAPS FOR PROVISION OF  
PROPERTY MANAGEMENT SERVICES UNDER  
EXISTING FRAMEWORK AGREEMENT  
AND  
NEW FRAMEWORK AGREEMENTS FOR PROVISION OF  
PROPERTY MANAGEMENT SERVICES**

**THE AMENDED 2016 FRAMEWORK AGREEMENT**

Reference is made to the Announcement and the Circular.

Given the recent business development of Ningbo AUX Real Estate and in particular the increase in the number of property development projects to be completed by Ningbo AUX Real Estate, the Company has reviewed the existing annual caps under the 2016 Framework Agreement and expects that the annual caps for the year ending 31 December 2018 of RMB20.1 million and for the year ending 31 December 2019 of RMB17.4 million as approved at the extraordinary general meeting of the Company held on 20 March 2017 will be exceeded.

Hence, on 15 October 2018, Ningbo AUX Property and Ningbo AUX Real Estate entered into the 2018 Supplemental Agreement pursuant to which subject to approval by the Independent Shareholders at the EGM, (i) the annual caps for the amount of fees that may be charged by Ningbo AUX Property for the provision of property management services to Ningbo AUX Real Estate shall be increased to RMB30.0 million and RMB47.7 million for the years ending 31 December 2018 and 31 December 2019 respectively; (ii) the scope of property management services shall be extended to include vacant retail shop property management services to be provided to shopping complexes owned by Ningbo AUX Property; and (iii) the term of the 2016 Framework Agreement shall be extended to 31 December 2020 and the annual cap for the amount of fees that may be charged by Ningbo AUX Property for the provision of property management services to Ningbo AUX Real Estate during the year ending 31 December 2020 shall be set at RMB55.6 million. Save the above, all the terms and conditions of the 2016 Framework Agreement will remain unchanged.

## **THE 2018 FRAMEWORK AGREEMENTS**

Furthermore, Ningbo AUX Property entered into the 2018 Framework Agreement I and the 2018 Framework Agreement II with AUX Group and Ningbo Sanxing respectively on 15 October 2018 for a term commencing on the date of approval by the Independent Shareholders at the EGM and ending on 31 December 2020.

The Group estimates that the aggregate amount of fees which may be charged by Ningbo AUX Property for the property management services to be provided pursuant to the 2018 Framework Agreement I shall not exceed RMB1.0 million, RMB3.7 million and RMB3.7 million respectively for the three years ending 31 December 2018, 2019 and 2020 respectively. As for the property management services to be provided pursuant to the 2018 Framework Agreement II, the aggregate amount of fees shall not exceed RMB0.1 million, RMB0.4 million and RMB0.4 million respectively for the three years ending 31 December 2018, 2019 and 2020 respectively.

As one or more of the applicable percentage ratios in respect of the Amended 2016 Framework Agreement and the 2018 Framework Agreements exceed(s) 5% and the relevant consideration exceeds HK\$10 million on an aggregate basis, the transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An EGM of the Company will be convened to seek the approval of the Independent Shareholders in respect of the 2018 Supplemental Agreement and the continuing connected transactions contemplated under the Amended 2011 Framework Agreement (including the proposed Amended 2016 Framework Agreement Annual Caps), and the 2018 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective Proposed annual caps). Mr. Zheng Jian Jiang, Ze Hui Limited and Huiyi Limited and their respective associates, and all other Shareholders materially interested in foregoing matters shall abstain from voting on the resolution in relation to such matters at the EGM.

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on the foregoing matters, and Grand Moore Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular including, among others, a letter from the Board containing further details of the 2018 Supplemental Agreement, the Amended 2016 Framework Agreement Annual Caps and the 2018 Framework Agreements, a letter from the Independent Board Committee containing its advice to the Independent Shareholders and a letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders, together with a notice convening the EGM and the relevant proxy form, is expected to be despatched to the Shareholders on or before 6 November 2018.

## **BACKGROUND**

Reference is made to the Announcement and the Circular. On 7 November 2016, Ningbo AUX Property, an indirect wholly-owned subsidiary of the Company, and Ningbo AUX Real Estate entered into the 2016 Framework Agreement pursuant to which Ningbo AUX Property agreed to provide various types of property management services to Ningbo AUX Real Estate including the maintenance, cleaning and security services in connection with the residential development projects of Ningbo AUX Real Estate.

