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FSE SERVICES GROUP LIMITED

豐盛服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 331)

- (1) MAJOR AND CONNECTED TRANSACTION:
PROPOSED ACQUISITION OF THE TARGET ENTITIES ENGAGED IN
THE PROVISION OF PROPERTY MANAGEMENT SERVICES AND
ISSUE OF CONVERTIBLE PREFERENCE SHARES;
(2) ENTRY INTO A TERM LOAN FACILITY AGREEMENT;
(3) PROPOSED RE-DESIGNATION OF AUTHORISED SHARE CAPITAL;
AND
(4) CONTINUING CONNECTED TRANSACTIONS:
2019 MASTER PROPERTY SERVICES AGREEMENTS**

Sole Financial Adviser



BNP PARIBAS

THE PROPOSED ACQUISITION

On 18 October 2019 (after trading hours of the Stock Exchange), the Company, the Buyer Co and the Seller entered into a Sale and Purchase Agreement for the Company to acquire (or procure the Buyer Co to acquire) and the Seller to sell the Sale Share at a consideration of HK\$704,900,000 (subject to adjustments, if any), comprising (i) a cash consideration of HK\$564,000,000 payable in cash; and (ii) a non-cash consideration of HK\$140,900,000 settled through the issue of Convertible Preference Shares by the Company.

The Target Group is principally engaged in the provision of property management services.

Completion is subject to the fulfilment of the Conditions. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

The Buyer Co is a wholly-owned subsidiary of the Company. FSE Holdings, which holds 75% of the Ordinary Shares in issue in the Company as at the date of this announcement, is a substantial shareholder of the Company under the Listing Rules. The Seller, being a wholly-owned subsidiary of FSE Holdings, is an associate of FSE Holdings, and therefore a connected person of the Company. The Proposed Acquisition thus constitutes a connected transaction for the Company. As some of the applicable Percentage Ratios for the Proposed Acquisition exceed 5%, the Proposed Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Further, as some of the applicable Percentage Ratios in respect of the Proposed Acquisition are 25% or more but all of those ratios are below 100%, the Proposed Acquisition also constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

ENTRY INTO A TERM LOAN FACILITY AGREEMENT

In order to fund the Proposed Acquisition, on 18 October 2019 (after trading hours of the Stock Exchange), the Buyer Co (as borrower) and two of the Company's direct subsidiaries, FSE Engineering Group Limited and FSE Facility Services Group Limited (as guarantors) entered into a Facility Agreement with a bank. The Facility Agreement provides for up to the lesser of HK\$600 million or 80% of the total Consideration for the financing of the Proposed Acquisition. The Facility Agreement contains a provision which gives rise to announcement obligation pursuant to Rule 13.18 of the Listing Rules. Under the Facility Agreement, each of the Buyer Co (as borrower) and two of the Company's direct subsidiaries, FSE Engineering Group Limited and FSE Facility Services Group Limited (as guarantors) (collectively, the "**Obligors**") undertakes to procure that Mr. Doo and Mr. Doo William Junior Guilherme shall maintain not less than 51% direct or indirect shareholding of each of the Obligors.

PROPOSED RE-DESIGNATION OF AUTHORISED SHARE CAPITAL

As at the date of this announcement, the authorised share capital of the Company is HK\$100,000,000 divided into 1,000,000,000 Ordinary Shares.

In order to allot and issue the Convertible Preference Shares upon Completion, the Board proposes to re-designate the authorised share capital of the Company into HK\$100,000,000 divided into 900,000,000 Ordinary Shares of par value of HK\$0.10 each, and 100,000,000 Convertible Preference Shares of par value of HK\$0.10 each.

THE 2019 MASTER PROPERTY SERVICES AGREEMENTS

Members of the Target Group, in their ordinary course of business, regularly entered into continuing transactions in relation to:

- (1) the provision and receipt of the Services to and from members of each of the Doo's Associates Group, the NWD Group and the NWS Group; and
- (2) the provision of the Property Management Services to members of each of the CTFE Group and the CTFJ Group.

It is expected that the above continuing transactions will continue after the completion of the Proposed Acquisition. As the Target Company will become an indirect wholly-owned subsidiary of the Company upon completion of the Proposed Acquisition, the continuing transactions entered into or to be entered into between the Urban Group or the Kiu Lok Group on one side, and the Doo's Associates Group, the NWD Group, the NWS Group, the CTFE Group or the CTFJ Group on the other will become continuing connected transactions of the Company under the Listing Rules.

In order to streamline these continuing connected transactions in relation to the provision and receipt of the Services and facilitate the compliance with relevant requirements under the Listing Rules, the Company proposes to enter into the 2019 Master Property Services Agreements upon completion of the Proposed Acquisition, the principal terms and conditions of which are set out in this announcement.

As the highest of the applicable Percentage Ratios in respect of the Annual Cap of each of the 2019 FSE Master Property Services Agreement and the 2019 NWD Master Property Services Agreement exceeds 0.1% but is below 5%, the transactions under these agreements and the Annual Caps for the same are subject to the reporting, annual review and announcement requirements and exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the highest of the applicable Percentage Ratios in respect of the Annual Cap of each of the 2019 NWS Master Property Services Agreement, the 2019 CTFE Master Property Services Agreement and the 2019 CTFJ Master Property Services Agreement is below 0.1%, the transactions thereunder and the Annual Caps for the same are exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM AND CIRCULAR

The EGM will be convened and held for:

- (1) the Independent Shareholders to consider and, if thought fit, approve the Proposed Acquisition, and the grant of the Specific Mandate; and
- (2) the Shareholders to consider and, if thought fit, approve the proposed re-designation of the authorised share capital of the Company.

The Independent Board Committee has been established to consider, among other matters, the terms of the Proposed Acquisition, the Specific Mandate, and to advise and provide recommendation to the Independent Shareholders as to whether the same are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Ballas Capital Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on, among other matters, the fairness and reasonableness of the Proposed Acquisition.

A circular containing further details of the EGM Matters and other information as is required to be contained in it under the Listing Rules together with a notice of the EGM and a form of proxy are expected to be despatched to the Shareholders on or before 8 November 2019.

Completion of the Proposed Acquisition, the proposed re-designation of authorised share capital of the Company and the entering into of the 2019 Master Property Services Agreements are subject to the fulfilment (or, as the case may be, waiver) of certain conditions precedent. As the Proposed Acquisition, the 2019 Master Property Services Agreements and the proposed re-designation of authorised share capital of the Company may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on 18 October 2019 (after trading hours of the Stock Exchange), the Company, the Buyer Co and the Seller entered into a Sale and Purchase Agreement for the Company to acquire (or to procure the Buyer Co to acquire), and the Seller to sell, the Sale Share at the Consideration.

The Target Group is principally engaged in the provision of property management services.

Completion is subject to the fulfilment of the Conditions. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

Members of the Target Group, in their ordinary course of business, regularly entered into continuing transactions in relation to:

- (1) the provision and receipt of the Services to and from members of each of the Doo's Associates Group, the NWD Group and the NWS Group; and
- (2) the provision of the Property Management Services to members of each of the CTFE Group and the CTFJ Group.

It is expected that the above continuing transactions will continue after the completion of the Proposed Acquisition. As the Target Company will become an indirect wholly-owned subsidiary of the Company upon completion of the Proposed Acquisition, the continuing transactions entered into or to be entered into between the Urban Group or the Kiu Lok Group on one side, and the Doo's Associates Group, the NWD Group, the NWS Group, the CTFE Group or the CTFJ Group on the other will become continuing connected transactions of the Company under the Listing Rules.

In order to streamline these continuing connected transactions in relation to the provision and receipt of the Services and facilitate the compliance with relevant requirements under the Listing Rules, the Company proposes to enter into the 2019 Master Property Services Agreements upon completion of the Proposed Acquisition, the principal terms and conditions of which are set out in this announcement.

THE PROPOSED ACQUISITION

The Sale and Purchase Agreement

Date : 18 October 2019

Parties

- Seller : FSE Management Company Limited
- Buyer : the Company
- Buyer Co : FSE Property Management Group Limited

The Buyer Co is a wholly-owned subsidiary of the Company. FSE Holdings, which holds 75% of the Ordinary Shares of the Company in issue, is a substantial shareholder of the Company. The Seller, being a wholly-owned subsidiary of FSE Holdings, is an associate of FSE Holdings, and therefore a connected person of the Company.

Assets to be acquired by the Group under the Sale and Purchase Agreement

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to acquire (or procure the Buyer Co to acquire) from the Seller the Sale Share, representing the entire issued share capital of the Target Company.

The section below headed "INFORMATION ON THE TARGET GROUP" provides further information on the Target Group.

The Consideration, its payment term and adjustment

The Consideration for the Proposed Acquisition is HK\$704,900,000, subject to adjustment, if any, by reference to the NTAV as at the date of Completion as mentioned below. Such Consideration implies a P/E of approximately 10.19x.

At Completion, the Consideration shall be satisfied by the Company through (i) payment of HK\$564,000,000 in cash to the Seller (or as the Seller may direct in writing) on the Completion Date; and (ii) a non-cash consideration of HK\$140,900,000 settled through the issuance and allotment by the Company of 43,676,379 Convertible Preference Shares to the Seller (or as the Seller may direct in writing) at the Issue Price of HK\$3.2260 per Convertible Preference Share, credited as fully paid. The Issue Price is calculated based on the average of the closing prices for one Ordinary Share for the 5 trading days prior to the date of this announcement.

The Consideration was agreed after arm's length negotiations between the Seller and the Company having taken into consideration various factors, including but not limited to:

- (1) the unaudited financials of the Target Group for the financial year ended 30 June 2019;
- (2) the adjustment on net profit attributable to equity holders of the Target Group for FY2019 conducted by an independent business valuer;
- (3) the Business Valuation based on historical financial performance of the Target Group; and
- (4) the NTAV of the Target Group as at 30 June 2019.

According to the Business Valuation, the Target Group is valued at HK\$742 million as at 30 June 2019. The Business Valuation was arrived at after following certain adjustments on EBITDA and net profit attributable to equity holders of the Target Group made by the independent valuer, including the reversal of or adjustment for:

- (a) the management fee charged by the Seller to the Target Group of approximately HK\$9.5 million for the financial year ended 30 June 2019; after Completion, the existing management functions provided by the Seller in consideration of the management fee will be performed by the senior management team of the Company;
- (b) the donation made by the Target Group of approximately HK\$2.7 million for the financial year ended 30 June 2019;
- (c) the write-off on other payables made by the Target Group of approximately HK\$0.6 million for the financial year ended 30 June 2019;
- (d) the gain on disposal of property, plant and equipment of approximately HK\$0.4 million for the financial year ended 30 June 2019; and
- (e) the tax effect of the adjustments (a) to (d) above, which amounts to approximately HK\$1.8 million for the financial year ended 30 June 2019.