Given the recent business development of Ningbo AUX Real Estate and in particular the increase in the number of property development projects to be completed by Ningbo AUX Real Estate, the Company has reviewed the existing annual caps under the 2016 Framework Agreement and expects that the annual caps for the year ending 31 December 2018 of RMB20.1 million and for the year ending 31 December 2019 of RMB17.4 million as approved at the extraordinary general meeting of the Company held on 20 March 2017 will be exceeded.

Hence, on 15 October 2018, Ningbo AUX Property and Ningbo AUX Real Estate entered into the 2018 Supplemental Agreement pursuant to which subject to approval by the Independent Shareholders at the EGM, (i) the annual caps for the amount of fees that may be charged by Ningbo AUX Property for the provision of property management services to Ningbo AUX Real Estate shall be increased to RMB30.0 million and RMB47.7 million for the years ending 31 December 2018 and 31 December 2019 respectively; (ii) the scope of property management services shall be extended to include vacant retail shop property management services to be provided to shopping complexes owned by Ningbo AUX Property; and (iii) the term of the 2016 Framework Agreement shall be extended to 31 December 2020 and the annual cap for the amount of fees that may be charged by Ningbo AUX Property for the provision of property management services to Ningbo AUX Real Estate during the year ending 31 December 2020 shall be set at RMB55.6 million. Save the above, all the terms and conditions of the 2016 Framework Agreement will remain unchanged.

Furthermore, Ningbo AUX Property entered into the 2018 Framework Agreement I and the 2018 Framework Agreement II with AUX Group and Ningbo Sanxing respectively on 15 October 2018 for a term commencing on the date of approval by the Independent Shareholders at the EGM and ending on 31 December 2020.

Pursuant to the 2018 Framework Agreement I and the 2018 Framework Agreement II, Ningbo AUX Property agrees to provide property management services to AUX Group and Ningbo Sanxing for offices, commercial properties and/or car park units occupied by them.

As such, the Company intends to seek approvals from the Independent Shareholders in respect of (i) the extension of the term of the 2016 Framework Agreement and the revision of the annual caps in respect of the transactions contemplated thereunder in accordance with the 2018 Supplemental Agreement; and (ii) the transactions contemplated under the 2018 Framework Agreements at the EGM.

## **1. THE AMENDED 2016 FRAMEWORK AGREEMENT**

A summary of the principal terms of the 2016 Framework Agreement as amended by the 2018 Supplemental Agreement is set forth below:

|                        |   |
|------------------------|---|
| Date:                  | 15 October 2018   |
| Parties:               | (1) Ningbo AUX Property<br>(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 the approval by the Independent Shareholders at the EGM, the Amended 2016 Framework Agreement shall be effective until 31 December 2020. |

Type of services, pricing policies and payment for services fees:

Ningbo AUX Property shall be commissioned to provide various types of property management services including the 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 its subsidiaries and associates. Ningbo AUX Property will provide Unsold Residential Units Property Management Services to completed property development projects of Ningbo AUX Real Estate. Pre-sale Management Service and Sales Offices Management services will be provided to each development project according to their development phase and sales situation. Vacant Retail Shop Property Management Services will be provided to shopping complexes owned by Ningbo AUX Real Estate. The types of services and their respective pricing policies and payment as summarised below:

**a. Pre-sale Management Service**

Scope of services: Management and maintenance of residential properties and facilities of property development projects of Ningbo AUX Real Estate before delivery.

It is currently expected that the Ningbo AUX Real Estate will deliver around 4, 8 and 8 development projects in the years ending 31 December 2018, 2019 and 2020, respectively.

Pricing policy: The service fee will be based on prevailing market price in Ningbo, with the type of the development projects and operational costs and the anticipated increase in such costs taken into consideration.

In the city of Ningbo, the prevailing market price is at the level in line with the relevant local regulations (e.g. Notice of the Ningbo Pricing Regulation on Pre-Sale Property management services). In other cities, considering they are all tier-2 cities in China similar to Ningbo in terms of size and nature of property projects, prices will be determined mainly based on the prices in Ningbo while taking into account the specific situations in the local markets. Except for Ningbo, the prevailing markets prices in cities where the relevant property development projects are located are not prescribed by the local governments.