The Board considers it is appropriate to make each of the adjustments on EBITDA and the net profit attributable to equity holders of the Target Group for the following reasons:

- (1) the management fee was charged by the Seller to the Target Group for FY2019 in consideration of certain management services provided by the senior management team of the Seller. Such arrangement is expired without renewal. The existing management functions will be performed by the senior management team of the Company;
- (2) the donation made by the Target Group for FY2019 was a one-off donation which is not expected to recur after Completion; and
- (3) the write-off on other payables and the gain on disposal of property, plant and equipment were non-recurring gains.

Based on the adjustments stated above, the adjusted EBITDA and net profit attributable to equity holders are approximately HK\$86.8 million and HK\$69.2 million, respectively, for the financial year ended 30 June 2019.

In determining the Consideration for the Proposed Acquisition:

- (1) firstly, the Company considered the net worth of the Target Group based on the NTAV of the Target Group as of 30 June 2019;
- (2) secondly, the Company took into account the adjusted Target Group's net profit attributable to equity holders in FY2019 of HK\$69.2 million provided in the Business Valuation report;
- (3) thirdly, the Company applied a P/E of approximately 10.19x on the Target's adjusted net profit attributable to equity holders in FY2019 to arrive at the Consideration;
- (4) fourthly, the Company made reference to the business valuation report, in which the independent business valuer valued the Target Group at a business valuation of HK\$742 million; and
- (5) lastly, based on arm's length negotiations between the Company and the Seller, the parties agreed to adopt the Consideration, which represents a discount of approximately 5% to the Business Valuation.

According to the Business Valuation report of the independent valuer, the valuation of businesses is not a precise science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgment. While the valuer considers the Business Valuation to be both reasonable and defensible based on the information available to the valuer, others may place a different value on the Target Group.

The Directors believe that the Consideration is fair and reasonable.

Pursuant to the Sale and Purchase Agreement, the Consideration is subject to adjustment, if any, by reference to the amount of the NTAV of the Target Group as at the Completion Date as follows:

- (1) if the NTAV of the Target Group as at the Completion Date is greater than the NTAV of the Target Group as at 30 June 2019, 100% of the difference shall be added to the Consideration for the Sale Share; or
- (2) if the NTAV of the Target Group as at the Completion Date is smaller than the NTAV of the Target Group as at 30 June 2019, 100% of the difference shall be deducted from the Consideration for the Sale Share.

Conditions precedent to Completion

Pursuant to the Sale and Purchase Agreement, Completion is conditional upon:

- (1) all regulatory and corporate approvals of the Company and the Buyer Co as are necessary for the completion of the transaction contemplated under the Sale and Purchase Agreement having been obtained, including:
 - (a) the approval by the Independent Shareholders at a general meeting of the Proposed Acquisition, the grant of the Specific Mandate and the approval of the relevant 2019 Master Property Services Agreement by the Board; and
 - (b) the approval by the Shareholders at a general meeting of the re-designation of the authorised share capital of the Company to HK\$100,000,000 divided into 900,000,000 Ordinary Shares of par value of HK\$0.10 each, and 100,000,000 Convertible Preference Shares of par value of HK\$0.10 each;
- (2) the Reorganisation having been duly and validly completed in all respects and implemented in accordance with the Sale and Purchase Agreement;
- (3) the grant by the Listing Committee (or, where applicable, the Listing Review Committee) of the Stock Exchange of the listing of, and permission to deal in, the Conversion Shares;
- (4) the Seller's warranties in the Sale and Purchase Agreement remaining true and accurate in all respects and not misleading in any respect as at Completion;
- (5) all consents, approvals, permits, authorisations or clearances that the Seller reasonably considers necessary for the execution, implementation and completion of the Sale and Purchase Agreement (including those required under relevant banking facilities) and consents from counterparties of the relevant agreements having been obtained and not having been revoked or withdrawn at any time before Completion; and
- (6) all consents, approvals, permits, authorisations or clearances that the Company reasonably considers necessary for the execution, implementation and completion of the Sale and Purchase Agreement having been obtained and not having been revoked or withdrawn at any time before Completion.

The Company shall use its reasonable endeavours to convene a general meeting of the Company to enable to the satisfaction of Condition (1), and use its reasonable endeavours to achieve satisfaction of Conditions (3) and (6), not later than 5:00 p.m. on the Longstop Date.

The Seller shall use its reasonable endeavours to achieve satisfaction of Conditions (2) and (5) not later than the latest practicable date for finalising the circular of the Company to be despatched in respect of the Company's general meeting, and Condition (4) not later than 5:00 p.m. on the Longstop Date.

The Company may at any time on or before 5:00 p.m. on the Longstop Date by notice in writing to the Seller waive the above Conditions (2), (4) and (5) in whole or in part.

If the Conditions shall not be fulfilled (or, as the case may be, waived) by the prescribed date and time, either the Seller or the Company may by notice to the other elect that the Sale and Purchase Agreement shall terminate with immediate effect.

Completion

Subject to the fulfilment (or, as the case may be, waiver) of the Conditions, Completion shall take place on the Completion Date.

Upon Completion taking place, the Seller will hold 43,676,379 Convertible Preference Shares to be issued and allotted by the Company. The Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Group will be consolidated in the financial statements of the Company.

Upon Completion, to the extent that the existing service contracts of the Target Group relates to the provision and/or receipt of the Rental and Other Services, the Sundry Services, the Property Management Services and the Car Parking Rental Services, such existing service contracts will continue to be performed in accordance with its respective terms.

Corporate guarantees and counter-indemnity

Prior to the execution of the Sale and Purchase Agreement, the Seller has provided certain corporate guarantees and undertaking for the performance of some obligations by certain members of the Target Group in favour of certain lending banks and contract counterparties of the Target Group. In order to allow time for the Company to replace the credit support required for the operation of the Target Group after Completion, pursuant to the Sale and Purchase Agreement, the existing corporate guarantees and undertaking provided by the Seller that are subsisting as at the Completion Date are to remain in place for a period of no longer than one year thereafter (or such other period as may be agreed between the Seller and the Company).

The Company shall use its reasonable endeavours to procure such existing corporate guarantees and undertaking provided by the Seller to be released and replaced by such new corporate guarantees provided by the Group as soon as practicable and not later than the expiration of the aforesaid one-year period or such other period as the Company and the Seller may agree.

At Completion, the Company and the Seller will enter into the deeds of counter indemnity, pursuant to which the Company is to agree to counter-indemnify the Seller from and against any actions, claims, liabilities, damages, costs and expenses of whatever nature which may result or which the Seller may suffer, incur or sustain as a result of the enforcement of any of such existing corporate guarantees and undertaking after Completion until the earlier of (i) the expiry or release of the same; and (ii) the date which is one year from the date of the deed of counter indemnity.

INFORMATION ON THE CONVERTIBLE PREFERENCE SHARES AND THE CONVERSION SHARES

Convertible Preference Shares not to be listed

Upon Completion taking place, the Convertible Preference Shares will be issued by the Company in satisfaction and settlement of part of the Consideration.

No listing of the Convertible Preference Shares will be sought on the Stock Exchange or any other stock exchanges.

Summary of the principal terms of the Convertible Preference Shares

Par value	: HK\$0.10 each
Issue Price	: HK\$3.2260 per Convertible Preference Share, to be credited as fully paid
Conversion period	: Any time after the Issue Date, provided that any conversion shall not result in the Company failing to comply with any public float requirement under the Listing Rules
Conversion ratio	: Each Convertible Preference Share is convertible into such number of Ordinary Share(s) being one (1) multiplied by the conversion rate. The conversion rate is determined by dividing the Issue Price of Convertible Preference Share by the Conversion Price
Conversion price	: The conversion price is the Issue Price, subject to adjustment upon the occurrence of certain prescribed events (including consolidation, subdivision or reclassification of shares in the capital of the Company, capitalisation of profits or reserves, issue of Ordinary Shares in lieu of cash dividend, rights issues of Ordinary Shares or options over Ordinary Shares, in each case if not also made available to holder(s) of Convertible Preference Shares), but provided that the conversion price is not less than the then subsisting nominal value of an Ordinary Share into which such Convertible Preference Share is converted. If an adjustment is required to be made to the conversion price, a further announcement will be made by the Company

- Preferred distribution : Each Convertible Preference Share shall confer on the holder the right to receive a preferred distribution from the date of the issue of the Convertible Preference Share at a rate of 0.001% per annum on the Issue Price, payable annually in arrears. Each preferred distribution is non-cumulative
- Deferral or non-payment of preferred distribution : The Board may, in its sole discretion, elect to defer or not to pay a preferred distribution. No interest accrues on any unpaid Preferred Distribution. If the Board elect to defer or not to pay a preferred distribution, the Company shall not (i) pay any dividends, distributions or make any other payment on any Ordinary Shares or (ii) redeem, cancel, repurchase or acquire for any consideration any Ordinary Shares, unless at the same time it pays to the holders of the Convertible Preference Shares any deferred or unpaid preferred distribution which was scheduled to be paid on a day falling in the same financial year in respect of which payment of such dividends, distributions or other payments is made or during which such redemption, cancellation, repurchase or acquisition occurs
- Dividends : Each Convertible Preference Share shall also confer on the holder the right to receive, in addition to the preferred distribution, dividends and distribution pari passu with holders of Ordinary Shares on the basis of the number of Ordinary Share(s) into which each Convertible Preference Share may be converted and on an as converted basis
- Voting rights : The holder(s) of the Convertible Preference Shares shall not have the right to attend or vote at any general meeting of the Company (except a general meeting for winding up of the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of such holder(s))

- Ranking : On a distribution of assets on liquidation, winding up or dissolution of the Company or otherwise, the assets and funds of the Company available for distribution among the members of the Company shall, subject to applicable laws, be applied in the following priority:
- (1) firstly, an amount equal to the aggregate of the Issue Price of all of the Convertible Preference Shares held by the Convertible Preference Shareholders shall be distributed on a pari passu basis among the Convertible Preference Shareholders, by reference to the aggregate nominal amounts of the Convertible Preference Shares held by them respectively;
 - (2) secondly, the balance of such assets shall be distributed on a pari passu basis among the holders of any class of shares in the capital of the Company other than the Convertible Preference Shares and other than any shares which are not entitled to participate in the distribution of such assets, by reference to the aggregate nominal amounts of shares in the Company held by them respectively and to the extent of an amount equal to the Issue Price for every HK\$0.10 in nominal amount of the shares so held; and
 - (3) the remaining balance of such assets shall belong to and be distributed on a pari passu basis among the holders of any class of shares of the Company including the Convertible Preference Shares, other than any other shares not entitled to participate in the distribution of such assets, by reference to the aggregate nominal amounts of shares in the Company held by them respectively
- Transferability : The Convertible Preference Shares shall be freely transferable
- Redemption : The Convertible Preference Shares shall be non-redeemable.
- Listing : No listing will be sought for the Convertible Preference Shares on the Stock Exchange or any other stock exchange. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

The Conversion Shares

The allotment and issue of the Conversion Shares are subject to Independent Shareholders granting the Specific Mandate at the EGM.