Payment term: Payment shall be made annually, half yearly, quarterly or monthly (as the case may be) pursuant to the relevant terms of the specific agreements to be entered into.

**b. Sales Offices Management Services**

Scope of services: Cleaning, security and customer services at the sales offices and showrooms in the property development projects.

Pricing Policy: The service fee will be based on the prevailing market price, with the historical and anticipated property management costs taken into consideration, including labour costs and material costs, following arm's length negotiation.

In line with the prevailing market price across the PRC market, the prices will be determined and charged based on the actual cost relating to provision of management service plus rate of management fee (which is not less than 10%).

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

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

Scope of services: Maintaining and cleaning of unsold residential units.

Pricing policy: The service fee will be based on the prevailing market price, with the historical and anticipated number of unsold units taken into consideration.

The prices will be agreed with the property developer and shall range from RMB1.8 to RMB8.5 per square meter per month, depending on the location and nature of the properties, which is at the same level with the management fees charged by Ningbo AUX Property for sold property units of independent third parties.

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

**d. Vacant Retail Shop Property Management Services**

Scope of services: Maintaining and cleaning of vacant retail shop units.

Pricing policy: The service fee will be based on the prevailing market price, with the historical and anticipated number of vacant units taken into consideration.

The prices will be agreed with the property owner and shall range from RMB5.0 to RMB65.0 per square meter per month, depending on the location of the vacant shop units, which is at the same level with the management fees charged by Ningbo AUX Property for shop units rented to independent third parties.

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

Specific agreements: For each property development project and shopping complex of Ningbo AUX Real Estate which requires the property management services under the Amended 2016 Framework Agreement, Ningbo AUX Real Estate and the Ningbo AUX Property will (directly or through their respective subsidiaries or branches) enter into a specific agreement setting out the specific scope of services required and amount of fees payable in conformity with the terms (including the pricing policy mentioned above) set out in the Amended 2016 Framework Agreement.

All transactions contemplated under the Amended 2016 Framework Agreement shall be conducted on normal commercial terms and negotiated on arm's length basis.



## Historical information and annual caps of transactions under the Amended 2016 Framework Agreement

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

|                                 | For the<br>year ended<br>31 December 2017<br><i>RMB in million</i> | For the<br>year ending<br>31 December 2018<br><i>RMB in million</i> | For the<br>year ending<br>31 December 2019<br><i>RMB in million</i> |
|---------------------------------|--|---|---|
| Annual caps                     | 34.0   | 20.1  | 17.4  |
| Historical transaction recorded | 15.5 <i>(note 1)</i>   | 17.5 <i>(note 2)</i>  | N/A   |
| Utilisation rate                | 45.5%  | 87.1%   | N/A   |

The annual caps for the year ending 31 December 2018 and for the year ending 31 December 2019 under the 2016 Framework Agreement, as well as the new proposed annual caps for the years ending 31 December 2018, for the year ending 31 December 2019 and for the year ending 31 December 2020 under the Amended 2016 Framework Agreement are set out below:

### ***Proposed revised annual caps***

|   | For the<br>year ending<br>31 December 2018<br><i>RMB in million</i> | For the<br>year ending<br>31 December 2019<br><i>RMB in million</i> | For the<br>year ending<br>31 December 2020<br><i>RMB in million</i> |
|---|---|---|---|
| Annual caps under the 2016 Framework Agreement                            | 20.1  | 17.4  | N/A   |
| New proposed annual caps pursuant to the Amended 2016 Framework Agreement | 30.0  | 47.7  | 55.6  |

### *Notes:*

- Actual fees charged by Ningbo AUX Property for the period from 5 May 2017 to 31 December 2017.
- Based on the unaudited consolidated management accounts of the Group for the period from 1 January 2018 to 31 August 2018.