The Conversion Shares to be issued upon conversion of the Convertible Preference Shares will be issued as fully paid and will rank *pari passu* in all respects with the Ordinary Shares in issue as at the date of conversion.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

The Issue Price

The Issue Price of HK\$3.2260 per Convertible Preference Share (the aggregate amount of such Issue Price being the portion of the Consideration to be satisfied by the issue of the Convertible Preference Shares) to be credited as fully paid represents:

- (1) a discount of approximately 0.12% to the closing price of the Ordinary Shares of HK\$3.23 per Ordinary Share as quoted on the Stock Exchange on 17 October 2019; and
- (2) a premium of approximately 87.56% to the audited net asset value per Ordinary Share of the Company as at 30 June 2019 of approximately HK\$1.72.

The Issue Price is calculated based on the average of the closing prices for one Ordinary Share for the 5 trading days prior to the date of this announcement.

The Directors consider that the allotment and issue of 43,676,379 Convertible Preference Shares as part of the Consideration for the Acquisition, and the Issue Price, is fair and reasonable and that the Acquisition is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

EFFECT OF THE ACQUISITION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Details of the shareholding structure of the Company as at the date of this announcement and immediately after Completion and immediately upon conversion of all Convertible Preference Shares held by the Seller are set out below (assuming that there are no other changes in the number of shares in issue and in the holding of shares in the Company):

	As at the date of this announcement			Immediately after completion of the Proposed Acquisition			Immediately after completion of the Proposed Acquisition, assuming the Convertible Preference Shares are converted in full (Note 1)		
	Number of Ordinary Shares		Number of Convertible Preference Shares	Number of Ordinary Shares		Number of Convertible Preference Shares	Number of Ordinary Shares		Number of Convertible Preference Shares
		%			%			%	
FSE Holdings (Note 2)	337,500,000	75%	—	337,500,000	75%	—	337,500,000	68.4	—
Seller (Note 3)	—	—	—	—	—	43,676,379	43,676,379	8.8	—
Sub-total	337,500,000	75%	—	337,500,000	75%	43,676,379	381,176,379	77.2	—
Public	112,500,000	25%	—	112,500,000	25%	—	112,500,000	22.8	—
Total	450,000,000	100.00%	—	450,000,000	100.00%	43,676,379	493,676,379	100.00%	—

Note 1: the figures are provided for illustrative purposes only. The terms of the Convertible Preference Shares will not permit conversion if immediately after such conversion, the public float of the Ordinary Shares will fall below the minimum requirements of the Listing Rules.

Note 2: FSE Holdings is beneficially owned as to:

- (a) 63% by Sino Spring Global Limited (“**Sino Spring**”). Sino Spring is an investment holding company wholly owned by Mr. Doo. By virtue of Part XV of the SFO, Mr. Doo is deemed to be interested in all shares in which Sino Spring is interested. In addition, Mrs. Doo Cheng Sau Ha, Amy is a spouse of Mr. Doo and is therefore taken to be interested in all shares in which Mr. Doo is interested by virtue of Part XV of the SFO;
- (b) 18% by Dr. Cheng (through Chow Tai Fook Nominee Limited);
- (c) 7% by Frontier Star Limited (“**Frontier Star**”). The entire issued share capital of Frontier Star is solely and beneficially owned by Mr. Wong Kwok Kin, Andrew, a non-executive Director of the Company;
- (d) 5% by Master Empire Group Limited (“**Master Empire**”) and 4% by Supreme Win Enterprises Limited (“**Supreme Win Enterprises**”). The entire issued share capital of Master Empire and Supreme Win Enterprises are solely and beneficially owned by Mr. Doo William Junior Guilherme, an executive Director of the Company;
- (e) 2% by Equal Merit Holdings Limited (“**Equal Merit**”). The entire issued share capital of Equal Merit is solely and beneficially owned by Mr. Lam Wai Hon, Patrick, the vice chairman and an executive Director of the Company; and
- (f) 1% by Lagoon Treasure Limited (“**Lagoon Treasure**”). The entire issued share capital of Lagoon Treasure is solely and beneficially owned by Mr. Lee Kwok Bong, an executive Director of the Company.

Note 3: the Seller is a wholly-owned subsidiary of FSE Holdings. By virtue of Part XV of the SFO, FSE Holdings is deemed to be interested in all shares in which the Seller is interested.

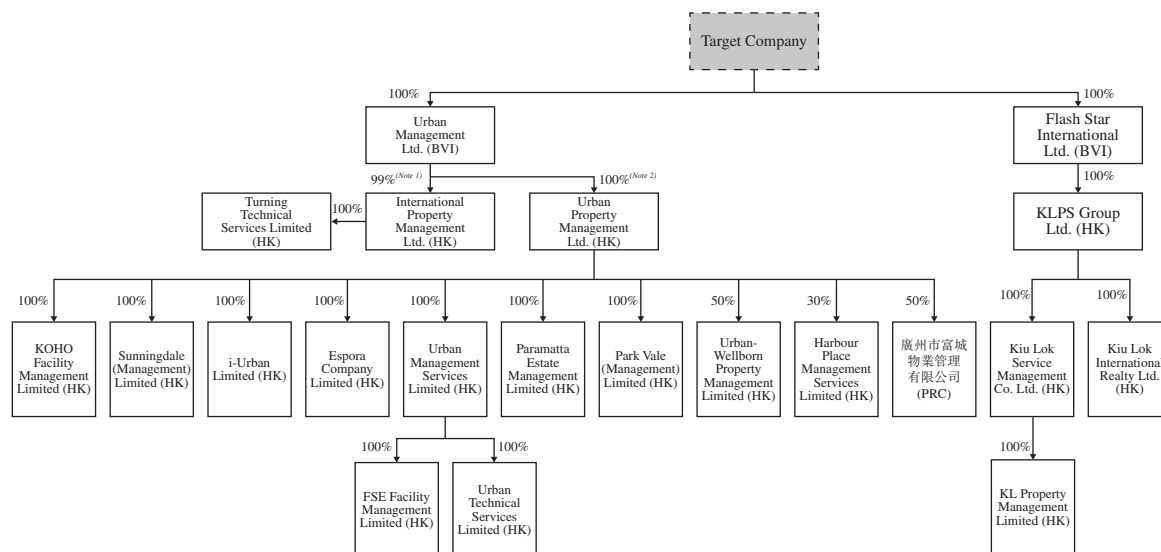
TERM LOAN FACILITY AGREEMENT

On 18 October 2019 (after trading hours of the Stock Exchange), the Buyer Co (as borrower) and two of the Company's direct subsidiaries, FSE Engineering Group Limited and FSE Facility Services Group Limited (as guarantors), entered into a term loan facility agreement with a bank. The Facility Agreement provides for up to the lesser of HK\$600 million or 80% of the total Consideration of the Proposed Acquisition for the financing for the Proposed Acquisition. The Facility Agreement is repayable on the date that is two years from the drawdown date. Interest will be charged at 0.7% per annum over Hong Kong Interbank Offered Rate (HIBOR).

The Facility Agreement contains a provision which gives rise to announcement obligation pursuant to Rule 13.18 of the Listing Rules. Under the Facility Agreement, each of the Buyer Co (as borrower) and two of the Company's direct subsidiaries, FSE Engineering Group Limited and FSE Facility Services Group Limited (as guarantors) (collectively, the "Obligors") undertakes to procure that Mr. Doo and Mr. Doo William Junior Guilherme shall maintain not less than 51% direct or indirect shareholding of each of the Obligors.

INFORMATION ON THE TARGET GROUP

The following is a simplified group structure chart of the Target Group (including the Urban Group and the Kiu Lok Group), immediately after the completion of the Reorganisation:



Notes:

1. Certain non-voting deferred shares (representing approximately 2.9% of the total number of issued shares) are held by other parties.
2. Certain non-voting deferred shares (representing approximately 0.003% of the total number of issued shares) are held by other parties.
3. The non-voting deferred shares referred to in Notes 1 and 2 do not have any other rights other than a preferential right on a return of assets on liquidation or otherwise.

The Target Company is a limited company incorporated in the British Virgin Islands in 2019. The principal business of the Target Company is investment holding, and does not carry on any business other than its investment in the Target Entities as its sole investment upon completion of the Reorganisation.

Upon completion of the Reorganisation, the Target Group will operate through the Urban Group and the Kiu Lok Group, and will be principally engaged in the provision of property management services mainly in Hong Kong. The Target Group is the No. 2 property management services company in terms of number of units of residential property, area of non-residential (excluding carpark) property and number of units of car park spaces under management according to Frost & Sullivan. Property management services generally includes overseeing the cleaning, security, repair and maintenance of the residential¹ and non-residential² properties, including office buildings, shopping arcades, hotels, government institutions, airport, ecopark, academic institutions and carparks. The Target Group currently provides property management services to many well-known properties, including City One Shatin, Cyberport, EcoPark, Hong Kong Science Park, Convention Plaza, K11, and Riviera Gardens. For the three financial years ended 30 June 2017, 30 June 2018 and 30 June 2019, the Target Group is able to achieve a high retention rate on existing clients, and enter into property management agreements with new clients to maintain its stable and growing business.

Financial information of the Target Group

Set out below is a summary of key combined financial information of the Target Group for the three years ended 30 June 2017, 30 June 2018 and 30 June 2019, which has been prepared in accordance with the accounting policies in compliance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountant.

	For the year ended		
	30 June 2017	30 June 2018	30 June 2019
	(unaudited)	(unaudited)	(unaudited)
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Revenue	498,696	508,684	527,323
Profit for the year	58,263	56,306	59,936

As of 30 June 2019, the unaudited and combined net asset value of the Target Group was approximately HK\$82.3 million. The fair value of the Target Group as at 30 June 2019 was HK\$742 million, according to the Business Valuation based on historical financial performance of the Target Group.

¹ Residential properties might include portion of non-residential properties ancillary thereto, such as car parks and shops within the same residential development property management contracts.

² Non-residential properties might include portion of government staff quarters under the same property management contracts with the Government Property Agency.

INFORMATION ON THE SELLER

The Seller is a limited liability company incorporated in Hong Kong, and a wholly-owned subsidiary of FSE Holdings. To the best knowledge of the Directors, the principal business of the Seller is investment holding.

FSE Holdings, which holds 75% of Ordinary Shares in issue in the Company, is a substantial shareholder of the Company. The Seller, being a wholly-owned subsidiary of FSE Holdings, is an associate of FSE Holdings, and therefore a connected person of the Company.