### ***Basis of the proposed annual caps under the Amended 2016 Framework Agreement***

The proposed annual caps for the Amended 2016 Framework Agreement are determined with reference to:

- (i) the historical amounts of fees charged by Ningbo AUX Property for the property management services provided to Ningbo AUX Real Estate under the 2016 Framework Agreement, being approximately RMB15.5 million for the year ended 31 December 2017 and approximately RMB17.5 million for the eight months ended 31 August 2018;
- (ii) the expected demand of Ningbo AUX Real Estate for property management services for the years ending 31 December 2018, 2019 and 2020 with reference to the existing 2016 Framework Agreement, the timetable of future development projects of Ningbo AUX Real Estate (it is currently expected that, among the existing development projects, Ningbo AUX Real Estate will complete the sale of 4, 3 and 4 new property development project(s) and will deliver around 4, 8 and 8 property development projects in 2018, 2019 and 2020, respectively, and the remaining existing projects are expected to be sold in 2021 and shortly afterwards) and the number of existing shopping complexes;
- (iii) the estimated vacancy rate of the existing shopping complexes owned by Ningbo AUX Real Estate for the years ending 31 December 2018, 2019 and 2020 with reference to the historical vacancy rate of the year ended 31 December 2017 and of the eight months period ended 31 August 2018; and
- (iv) other factors such as the business plans of Ningbo AUX Property (based on the business plans to be provided by Ningbo AUX Real Estate and the on-going tracking of the actual construction progress, Ningbo AUX Property will get involved at the preliminary stage of the project management and put together the working teams three to six months before the delivery of the properties constructed in the relevant property development projects, and then enter into the specific agreements under the Amended 2016 Framework Agreement with Ningbo AUX Property at appropriate times; hence the property development plan of Ningbo AUX Real Estate will affect the Ningbo AUX Property's schedules for the provision of property management services) and inflation.

The details in relation to the proposed increase in the annual caps contemplated under the Amended 2016 Framework Agreement for the year ending 31 December 2018 and the year ending 31 December 2019 of RMB9.9 million and RMB30.3 million are determined as follows:

1. as a result of Ningbo AUX Real Estate's recent success in land tender, Ningbo AUX Real Estate's property development projects has increased by 8 projects since March 2017, of which six land parcels were acquired in 2018;
2. Development timetable of Hangzhou Future City has been accelerated by Ningbo AUX Property in 2017;
3. given the long term business relationship between Ningbo AUX Property and Ningbo AUX Real Estate and the proven service quality of Ningbo AUX Property, Ningbo AUX Real Estate will primarily direct its resources to its property development business and has requested Ningbo AUX Property to provide property management services for its shopping complexes in Chengdu, Changsha and Qingdao. As such, the scope of property management services to be provided by Ningbo AUX Property has been widened, potentially giving rise to additional fees that may be charged in respect of such a new type of property management services.

In view of the above, the estimated service fees that may be charged by Ningbo AUX Property to Ningbo AUX Real Estate in the year ending 31 December 2018 and the year ending 31 December 2019 will increase by approximately RMB9.9 million and RMB30.3 million respectively. The aforesaid estimated increase is calculated after comparing the latest estimated aggregated amount and the estimated aggregated amount in the past.

## **2. THE 2018 FRAMEWORK AGREEMENTS**

Ningbo AUX Property intends to provide management services to offices, commercial buildings and car park units occupied by AUX Group and Ningbo Sanxing in the ordinary course of the Group's business. As such, Ningbo AUX Property has entered into the 2018 Framework Agreement I and the 2018 Framework Agreement II with AUX Group (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) respectively.

## **A. The 2018 Framework Agreement I**

A summary of the principal terms of the 2018 Framework Agreement I are as follows:

Date: 15 October 2018

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

Term of the agreement: Subject to the approval by the Independent Shareholders at the EGM, the 2018 Framework Agreement I shall be effective for a term commencing on the date of approval by the Independent Shareholders at the EGM and ending on 31 December 2020.

Type of services, pricing policies and payment for services fees: Ningbo AUX Property shall be commissioned to provide property management services including the maintenance, cleaning and security services in connection with the offices, car park units and commercial properties occupied by AUX Group and its subsidiaries and associates with the types of services and their respective pricing policies and payment as summarized below:

### **a. Office and Commercial Property Management Services**

Scope of services: Maintenance and cleaning of offices and commercial properties occupied by AUX Group and its subsidiaries and associates.

Pricing policy: The service fee will be based on the prevailing market price.

The prices will be agreed with AUX Group and shall range from RMB3.5 to RMB6.0 per square meter per month, depending on the location and nature of the properties, which is at the same level with the management fees charged by Ningbo AUX Property for office units and commercial properties leased by independent third parties.

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

**b. Car Park Management Service**

Scope of services: Maintenance and cleaning of car park units occupied by AUX Group and its subsidiaries and associates.

Pricing policy: The service fee will be based on the prevailing market price.

The prices will be agreed with AUX Group and shall range from RMB40 to RMB80 per unit, depending on the location of the car park units, which is at the same level with the management fees charged by Ningbo AUX Property for car park units leased by independent third parties.

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

**B. The 2018 Framework Agreement II**

A summary of the principal terms of the 2018 Framework Agreement II are as follows:

Date: 15 October 2018

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

Term of the agreement: Subject to the approval by the Independent Shareholders at the EGM, the 2018 Framework Agreement II shall be effective for a term commencing on the date of approval by the Independent Shareholders at the EGM and ending on 31 December 2020.

Type of services,  
pricing policies  
and payment for  
services fees:

Ningbo AUX Property shall be commissioned to provide property management services including the maintenance, cleaning and security services in connection with the offices and car park units occupied by Ningbo Sanxing and its subsidiaries and associates with the types of services and their respective pricing policies and payment as summarized below:

**a. Office Property Management Services**

Scope of services: Maintenance and cleaning of offices occupied by Ningbo Sanxing and its subsidiaries and associates.

Pricing policy: The service fee will be based on the prevailing market price.

The prices will be agreed with Ningbo Sanxing and shall range from RMB4.5 to RMB6 per square meter per month, depending on the location of the properties, which is at the same level with the management fees charged by independent third parties for offices leased by independent third parties.

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

**b. Car Park Management Service**

Scope of services: Maintenance and cleaning of car park units occupied by Ningbo Sanxing and its subsidiaries and associates.

Pricing policy: The service fee will be based on the prevailing market price.

The prices will be agreed with Ningbo Sanxing and shall range from RMB50 to RMB80 per unit, depending on the location of the car park units, which is at the same level with the management fees charged by Ningbo AUX Property for car park units leased by independent third parties.

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

***The proposed annual caps under the 2018 Framework Agreements***

The proposed annual caps for the continuing connected transactions contemplated under the Property Management Services Framework Agreements for the three years ending 31 December 2018, 2019 and 2020 are set out as follows:

***The proposed annual caps under the 2018 Framework Agreement I***

|             | <b>Year ending<br/>31 December<br/>2018<br/>RMB Million</b> | <b>Year ending<br/>31 December<br/>2019<br/>RMB Million</b> | <b>Year ending<br/>31 December<br/>2020<br/>RMB Million</b> |
|-------------|---|---|---|
| Annual Caps | 1.0   | 3.7   | 3.7   |

***The proposed annual caps under the 2018 Framework Agreements II***

|             | <b>Year ending<br/>31 December<br/>2018<br/>RMB Million</b> | <b>Year ending<br/>31 December<br/>2019<br/>RMB Million</b> | <b>Year ending<br/>31 December<br/>2020<br/>RMB Million</b> |
|-------------|---|---|---|
| Annual Caps | 0.1   | 0.4   | 0.4   |

### ***Basis of the proposed annual caps for the 2018 Framework Agreements***

The proposed annual caps for the 2018 Framework Agreement I are determined with reference to:

- (i) the historical number of offices, commercial units and car park units occupied by AUX Group for the year ended 31 December 2017 and for the eight months ended 31 August 2018; and
- (ii) other factors such as the expected demand of AUX Group for property management services for the year ending 31 December 2018, 2019 and 2020 with reference to its needs in office space and car park units.

The proposed annual caps for the 2018 Framework Agreement II are determined with reference to:

- (i) the historical number of offices and car park units occupied by Ningbo Sanxing for the year ended 31 December 2017 and for the eight months ended 31 August 2018; and
- (ii) other factors such as the expected demand of Ningbo Sanxing for property management services for the year ending 31 December 2018, 2019 and 2020 with reference to its needs in office space and car park units.

### **Reasons for and Benefits of the 2018 Supplemental Agreement and the 2018 Framework Agreements**

As the performance of the clubbing business segment of the Group has been less than optimistic in recent years, the Group endeavors to enhance the clubs' appeal to its customer and announced its plan to renovate Magnum Club on 8 January 2018. The renovation was expected to take approximately 8 months with Magnum Club planned to reopen in or around August 2018. However, due to, among others, delay in obtaining relevant approvals from the Buildings Department and the Fire Services Department, on 31 August 2018, the Group announced that Magnum Club will postpone its reopening to December 2018.