REASONS FOR AND THE BENEFITS OF THE PROPOSED ACQUISITION

The Group is a leading diversified city services provider in Hong Kong, which has competencies in electrical and mechanical (E&M) engineering, environmental management, cleaning and waste management as well as professional laundry services. With their professionalism and expertise, together with the extensive synergies generated among the companies under the Group, the Group has built up a strong network and offers a full range of professional services to renowned clients and main contractors who are often engaged in property developments, public infrastructures, education and transportation facilities as well as entertainment and travel industries in Hong Kong, Macau and Mainland China. The Group has been exploring opportunities to expand its services scope in order to add momentum to the growth of the Group and the Directors believe that the Proposed Acquisition can offer the following key benefits to the Group:

Expand business scale and reduce cyclical risks with diversification of revenue stream and client bases

- As a leading diversified city service provider in Hong Kong, the Group has over 40 years of operating history and a strong customer network with leading companies, which provides a stable revenue source to the Group. The Group has been consistently seeking opportunities to further expand its business scale and diversify its revenue stream. The Directors believe that the Proposed Acquisition could bring a positive financial impact to the Group and an important step for its development.
- The Directors also believe that the Proposed Acquisition could enable the Group to further diversify its revenue stream and mitigate cyclical risks typically associated with the E&M engineering segment. Moreover, the Target Group has a diversified client base and stable cash flow, which is not easily affected by changing market conditions and could potentially improve the stability of operation of the Enlarged Group.
- The Target Group recorded a revenue of approximately HK\$527.3 million and a net profit attributable to equity holders of approximately HK\$59.9 million for the year ended 30 June 2019. According to the business valuer, the adjusted net profit attributable to equity holders was HK\$69.2 million for the year ended 30 June 2019.
- With the integration of the Target Group into the Group, the Directors believe that the Proposed Acquisition would bring greater diversity to the business portfolio and potentially improve the profitability and dividend pay-out of the Enlarged Group.

Potentially achieve cross-selling synergies, higher customer loyalty by providing integrated services as well as better deployment of human resources

- By diversifying the range of services of the Group, the Directors believe that there will be more cross-selling synergies, and thus potential expansion of the business scale through the Proposed Acquisition. Property management services can be highly complementary to some of our existing businesses such as cleaning and E&M maintenance, as they serve the same customers in the same project site, hence it allows the Enlarged Group to have better insights of the customer needs and potentially offer more integrated services.
- After Completion, the Enlarged Group will have a larger client base shared by the E&M engineering business, environmental management services, facility services and property management business. For example, customers which are main contractors in a construction project may need to engage facility services and property management services after construction has been completed; as the Enlarged Group will have experience and expertise in all of these areas, its tender submission may be considered more competitive than other services providers.
- The Enlarged Group would have staff members exceeding 13,000. The Directors believe that the Enlarged Group could optimize the deployment of manpower across various business segments to improve operation efficiency and cost control. In addition, the staff could have more opportunities for self-development. For example, the staff of the Enlarged Group would have the opportunity to apply his/her skills in other jobs which were not available to him/her before Completion. While our staff would potentially enjoy better work exposure and financial gains from the enlarged and more diversified business portfolio, the customer would also receive integrated one-stop value-added city services from the Enlarged Group as a services provider.

Enhance the Group's leading position in Hong Kong by adding another market leader in the city services sector

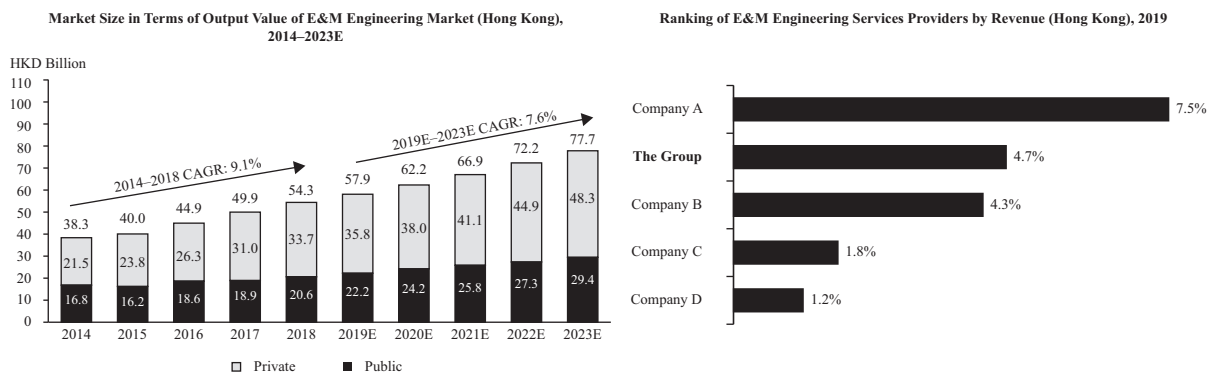
- The Target Group is one of the top players in the property management services market in Hong Kong, which would add value to the Group's overall diversified city services business by bringing various additional leading positions. According to Frost & Sullivan, the Target Group has achieved the following rankings:
 - No. 1 among all independent players^(note) and No. 2 among all players in the residential property management market in Hong Kong in terms of units under management as at 30 June 2019
 - No. 1 among all independent players^(note) and No. 2 among all players in the non-residential (excluding car park) property management market in Hong Kong in terms of area under management as at 30 June 2019
 - No. 1 among all independent players^(note) and No. 2 among all players in the car park property management market in Hong Kong in terms of units under management as at 30 June 2019

Note: Property management players excluding companies with direct shareholding by a property developer.

- The combination of the Group’s existing business operations and the Target Group’s business operations will allow the Enlarged Group to enhance its position as a leading diversified city services provider player in Hong Kong, covering E&M engineering services, environmental management services, facility services (including cleaning and laundry services) and property management services, with industry leading positions in respective areas. Below sets forth the industry development and ranking positions in relevant markets of the Group and the Target.
- Excluding property management companies with direct shareholding by a property developer, the Target Group is the largest and leading player in the property management services market in Hong Kong. Such independence from developers can endear the Group to those customers and developers without a property management arm.

E&M engineering market

The Group’s E&M engineering business is one of the No. 2 player in the Hong Kong market in terms of revenue with an estimated market share of approximately 4.7% for the year ended 30 June 2019 according to Frost & Sullivan. The Group has a long operating history and has been recognized as one of the reputable leaders in the industry. Frost & Sullivan also estimates that the market size will continue to grow at a CAGR of approximately 7.6% from 2019 to 2023, reaching HK\$77.7 billion in 2023. The E&M engineering market in Hong Kong is relatively fragmented with the top five players contributing to about 19.5% in terms of revenue for the year ended 30 June 2019.

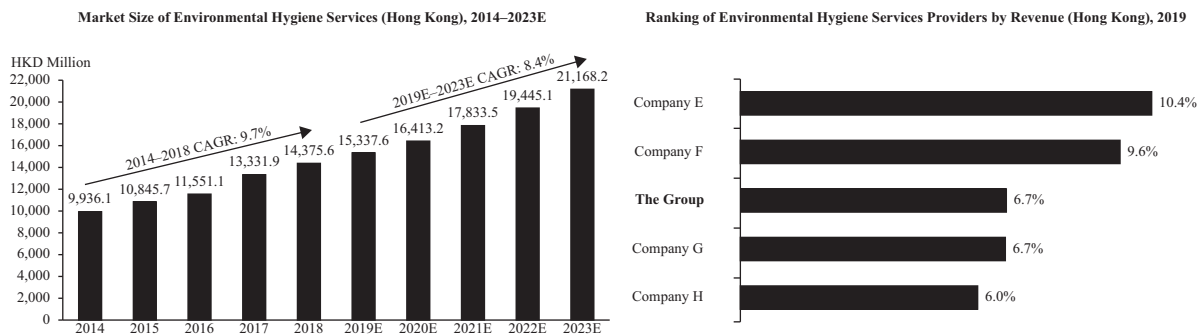


Note: For the year ended 30 June

Source: Frost & Sullivan

Environmental Hygiene Service Market and Laundry Service Market

The Group's cleaning service business is one of the No. 3 player in the Hong Kong market in terms of revenue with an estimated market share of approximately 6.7% for the year ended 30 June 2019 according to Frost & Sullivan. Frost & Sullivan also estimates that the market size will continue to grow at a CAGR of approximately 8.4% from 2019 to 2023, reaching HK\$21.2 billion in 2023. For the year ended 30 June 2019, the top five market players accounted for about 39.4% of the total market size which is relatively more consolidated.

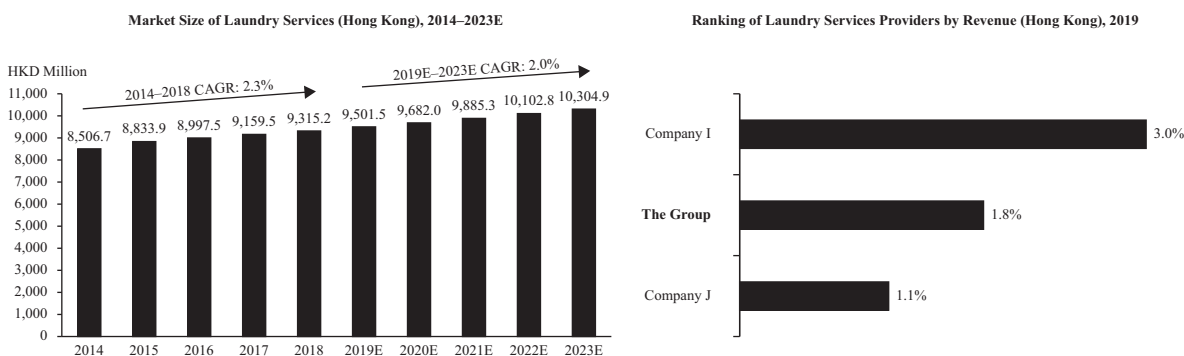


Notes:

1. For the year ended 30 June
2. Market size refers to revenue generated from general cleaning services excluding waste management and landscaping services.

Source: Frost & Sullivan

The laundry services market is highly fragmented with no dominant players in Hong Kong. The Group's laundry services business is the No. 2 player in Hong Kong market in terms of revenue with an estimated market share of approximately 1.8% for the year ended 30 June 2019 according to Frost & Sullivan. Frost & Sullivan also estimates that the market size will continue to grow stably at a CAGR of approximately 2.0% from 2019 to 2023, reaching HK\$10.6 billion in 2023.