In view of the short-term financial impact the temporary closure of Magnum Club may have on the Group's performance, it is vital that the Group maintains stable and sustainable revenue and cash flow from its property management service business segment, so as to avoid any significant fluctuation in the overall revenue and cash flow of the Group.

Ningbo AUX Real Estate, as an established business partner of Ningbo AUX Property, has shown its growth momentum in the last 12 months with its total land bank increasing from approximately 2.28 million sq.m. around the time the 2016 Framework Agreement was signed to approximately 2.91 million sq.m. as at the Latest Practicable Date.



Hence, the Directors are of the view that the entering into of the 2018 Supplemental Agreement and the 2018 Framework Agreements will enable Ningbo AUX Property and the Group as a whole to benefit from the recent growth of Ningbo AUX Real Estate and provide stable demand for the Company's property management business segment. As such, the Directors believe that the entering into of the 2018 Supplemental Agreement and the 2018 Framework Agreements will help to reduce the impact on the financial performance of the Group while Magnum Club remains closed for renovation, ensure the Group will have sufficient financial resources to achieve healthy and sustainable development of both its clubbing business and property management service business, and contribute to the business growth of the Group as a whole in the long run.

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

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 China. In addition to the offices and car parks occupied by Ningbo Sanxing, it also owns and operates several industrial parks across the country.

The Directors are of the view that the entering into of the 2018 Framework Agreement I and II will enable Ningbo AUX Property to establish its business in office property management services and build up a solid foundation for providing extensive property management services to AUX Group and Ningbo Sanxing when opportunity arise.

Except for Mr. Zheng Jiang, the chairman of the Board and an executive Director who is the brother of Mr. Zheng Jian Jiang, and Ms. Shen Guoying, an executive Director who is a director of Ningbo Sanxing, none of the Directors has or is deemed to have a material interest in the 2018 Supplemental Agreement and the transactions contemplated under the Amended 2016 Framework Agreement (including the proposed Amended 2016 Framework Agreement Annual Caps) and the 2018 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 2018 Supplemental Agreement and the 2018 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 2018 Supplemental Agreement (including the pricing mechanism and procedures) and the continuing connected transactions contemplated under the Amended 2016 Framework Agreement (including the proposed Amended 2016 Framework Agreement Annual Caps), and the 2018 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 interest of the Company and the Shareholder 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 Amended 2016 Framework Agreement and the 2018 Framework 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 agreements under the Amended 2016 Framework Agreement and the 2018 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 property management fees of comparable properties managed by at least two independent-third-party market players and the contract terms thereof (which references will be made by way of performing research on the recent prices charged by independent third parties in the area(s) in proximity of the new projects by referring to the properties located in the same or nearby streets/complex, similar-sized properties and services prices charged on those properties, etc. and preparing a report on this afterwards) and/or guidance price stipulated by local authority to ensure that the management fees charged by Ningbo AUX Property and the terms of the agreements are in conformity with Amended 2016 Framework Agreement and the 2018 Framework Agreements and on normal commercial terms that are no less favourable to the Company than those available to or from independent third parties. The financial department is responsible for the final approval of the terms of the specific agreements under the Amended 2016 Framework Agreement and the 2018 Framework Agreements;

- (2) upon execution of the specific agreements under the Amended 2016 Framework Agreement and the 2018 Framework Agreements, the legal department of the Company is responsible for continuously monitoring and checking on a monthly basis as to whether the relevant laws and regulations on property management prices have been amended, in order to ensure that the price paid by the property owner remains consistent with the requirements pursuant to the relevant laws and regulations; and
- (3) throughout the term of the Amended 2016 Framework Agreement and the 2018 Framework Agreements, the operation department and the financial department are responsible for monitoring the implementation of the specific agreements under the Amended 2016 Framework Agreement and the 2018 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 Company for further actions. In addition, the management of the Company will perform spot checks on the implementation of the Amended 2016 Framework Agreement and the 2018 Framework Agreements to ensure compliance of 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 Amended 2016 Framework Agreement and the 2018 Framework Agreements:

- (i) dedicated personnel of Ningbo AUX Property will be responsible for regular monitoring of the continuing connected transactions under the Amended 2016 Framework Agreement and the 2018 Framework Agreements to ensure that the relevant annual caps will not be exceeded;
- (ii) internal review will be conducted by the Group to assess, on a periodic basis, whether the property management services have been provided by Ningbo AUX Property to Ningbo AUX Real Estate and/or its subsidiaries from time to time in accordance with the terms of the Amended 2016 Framework Agreement and the 2018 Framework Agreements. 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 service agreements) on a regular basis;
  - (ii) monitoring whether the transaction terms and pricing and other terms under each of the individual service agreement are consistent with the principles established under the Amended 2016 Framework Agreement and the 2018 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 Amended 2016 Framework Agreement and the 2018 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 Amended 2016 Framework Agreement and the 2018 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 Amended 2016 Framework Agreement and the 2018 Framework Agreements on an annual basis and confirm in the annual reports of the Company for the years ending 31 March 2018, 2019 and 2020 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 Amended 2016 Framework Agreement and the 2018 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 under the Amended 2016 Framework Agreement and the 2018 Framework Agreements will be conducted on normal and commercial terms and not prejudicial to the interests of the Company and its Shareholders.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the Latest Practicable Date, Ningbo AUX Real Estate and AUX Group are companies each held as to 85% by Mr. Zheng Jian Jiang, a controlling shareholder of the Company indirectly holding approximately 58.66% of the total number of issued Shares. Ningbo Sanxing is a 30%-controlled company held by Mr. Zheng Jian Jiang. As such, Ningbo AUX Real Estate, AUX Group and Ningbo Sanxing are associates of Mr. Zheng Jian Jiang and connected persons of the Company under the Listing Rules. Therefore, the transactions contemplated under the Amended 2016 Framework Agreement and the 2018 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 Amended 2016 Framework Agreement and the 2018 Framework Agreements exceed(s) 5% and the relevant consideration exceeds HK\$10 million on an aggregate basis, the transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An EGM of the Company will be convened to seek the approval of the Independent Shareholders in respect of the 2018 Supplemental Agreement and the continuing connected transactions contemplated under the Amended 2016 Framework Agreement (including the proposed Amended 2016 Framework Agreement Annual Caps), and the 2018 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps). Mr. Zheng Jian Jiang, Ze Hui Limited and Hui Limited and their respective associates, and all other Shareholders materially interested in foregoing matters shall abstain from voting on the resolution in relation to such matters at the EGM.

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on the foregoing matters, and Grand Moore Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular including, among others, a letter from the Board containing further details of the 2018 Supplemental Agreement, the Amended 2016 Framework Agreement Annual Caps and the 2018 Framework Agreements, a letter from the Independent Board Committee containing its advice to the Independent Shareholders and a letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders, together with a notice convening the EGM and the relevant proxy form, is expected to be despatched to the Shareholders on or before 6 November 2018.

## **GENERAL**

The Company is an investment holding company. The activities of its principal operating subsidiaries include operation of clubbing business 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 finance investment.

### **Ningbo AUX Real Estate**

Ningbo AUX Real Estate is principally engaged in property development for residential and commercial properties in China.

### **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 China.

**Since the 2018 Supplemental Agreement and 2018 Framework Agreements are subject to the fulfilment of the conditions precedent set out therein including, among others, Independent Shareholders' approval at the EGM and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

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

- “2016 Framework Agreement” the framework agreement entered into between Ningbo AUX Property as supplier and Ningbo AUX Real Estate (for itself and as trustee for the benefit of its subsidiaries from time to time) as customer on 7 November 2016 for the provision of various types of residential property management services by Ningbo AUX Property to Ningbo AUX Real Estate including the maintenance, cleaning and security services in connection with the residential development projects of Ningbo AUX Real Estate
- “2018 Framework Agreements” collectively, the 2018 Framework Agreement I and the 2018 Framework Agreement II
- “2018 Framework Agreement I” the property management services framework agreement entered into between Ningbo AUX Property as supplier and AUX Group (for itself and as trustee for the benefit of its subsidiaries from time to time) as customer on 15 October 2018 for the provision by Ningbo AUX Property of maintenance and cleaning services for offices, car park units and commercial properties owned by AUX Group and its subsidiaries from time to time for a term commencing on the date of approval by the Independent Shareholders at the EGM and ending on 31 December 2020
- “2018 Framework Agreement II” the property management services framework agreement entered into between Ningbo AUX Property as supplier and Ningbo Sanxing (for itself and as trustee for the benefit of its subsidiaries from time to time) as customer on 15 October 2018 for the provision by Ningbo AUX Property of maintenance and cleaning services for offices and car park units occupied by Ningbo Sanxing and its subsidiaries from to time for a term commencing on the date of approval by the Independent Shareholders at the EGM and ending on 31 December 2020