Note: For the year ended 30 June

Source: Frost & Sullivan

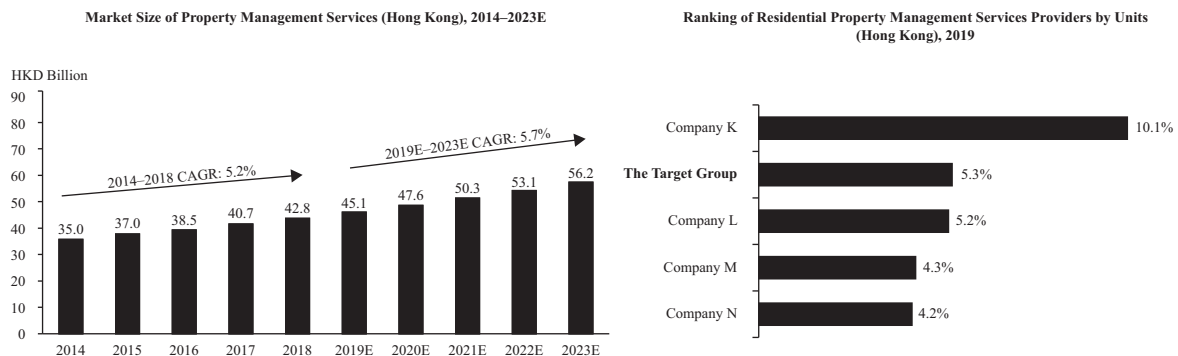
Property Management Services Market

According to Frost & Sullivan, the Target Group has achieved the following rankings in the Hong Kong property management services market:

- No. 1 among all independent players^(note) and No. 2 among all players in the residential property management services market in Hong Kong in terms of units under management with an estimated market share of approximately 5.3% for the year ended 30 June 2019
- No. 1 among all independent players^(note) and No. 2 among all players in the non-residential (excluding car park) property management services market in Hong Kong in terms of area under management with an estimated market share of approximately 7.2% for the year ended 30 June 2019
- No. 1 among all independent players^(note) and No. 2 among all players in the car park property management services market in Hong Kong in terms of units under management with an estimated market share of approximately 6.5% for the year ended 30 June 2019

Note: Property management players excluding companies with direct shareholding by a property developer.

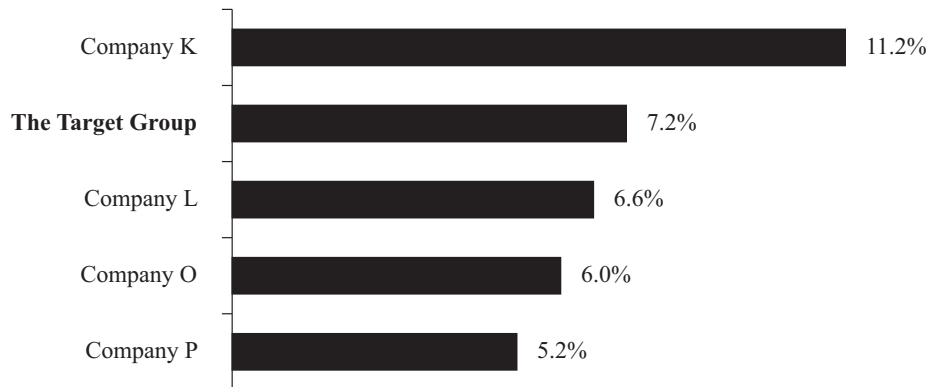
Frost & Sullivan also estimates that the market size of Hong Kong property management services will continue to grow at a CAGR of approximately 5.7% from 2019 to 2023, reaching HK\$56.2 billion in 2023.



Note: For the year ended 30 June

Source: Frost & Sullivan

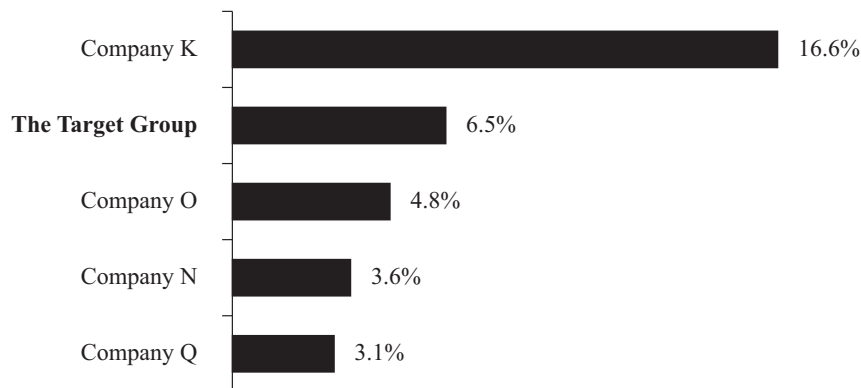
**Ranking of Non-residential Property (excluding car park)
Management Services Providers by Area
(Hong Kong), 2019**



Note: For the year ended 30 June

Source: Frost & Sullivan

**Ranking of Car Park Property Management Services Providers by Units
(Hong Kong), 2019**



Note: For the year ended 30 June

Source: Frost & Sullivan

It is a commercial decision of the Company and the outcome of arm's length negotiations between the Company, the Buyer Co and the Seller to enter into the Proposed Acquisition. Having conducted due diligence on the Target Group and considered the implications of the Proposed Acquisition on the Group (including the matters disclosed in this announcement), the Company is not aware of any material adverse factor brought by the Proposed Acquisition, which may affect the interests of the Company and the Shareholders.

The Directors (excluding the independent non-executive Directors (whose views will be given after taking into consideration the advice from the Independent Financial Adviser) and those who are considered to have a material interest in the Proposed Acquisition as set out in the paragraph headed “Approval by the Board”) consider the Proposed Acquisition (including the Consideration) on terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

PROPOSED RE-DESIGNATION OF AUTHORISED SHARE CAPITAL

As at the date of this announcement, the authorised share capital of the Company is HK\$100,000,000 divided into 1,000,000,000 Ordinary Shares.

In order to allot and issue the Convertible Preference Shares upon Completion, the Board proposes to re-designate the authorised share capital of the Company to HK\$100,000,000 divided into 900,000,000 Ordinary Shares of par value of HK\$0.10 each, and 100,000,000 Convertible Preference Shares of par value of HK\$0.10 each.

THE 2019 MASTER PROPERTY SERVICES AGREEMENTS

Members of the Target Group, in their ordinary course of business, regularly entered into continuing transactions in relation to:

- (1) the provision and receipt of the Services to and from members of each of the Doo’s Associates Group, the NWD Group and the NWS Group; and
- (2) the provision of the Property Management Services to members of each of the CTFE Group and the CTFJ Group.

It is expected that the above continuing transactions will continue after the completion of the Proposed Acquisition. As the Target Company will become an indirect wholly-owned subsidiary of the Company upon completion of the Proposed Acquisition, the continuing transactions entered into or to be entered into between the Urban Group or the Kiu Lok Group on one side, and the Doo’s Associates Group, the NWD Group, the NWS Group, the CTFE Group or the CTFJ Group on the other will become continuing connected transactions of the Company under the Listing Rules.

It is proposed that, upon Completion, written agreement(s) will be entered into by the Company and the relevant counterparties for the above continuing connected transactions in accordance with the requirements under the Listing Rules, details of which are set out below:

2019 FSE Master Property Services Agreement

The major terms of the 2019 FSE Master Property Services Agreement are set out below:

- Date : Upon completion of the Proposed Acquisition
- Parties : (1) the Seller; and
(2) the Company
- Duration : The 2019 FSE Master Property Services Agreement shall be for an initial term commencing on the Completion Date and ending on 30 June 2020 (both days inclusive)
- Subject to compliance with the applicable requirements of the Listing Rules at the relevant time, the 2019 FSE Master Property Services Agreement shall be automatically renewed for a successive period of three years (or such other period as required under the Listing Rules or by the Stock Exchange) upon expiration of its initial term or any subsequently renewed term
- Services to be provided by the Enlarged Group to the Doo's Associates Group : Property Management Services, and such other types of services as members of the Enlarged Group and members of the Doo's Associates Group may agree upon from time to time in writing
- Services to be provided by the Doo's Associates Group to the Enlarged Group : Rental and Other Services, and such other types of services as members of the Enlarged Group and members of the Doo's Associates Group may agree upon from time to time in writing. The premises to be leased by the Doo's Associates Group to the Enlarged Group include:
- (1) a unit in Hong Kong, having an aggregate floor area of approximately 2,437 square feet; and
 - (2) a unit in Kowloon, having an aggregate floor area of approximately 21,113 square feet,
- and such other premises as members of the Enlarged Group and members of the Doo's Associates Group may agree upon from time to time in writing

- Definitive Agreements : Members of the Enlarged Group and members of the Doo's Associates Group will, from time to time during the term of the 2019 FSE Master Property Services Agreement, enter into separate Definitive Agreements in respect of the Services Transactions contemplated thereunder which shall always be in compliance with the Listing Rules and the 2019 FSE Master Property Services Agreement
- Pricing : On normal commercial terms, negotiated on arm's length basis and at prices and on terms no less favourable to the Doo's Associates Group or the Enlarged Group (as the case may be) than terms available to or from independent third parties.

2019 NWD Master Property Services Agreement

The major terms of the 2019 NWD Master Property Services Agreement are set out below:

- Date : Upon completion of the Proposed Acquisition
- Parties : (1) NWD; and
(2) the Company
- Duration : The 2019 NWD Master Property Services Agreement shall be for an initial term commencing on the Completion Date and ending on 30 June 2020 (both days inclusive)
- Subject to compliance with the applicable requirements of the Listing Rules at the relevant time, the 2019 NWD Master Property Services Agreement shall be automatically renewed for a successive period of three years (or such other period as required under the Listing Rules or by the Stock Exchange) upon expiration of its initial term or any subsequently renewed term
- Services to be provided by the Enlarged Group to the NWD Group : Property Management Services, and such other types of services as members of the Enlarged Group and members of the NWD Group may agree upon from time to time in writing
- Services to be provided by the NWD Group to the Enlarged Group : Sundry Services, and such other types of services as members of the Enlarged Group and members of the NWD Group may agree upon from time to time in writing
- Definitive Agreements : Members of the Enlarged Group and members of the NWD Group will, from time to time during the term of the 2019 NWD Master Property Services Agreement, enter into separate Definitive Agreements in respect of the Services Transactions contemplated thereunder which shall always be in compliance with the Listing Rules and the 2019 NWD Master Property Services Agreement

Pricing : On normal commercial terms, negotiated on arm's length basis and at prices and on terms no less favourable to the NWD Group or the Enlarged Group (as the case may be) than terms available to and from independent third parties

2019 NWS Master Property Services Agreement

The major terms of the 2019 NWS Master Property Services Agreement are set out below:

Date : Upon completion of the Proposed Acquisition

Parties : (1) NWS; and
(2) the Company

Duration : The 2019 NWS Master Property Services Agreement shall be for an initial term commencing on the Completion Date and ending on 30 June 2020 (both days inclusive)

Subject to compliance with the applicable requirements of the Listing Rules at the relevant time, the 2019 NWS Master Property Services Agreement shall be automatically renewed for a successive period of three years (or such other period as required under the Listing Rules or by the Stock Exchange) upon expiration of its initial term or any subsequently renewed term

Services to be provided by the Enlarged Group to the NWS Group : Property Management Services (excluding provision of car parking), and such other types of services as members of the Enlarged Group and members of the NWS Group may agree upon from time to time in writing

Services to be provided by the NWS Group to the Enlarged Group : Car Parking Rental Services and such other services as members of the Enlarged Group and the members of the NWS Group may agree upon from time to time in writing

Definitive Agreements : Members of the Enlarged Group and members of the NWS Group will, from time to time during the term of the 2019 NWS Master Property Services Agreement, enter into separate Definitive Agreements in respect of the Services Transactions contemplated thereunder which shall always be in compliance with the Listing Rules and the 2019 NWS Master Property Services Agreement

Pricing : On normal commercial terms, negotiated on arm's length basis and at prices and on terms no less favourable to the NWS Group or the Enlarged Group (as the case may be) than terms available to or from independent third parties

2019 CTFE Master Property Services Agreement

The major terms of the 2019 CTFE Master Property Services Agreement are set out below:

- Date : Upon completion of the Proposed Acquisition
- Parties : (1) CTFE; and
(2) the Company
- Duration : The 2019 CTFE Master Property Services Agreement shall be for an initial term commencing on the Completion Date and ending on 30 June 2020 (both days inclusive)
- Subject to compliance with the applicable requirements of the Listing Rules at the relevant time, the 2019 CTFE Master Property Services Agreement shall be automatically renewed for a successive period of three years (or such other period as required under the Listing Rules or by the Stock Exchange) upon expiration of its initial term or any subsequently renewed term
- Services to be provided by the Enlarged Group to the CTFE Group : Property Management Services, and such other types of services as members of the Enlarged Group and members of the CTFE Group may agree upon from time to time in writing
- Definitive Agreements : Members of the Enlarged Group and members of the CTFE Group will, from time to time during the term of the 2019 CTFE Master Property Services Agreement, enter into separate Definitive Agreements in respect of the Services Transactions contemplated thereunder which shall always be in compliance with the Listing Rules and the 2019 CTFE Master Property Services Agreement
- Pricing : On normal commercial terms, negotiated on arm's length basis and at prices and on terms no less favourable to the CTFE Group or the Enlarged Group (as the case may be) than terms available to or from independent third parties

2019 CTFJ Master Property Services Agreement

The major terms of the 2019 CTFJ Master Property Services Agreement are set out below:

- Date : Upon completion of the Proposed Acquisition
- Parties : (1) CTFJ; and
(2) the Company
- Duration : The 2019 CTFJ Master Property Services Agreement shall be for an initial term commencing on the Completion Date and ending on 30 June 2020 (both days inclusive)
- Subject to compliance with the applicable requirements of the Listing Rules at the relevant time, the 2019 CTFJ Master Property Services Agreement shall be automatically renewed for a successive period of three years (or such other period as required under the Listing Rules or by the Stock Exchange) upon expiration of its initial term or any subsequently renewed term
- Services to be provided by the Enlarged Group to the CTFJ Group : Property Management Services, and such other types of services as members of the Enlarged Group and members of the CTFJ Group may agree upon from time to time in writing
- Definitive Agreements : Members of the Enlarged Group and members of the CTFJ Group will, from time to time during the term of the 2019 CTFJ Master Property Services Agreement, enter into separate Definitive Agreements in respect of the Services Transactions contemplated thereunder which shall always be in compliance with the Listing Rules and the 2019 CTFJ Master Property Services Agreement
- Pricing : On normal commercial terms, negotiated on arm's length basis and at prices and on terms no less favourable to the CTFJ Group or the Enlarged Group (as the case may be) than terms available to or from independent third parties

It is the intention of the Company that the services to be rendered and/or received under each of the 2019 Master Property Services Agreements will be services which are substantially the same with, or closely ancillary to, the initial scope of the Rental and Other Services, Sundry Services, Property Management Services and the Car Parking Rental Services (as the case may be) as described above.

In the event that the parties to the 2019 Master Property Services Agreements are willing to enter into transactions relating to other types of services which are substantially different from those stated in the 2019 Master Property Services Agreements, the Company intends to enter into separate contracts to govern those transactions, and comply with the relevant Listing Rules requirements.

QUALIFICATIONS OF ENGAGEMENT

The engagement to be made pursuant to each of the 2019 Master Property Services Agreements is subject to the following qualifications:

- (1) the engagement only applies to services required for businesses, projects and/or premises for which the relevant member(s) of the Enlarged Group or the counterparties to the 2019 Master Property Services Agreements (as the case may be) has (have) the right to select providers of the relevant Services;
- (2) the engagement is not contrary to the terms of contracts governing the relevant businesses, projects or premises or any applicable laws, regulations or administrative directives promulgated by competent authorities to which the businesses, projects and/or premises of the relevant members of the Enlarged Group or the counterparties to the 2019 Master Property Services Agreements (as the case may be) may relate; and
- (3) in the event that the provider of a particular Service is required to be selected through auction or tender or other similar process, the engagement shall only become effective as and when the relevant member(s) of the Enlarged Group or the counterparties to the 2019 Master Property Services Agreements (as the case may be) has (have) been selected by the relevant member(s) of the Enlarged Group or counterparties to the 2019 Master Property Services Agreements (as the case may be) as the service provider as a result of the relevant auction or tender or other similar process.

The engagement to be made pursuant to the 2019 CTFE Master Property Services Agreement and the 2019 CTFJ Master Property Services Agreement is also subject to the following qualifications apart from the above:

- (1) CTFE and CTFJ and each member of the CTFE Group and the CTFJ Group shall have the sole and absolute right and discretion to decide whether to engage any member of the Enlarged Group to provide the Property Management Services, and neither CTFE or CTFJ nor any member of the CTFE Group or the CTFJ Group shall be under any obligation or commitment to engage or procure the engagement of any member of the Enlarged Group to provide the Property Management Services; and
- (2) the Company shall have no claim or right whatsoever against CTFE or CTFJ and/or any member of the CTFE Group or the CTFJ Group in the event that any member(s) of the CTFE Group or the CTFJ Group does/do not engage any member(s) of the Enlarged Group to provide the Property Management Services.

PRICING POLICIES

General principle

As a general principle, the prices and terms of the Definitive Agreements with respect to the Services Transactions to be entered into pursuant to each of the 2019 Master Property Services Agreements shall be determined in the ordinary and usual course of business of the Enlarged Group and counterparties to the 2019 Master Property Services Agreements, on normal commercial terms and negotiated on arm's length basis. In addition, such prices and terms shall be: (1) no less favourable to the Enlarged Group than those paid to any other independent third party landlords of similar properties in similar locations (in respect of the Rental Services) and no less favourable to the Enlarged Group than those paid to any other independent third party service providers of security and guarding, landscaping, project management and other related services (in respect of the Other Services) or other independent third party service providers of appointment, coordination, consultancy and other related services (in respect of the Sundry Services) or other independent third party landlords of similar carparks in similar locations (in request of Car Parking Rental Services); (2) no less favourable to the Enlarged Group than those charged to independent third party customers of the Enlarged Group (in respect of the Property Management Services); (3) no less favourable to the counterparties to the 2019 Master Property Services Agreements than those charged by and paid to their respective independent third party suppliers (in respect of the Property Management Services). Should the 2019 Master Property Services Agreements be renewed, the Company will comply with the requirements under Chapter 14A of the Listing Rules.

Pricing policy and procedures

Subject to the general principle above, the pricing policy and procedures adopted and applied by the Enlarged Group in setting the contract prices and terms of the Services Transactions with counterparties to the 2019 Master Property Services Agreements (as the case may be) are as follows:

- (1) as regards the Rental Services to be provided by members of the Doo's Associates Group to members of the Enlarged Group, the rental payable by the Enlarged Group will be determined by reference to the market rental of the property concerned current at or close to the lease commencement date by reference to rentals comparables of similar properties in similar locations and where applicable, with comparable facilities, obtained from independent property agencies or parties and as regards the security and guarding, landscaping, project management and other related services of the Other Services to be provided by members of the Doo's Associates Group to members of the Enlarged Group, the fees payable by the Enlarged Group will be determined by reference to the market prices provided to the Enlarged Group by other independent suppliers, taking into account factors including the nature and type of services to be rendered;

- (2) as regards the Sundry Services to be provided by members of the NWD Group to members of the Enlarged Group, the fees payable by the Enlarged Group will be determined by reference to the market prices provided to the Enlarged Group by other independent suppliers, taking into account factors including the nature and type of services to be rendered;
- (3) as regards the Car Parking Rental Services to be provided by members of the NWS Group to members of the Enlarged Group, the rental payable by the Enlarged Group will be determined by reference to the market rental of the carpark concerned current at or close to the lease commencement date by reference to rentals comparables of similar carparks in similar locations and where applicable, with comparable facilities, obtained from independent property agencies or parties; and
- (4) as regards the Property Management Services to be provided by members of the Enlarged Group to members of counterparties to the 2019 Master Property Services Agreements, the fees payable by the counterparties to the 2019 Master Property Services Agreements will be determined by reference to comparables of fee quotations provided by the Enlarged Group to other independent customers, taking into account factors including the nature and type of services to be rendered.

Payment Terms

The parties to each of the 2019 Master Property Services Agreements have not agreed on an overall payment mechanism (such as the manner and time of payment). The fees payable by and/or to the Enlarged Group for the Rental and Other Services, Car Parking Rental Services, Sundry Services and/or Property Management Services (as the case may be) under the 2019 Master Property Services Agreements will be made in accordance with the respective terms of each Definitive Agreement to be entered into between relevant parties in respect of the Services Transactions.

Based on the practice of previous transactions between the group members of the relevant parties to the 2019 Master Property Services Agreements, the payment terms for each type of Services are summarised as below, and the Company anticipates that the future transactions to be carried out pursuant to the 2019 Master Property Services Agreements will not significantly deviate from such past practice:

- (1) as regards the Rental and Other Services, payment was usually made on a monthly basis in advance by the relevant members of the Target Group to the relevant members of the Doo's Associates Group at the beginning of each month;
- (2) as regards the Sundry Services, payment was usually made by the relevant members of the Target Group to the relevant members of the NWD Group upon receipt of invoice which was usually issued monthly;
- (3) as regards the Car Parking Rental Services, payment was usually made on a monthly basis in advance by the relevant members of the NWS Group to the relevant members of the Target Group at the beginning of each month;

- (4) as regards the Property Management Services, the relevant members of the Target Group usually issue invoice by the end of each month and require payment to be made in arrears by the relevant members of the counterparties to the 2019 Master Property Services Agreements.

Property Management Services

General property management services involve the administration, control, operation and oversight services of property by the owner or typically by another party, in order to preserve the value of the property and therefore to offer better environment for residents or users.

Main types of property management services include (i) property, facilities and venue management, (ii) car park management, and (iii) repair and maintenance services.