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| “2018 Supplemental Agreement”                 | the agreement entered into between Ningbo AUX Property and Ningbo AUX Real Estate (for itself and as trustee for the benefit of its subsidiaries from time to time) on 15 October 2018 to amend certain terms of the 2016 Framework Agreement   |
| “Amended 2016 Framework Agreement”            | the 2016 Framework Agreement as amended by the 2018 Supplemental Agreement  |
| “Amended 2016 Framework Agreement Annual Cap” | RMB30.0 million, RMB47.7 million and RMB55.6 million, being the proposed maximum amounts which the aggregate amount of fees that may be charged by Ningbo AUX Property for the provision of property management services to Ningbo AUX Real Estate pursuant to the Amended 2016 Framework Agreement is expected not to exceed for the years ending 31 December 2018, 31 December 2019 and 31 December 2020 respectively |
| “Announcement”                                | the announcement of the Company dated 7 November 2016   |
| “associate(s)”                                | has the same meaning 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  |
| “Board”                                       | the board of Directors  |
| “Circular”                                    | the circular of the Company dated 28 February 2017  |
| “Company”                                     | AUX International Holdings Limited (奧克斯國際控股有限公司), 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  |
| “continuing connected transaction”            | 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  |

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| “EGM”                         | the extraordinary general meeting of the Company to be convened for, among others, considering, and if thought fit, approval by the Independent Shareholders of the Amended 2016 Framework Agreement and the continuing connected transactions contemplated thereunder (including the proposed Amended 2016 Framework Agreement Annual Caps), and the 2018 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps)                                |
| “Group”                       | the Company and its subsidiaries   |
| “HK\$”                        | Hong Kong Dollars, the lawful currency of Hong Kong  |
| “Hong Kong”                   | Hong Kong Special Administrative Region of the People’s Republic of China  |
| “Independent Board Committee” | an independent committee of the Board, comprising all three independent non-executive Directors, established to advise the Independent Shareholders in respect of the 2018 Supplemental Agreement and the continuing connected transactions contemplated under the Amended 2016 Framework Agreement (including the proposed Amended 2016 Framework Agreement Annual Caps), and the 2018 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps)   |
| “Independent Shareholder(s)”  | Shareholders other than Mr. Zheng Jian Jiang, Ze Hui Limited and Huiyi Limited and their respective associates, and all other Shareholders materially interested in the 2018 Supplemental Agreement and the continuing connected transactions contemplated under the Amended 2016 Framework Agreement (including the proposed Amended 2016 Framework Agreement Annual Caps), and the 2018 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective proposed annual caps) |



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| “Listing Rules”          | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Ningbo AUX Property”    | 寧波奧克斯物業服務有限公司 (Ningbo AUX Property Management Service Co., Ltd.*), a limited liability company established in the PRC and an indirectly wholly owned subsidiary of the Company                    |
| “Ningbo AUX Real Estate” | 寧波奧克斯置業有限公司 (Ningbo AUX Real Estate Co., Ltd*), a limited liability company established in the PRC  |
| “Ningbo 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) |
| “PRC”                    | the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan              |
| “RMB”                    | Renminbi, the lawful currency of the PRC  |
| “Share(s)”               | ordinary share(s) of nominal value of HK\$0.01 each in the capital of the Company   |
| “Shareholder(s)”         | holder(s) of Shares   |
| “Stock Exchange”         | The Stock Exchange of Hong Kong Limited   |

“Grand Moore Capital”

Grand Moore Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the 2018 Supplemental Agreement and the continuing connected transactions contemplated under the Amended 2016 Framework Agreement (including the proposed Amended 2016 Framework Agreement Annual Caps), and the 2018 Framework Agreements and the continuing connected transactions contemplated thereunder (including their respective annual caps)

“%”

per cent.

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

Hong Kong, 15 October 2018

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

\* *For identification purpose only*