Management services cover the operation and other supporting services to owners, tenants and users of facilities, such as periodic meeting with different parties, complaint handling, etc. In addition, administration services may also be provided to some special types of venues like club houses, car parks, etc.

Car park management refers to the daily operations of car parks in various properties.

Repair and maintenance services cover various systems and facilities of the building, which include fire services systems, drainage systems, electrical systems, lift and escalators, etc.

Rental and Other Services

Rental services involve rental of floor spaces for office premises, warehouse, car parking spaces and other business uses.

Other services to be received by the Enlarged Group include security and guarding, landscaping, project management and other related services.

Sundry Services

Sundry Services to be received by the Enlarged Group include appointment, coordination, consultancy and other related services.

Car Parking Rental Services

Car Parking Rental Services to be received by the Enlarged Group include car parking rental services and other related services.

HISTORICAL AGGREGATE TRANSACTION AMOUNTS

Historical transaction amounts in respect of the Services Transactions for the FY2017, FY2018 and FY2019 respectively are set out below:

Categories	Transaction amounts		
	FY2017 (HK\$'000)	FY2018 (HK\$'000)	FY2019 (HK\$'000)
Services between the Target Group and the Doo's Associates Group			
Property Management Services provided by the Target Group to the Doo's Associates Group	835	842	1,128
Rental and Other Services provided by the Doo's Associates Group to the Target Group	16,660	17,917	20,316
Services between the Target Group and the NWD Group			
Property Management Services provided by the Target Group to the NWD Group	15,010	15,845	16,908
Sundry Services provided by the NWD Group to the Target Group	2,344	2,330	2,396
Services between the Target Group and the NWS Group			
Property Management Services provided by the Target Group to the NWS Group	1,597	1,530	1,539
Car Parking Rental Services provided by the NWS Group to the Target Group	47	47	79
Services between the Target Group and the CTFE Group			
Property Management Services provided by the Target Group to the CTFE Group	—	37	84
Services between the Target Group and the CTFJ Group			
Property Management Services provided by the Target Group to the CTFJ Group	1,778	1,614	1,652

ANNUAL CAPS

The expected Annual Caps in respect of the Services Transactions contemplated under each of the 2019 Master Property Services Agreements for the period commencing from the date of completion of the Proposed Acquisition and ending on 30 June 2020 is as follows:

Categories	Annual Caps 2020* <i>(HK\$'000)</i>
2019 FSE Master Property Services Agreement	
Property Management Services to be provided by the Enlarged Group to the Doo's Associates Group	2,033
Rental and Other Services to be provided by the Doo's Associates Group to the Enlarged Group	6,459
2019 NWD Master Property Services Agreement	
Property Management Services to be provided by the Enlarged Group to the NWD Group	14,586
Sundry Services to be provided by the NWD Group to the Enlarged Group	1,713
2019 NWS Master Property Services Agreement	
Property Management Services to be provided by the Enlarged Group to the NWS Group	1,245
Car Parking Rental Services to be provided by the NWS Group to the Target Group	95
2019 CTFE Master Property Services Agreement	
Property Management Services to be provided by the Enlarged Group to the CTFE Group	741
2019 CTFJ Master Property Services Agreement	
Property Management Services to be provided by the Enlarged Group to the CTFJ Group	1,126

**Note:* The proposed Annual Caps for the period commencing from the date of completion of the Proposed Acquisition and ending on 30 June 2020 is estimated on the assumption that completion of the Proposed Acquisition will take place on 6 December 2019.

Bases of determination of the Annual Caps

The Annual Caps in respect of the Services Transactions contemplated under each of the 2019 Master Property Services Agreements are determined with reference to:

- (1) in relation to the Rental Services to be provided by the Doo's Associates Group to the Enlarged Group:
 - a. the expected rentals as may be paid by the Enlarged Group under each of the 2019 Master Property Services Agreements taking into account the current rentals and expected market rentals of similar properties in similar locations with reference to the opinion of an independent property valuer; and
 - b. the Enlarged Group's demand in floor spaces for office premises, warehouse, car parking spaces and other business uses of the Enlarged Group to cope with the Enlarged Group's business growth.
- (2) in relation to the Other Services to be provided by the Doo's Associates Group to the Enlarged Group:
 - a. the historical annual or annualised amounts in respect of the Other Services provided by the Doo's Associates Group to the Target Group during the FY2017, FY2018 and FY2019;
 - b. the projected annual or annualised amount in respect of the Other Services to be provided by the Doo's Associates Group to the Enlarged Group in the period ending 30 June 2020, having taken into account the following major factors:
 - i. the business growth and need of the Enlarged Group; and
 - ii. the estimated market prices of such services by reference to the current market prices after factoring into the expected increase in services costs as well as inflation.
 - c. the Enlarged Group's demand in security and guarding, landscaping, project management and other related services to meet the Enlarged Group's clients' need.
- (3) in relation to the Sundry Services to be provided by the NWD Group to the Enlarged Group:
 - a. the historical annual or annualised amounts in respect of the Sundry Services provided by the NWD Group to the Target Group during the FY2017, FY2018 and FY2019; and
 - b. the projected annual or annualised amount in respect of the Sundry Services to be provided by the NWD Group to the Enlarged Group in the period ending 30 June 2020, having taken into account the following major factors:
 - i. the business growth and need of the Enlarged Group; and

- ii. the estimated market prices of such services by reference to the current market prices after factoring into the expected increase in services costs as well as inflation.
- (4) in relation to the Car Parking Rental Services to be provided by the NWS Group to the Enlarged Group:
 - a. the historical annual or annualised amounts in respect of the Car Parking Rental Services provided by the NWS Group to the Target Group during the FY2017, FY2018 and FY2019; and
 - b. the projected annual or annualised amount in respect of the Car Parking Rental Services to be provided by the NWS Group to the Enlarged Group in the period ending 30 June 2020, having taken into account the following major factors:
 - i. the business growth and need of the Enlarged Group; and
 - ii. the estimated market prices of such services by reference to the current market prices after factoring into the expected increase in services costs as well as inflation.
- (5) in relation to the Property Management Services to be provided by the Enlarged Group to the counterparties to the 2019 Master Property Services Agreements:
 - a. the historical annual or annualised amounts in respect of the Property Management Services provided by the Target Group to the counterparties of the 2019 Master Property Services Agreements during the FY2017, FY2018 and FY2019; and
 - b. the projected annual or annualised amount in respect of the Property Management Services to be provided by the Enlarged Group to the counterparties of the 2019 Master Property Services Agreements in the period ending 30 June 2020, having taken into account the following major factors:
 - i. the business growth and need of the Enlarged Group; and
 - ii. the estimated market prices of such services by reference to the current market prices after factoring into the expected increase in services costs as well as inflation.

More specifically, the increment in each Annual Cap is determined based on the following considerations:

2019 FSE Master Property Services Agreement

Property Management Services provided by the Enlarged Group to Doo's Associates Group

Regarding the Annual Cap for FY2020 (a period of approximately seven months from 6 December 2019 to 30 June 2020), the increase in Annual Cap is mainly due to a new non-residential Property Management Services contract in Central which is expected to commence near the end of first half of FY2020 and during the second half of FY2020.

Rental and Other Services provided by Doo's Associates Group to the Enlarged Group

Regarding the Annual Cap for FY2020, the proposed Annual Cap of HK\$6.5 million is estimated for a period of approximately seven months from 6 December 2019 to 30 June 2020, the decrease is mainly due to the management fee charged by the Seller to the Target Group for FY2019 in consideration of certain management services provided by the senior management team expired without renewal.

2019 NWD Master Property Services Agreement

Property Management Services provided by the Enlarged Group to NWD Group

Regarding the Annual Cap for FY2020 (a period of approximately seven months from 6 December 2019 to 30 June 2020), the increase in Annual Cap is mainly due to the expected growth in fees for existing contracts which growth rates are based on the respective historical growth rates from FY2018 to FY2019 and increase in minimum wage in May 2019; and a new residential Property Management Services contract in Yuen Long which is expected to commence during the second half of FY2020.

Sundry Services provided by NWD Group to the Enlarged Group

Regarding the Annual Cap for FY2020 (a period of approximately seven months from 6 December 2019 to 30 June 2020), the increase in Annual Cap is mainly due to the expected growth in fees for existing contracts which growth rates are based on the respective historical growth rates from FY2018 to FY2019.

2019 NWS Master Property Services Agreement

Property Management Services provided by the Enlarged Group to NWS Group

Regarding the Annual Cap for FY2020 (a period of approximately seven months from 6 December 2019 to 30 June 2020), the increase in Annual Cap is mainly due to the expected growth in fees for existing contracts which growth rates are based on the respective historical growth rates from FY2018 to FY2019 and increase in minimum wages in May 2019; and increase in ad-hoc jobs from existing non-residential contracts during the second half of FY2020.

Car Parking Rental Services provided by the NWS Group to the Enlarged Group

Regarding the Annual Cap for FY2020 (a period of approximately seven months from 6 December 2019 to June 2020), the increase in Annual Cap is mainly due to a new car parking rental agreement which is expected to commence near the end of the first half of FY2020 and during the second half of FY2020.

2019 CTFE Master Property Services Agreement

Property Management Services provided by the Enlarged Group to CTFE Group

Regarding the Annual Cap for FY2020 (a period of approximately seven months from 6 December 2019 to 30 June 2020), the increase in Annual Cap is mainly due to a new Property Management Services contract which is expected to commence during the second half of FY2020.

2019 CTFJ Master Property Services Agreement

Property Management Services provided by the Enlarged Group to CTFJ Group

Regarding the Annual Cap for FY2020 (a period of approximately seven months from 6 December 2019 to 30 June 2020), the increase in Annual Cap is mainly due to the expected growth in fees for existing contracts which growth rates are based on the respective historical growth rates from FY2018 to FY2019 and increase in minimum wages in May 2019.

Shareholders and potential investors should note that the Annual Caps should not be construed as an assurance or forecast by the Company of the future revenues of the Enlarged Group.

REASONS FOR AND THE BENEFITS OF ENTERING INTO THE 2019 MASTER PROPERTY SERVICES AGREEMENTS

The Services Transactions contemplated under each of the 2019 Master Property Services Agreements are of a recurrent nature and, subject to Completion having taken place, will occur on a regular and continuing basis in the ordinary and usual course of business of the Enlarged Group and the counterparties to each of the 2019 Master Property Services Agreements.

In line with the market practice and the Company's past practice, the Company considered it necessary for Listing Rules compliance purposes and administrative convenience to enter into a framework agreement with each of the holding companies of the relevant contract counterparties in order to better document and manage these continuing connected transactions. The 2019 Master Property Services Agreements serve to streamline the Services Transactions between members of the Enlarged Group and members of the Doo's Associates Group, the NWD Group, the NWS Group, the CTFE Group and the CTFJ Group by providing a single basis upon which the Company could comply with the applicable reporting, announcement and (where applicable) Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules and thereby reducing the administrative burden and costs of the Company in complying with these requirements.

Members of the Doo's Associates Group, the NWD Group, the NWS Group, the CTFE Group and the CTFJ Group are with profound experience and reputation in their respective areas of businesses or services and solid financial standing and have demonstrated themselves as reliable services providers or customers of the Urban Group and the Kiu Lok Group over the years. The Directors believe that the maintenance of the strategic business

relationships with them will not only allow the realisation of synergies and economies of scale but will also continue to bring sustainable contribution to the Enlarged Group's growth in the long run.

The Directors (excluding those who are considered to have a material interest in the Proposed Acquisition as set out in the paragraph headed "Approval by the Board") are of the views that the terms of each of the 2019 Master Property Services Agreements, the Services Transactions contemplated thereunder and the proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Group

The Company is an investment holding company and the holding company of the Group. The principal businesses of the Group are the provision of electrical and mechanical engineering services, environmental management services, and facility services (including cleaning and laundry services).

Doo's Associates Group

To the best knowledge of the Directors, the principal businesses of the Doo's Associates Group are property investment, the provision of property leasing, landscaping, property and facility management, project management, insurance consultancy and brokerage, and security and guarding services.

NWD Group

NWD is a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 17). As at the date of this announcement and based on publicly available information, CTFE and its subsidiaries were interested in approximately 44.46% of the total issued share capital of NWD.

To the best knowledge of the Directors, the principal businesses of NWD and its subsidiaries include property development and investment in the area of property, infrastructure, hotel operation, department store operation, commercial aircraft leasing, services and technology.

NWS Group

NWS is a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 659). As at the date of this announcement and based on publicly available information, NWD and its subsidiaries were interested in approximately 60.99% of the total issued share capital of NWS and CTFE was interested in approximately 2.49% of the total issued share capital of NWS.

To the best knowledge of the Directors, the principal businesses of the NWS Group include: (i) the development of investment in and/or operation of roads, commercial aircraft leasing and construction; and (ii) the investment in and/or operation of environmental and logistics projects, facilities and transport.

CTFE Group

CTFE is a company incorporated in Hong Kong with limited liability. As at the date of this announcement and based on publicly available information, Chow Tai Fook Capital Limited had 81.03% control in Chow Tai Fook (Holding) Limited which in turn holds 100% direct interest in CTFE.

To the best knowledge of the Directors, CTFE is principally engaged in investment holding.

CTFJ Group

CTFJ is 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 (stock code: 1929). As at the date of this announcement and based on publicly available information, Chow Tai Fook (Holding) Limited was interested in approximately 89.3% of the total issued share capital of CTFJ.

To the best knowledge of the Directors, the principal businesses of CTFJ and its subsidiaries include manufacturing and selling of mass luxury, high-end luxury jewellery and youth line jewellery products, including gem-set products, gold products and platinum/karat gold products, and provision of related services; and distributing watches of various brands.

INTERNAL CONTROL MEASURES

The Group has established internal control measures for reporting and monitoring on continuing connected transactions which will be complied by the Enlarged Group upon Completion to ensure the compliance with Chapter 14A of the Listing Rules.

According to the Group's prevailing internal accounting policy and procedure manual, the designated officer of operation department and supporting department, will immediately report to the legal and company secretarial manager and senior finance manager with details of the possible notifiable or connected transactions to be entered by the Group for review and checking in order to determine the appropriate type of disclosure in compliance with Chapter 14A of the Listing Rules. For a transaction that falls within the scope of continuing connected transactions in the ordinary and usual course of business of the Group, the legal and company secretarial manager will check with the actual monthly continuing connected transaction and ensure the transaction amounts of the potential connected transactions should not exceed the annual caps of the continued connected transaction.

Meanwhile, the internal audit department of the Group will carry out annual assessment of the continuing connected transactions conducted by the Group for each financial year and report to the board of Directors. One of the assessment objectives was to ensure that the continuing connected transactions were carried out at arm's length and the terms are comparable to those projects of independent third parties.

Furthermore, pursuant to Chapter 14A of the Listing Rules:

- (1) the independent non-executive Directors of the Company shall, on an annual basis, review the transactions contemplated under the 2019 Master Property Services Agreements and confirm, among other matters, such transactions have been entered into according to the agreement governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole; and
- (2) the external auditors of the Group shall, on an annual basis, report on the transactions contemplated under the 2019 Master Property Services Agreements and confirm, among other matters, whether anything has come to their attention that causes them to believe such transactions were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions.

LISTING RULES IMPLICATIONS

The Proposed Acquisition

FSE Holdings, which holds 75% of the Ordinary Shares in issue in the Company as at the date of this announcement, is a substantial shareholder of the Company under the Listing Rules. The Seller, being a wholly-owned subsidiary of FSE Holdings, is an associate of FSE Holdings, and therefore a connected person of the Company. The Proposed Acquisition thus constitutes a connected transaction for the Company. As all of the applicable Percentage Ratios for the Proposed Acquisition exceed 5%, the Proposed Acquisition is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Further, as some of the applicable Percentage Ratios in respect of the Proposed Acquisition are 25% or more but all of those ratios are below 100%, the Proposed Acquisition also constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The 2019 Master Property Services Agreements

Upon Completion, each Target Entity (other than the Joint Venture Target Entities, International Property Management Limited and Turning Technical Services Limited) will become an indirect wholly-owned subsidiary of the Company.

Mr. Doo is a connected person of the Company. Each of the members of the Doo's Associates Group is an associate of Mr. Doo and hence a connected person of the Company.

As such, the continuing transactions entered into between the Urban Group or the Kiu Lok Group on one side, and the Doo's Associates Group on the other will become continuing connected transactions of the Company.

Dr. Cheng is a connected person of the Company. Dr. Cheng is also the brother-in-law of Mr. Doo, the uncle of Mr. Doo William Junior Guilherme (an executive Director) and is also the cousin of the spouse of Mr. Poon Lock Kee, Rocky (an executive Director and Chief Executive Officer). Dr. Cheng is a member of the Cheng family which holds or controls

each of the NWD Group, the NWS Group, the CTFE Group and the CTFJ Group. As such, members of each of the NWD Group, the NWS Group, the CTFE Group and the CTFJ Group are therefore treated as connected persons of the Company.

Upon Completion, the continuing transactions entered into between the Urban Group or the Kiu Lok Group on one side, and the NWD Group, the NWS Group, the CTFE Group or the CTFJ Group on the other will also become continuing connected transactions of the Company.

As the highest of the applicable Percentage Ratios in respect of the Annual Cap of each of the 2019 FSE Master Property Services Agreement and the 2019 NWD Master Property Services Agreement exceeds 0.1% but is below 5%, the transactions contemplated under these agreements and the Annual Caps for the same are subject to the reporting, annual review and announcement requirements and exempt from the circular (including independent financial advice) and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the highest of the applicable Percentage Ratios in respect of the Annual Cap of each of the 2019 NWS Master Property Services Agreement, the 2019 CTFE Master Property Services Agreement and the 2019 CTFJ Master Property Services Agreement is below 0.1%, the transactions thereunder and the Annual Caps for the same are exempt from the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Voting at EGM

At the EGM, any Shareholders with a material interest in the Proposed Acquisition and the Specific Mandate are required to abstain from voting on the resolution approving the same at the EGM. As such, each of FSE Holdings and their respective associates is required to abstain from voting on the resolutions approving the same at the EGM. As at the date of this announcement, among these persons who are required to abstain from voting at the EGM, FSE Holdings holds 75% of the Ordinary Shares in issue in the Company. FSE Holdings will therefore abstain from voting at the EGM.

To the best of knowledge, information and belief of the Directors, having made all reasonable enquiries, apart from FSE Holdings, no other Shareholders are materially interested in the Proposed Acquisition who are required to abstain from voting on the resolutions to be proposed for approving the same at the EGM as aforesaid.

Approval by the Board

Each of the Directors whose names are set out opposite to the Proposed Acquisition and each of the 2019 Master Property Services Agreements in the table below is or may be regarded as having a material interest or potential conflict of interest in the corresponding Proposed Acquisition or the relevant 2019 Master Property Services Agreement and the transactions thereunder.

Proposed Acquisition or Services Transactions contemplated under:	Director who is regarded as having a material interest or potential conflict of interest in the Proposed Acquisition or the relevant 2019 Master Property Services Agreement	Basis upon which the Director is regarded as having a material interest or potential conflict of interest
Proposed Acquisition	Dr. Cheng	<ul style="list-style-type: none"> ● He has interest in some members of the Doo's Associates Group
	Mr. Doo William Junior Guilherme	<ul style="list-style-type: none"> ● He has interest in some members of the Doo's Associates Group ● He is a director of some members of the Doo's Associates Group
	Mr. Lam Wai Hon, Patrick	<ul style="list-style-type: none"> ● He has interest in some members of the Doo's Associates Group ● He is a director of some members of the Doo's Associates Group
	Mr. Wong Kwok Kin, Andrew	<ul style="list-style-type: none"> ● He has interest in some members of the Doo's Associates Group ● He is a director of FSE Holdings
	Mr. Lee Kwok Bong	<ul style="list-style-type: none"> ● He has interest in some members of the Doo's Associates Group ● He is a director of some members of the Doo's Associates Group
2019 FSE Master Property Services Agreement	Dr. Cheng	<ul style="list-style-type: none"> ● He has interest in some members of the Doo's Associates Group
	Mr. Doo William Junior Guilherme	<ul style="list-style-type: none"> ● He has interest in some members of the Doo's Associates Group ● He is a director of some members of the Doo's Associates Group
	Mr. Lam Wai Hon, Patrick	<ul style="list-style-type: none"> ● He has interest in some members of the Doo's Associates Group ● He is a director of some members of the Doo's Associates Group

Proposed Acquisition or Services Transactions contemplated under:	Director who is regarded as having a material interest or potential conflict of interest in the Proposed Acquisition or the relevant 2019 Master Property Services Agreement	Basis upon which the Director is regarded as having a material interest or potential conflict of interest
	Mr. Wong Kwok Kin, Andrew	<ul style="list-style-type: none"> ● He has interest in some members of the Doo's Associates Group ● He is a director of FSE Holdings
	Mr. Lee Kwok Bong	<ul style="list-style-type: none"> ● He has interest in some members of the Doo's Associates Group ● He is a director of some members of the Doo's Associates Group
2019 NWD Master Property Services Agreement	Dr. Cheng	<ul style="list-style-type: none"> ● He is a director of NWD ● He is a member of the Cheng family which holds or controls each of the NWD Group, the NWS Group, the CTFE Group and the CTFJ Group
2019 NWS Master Property Services Agreement	Dr. Cheng	<ul style="list-style-type: none"> ● He is a director of NWS ● He is a member of the Cheng family which holds or controls each of the NWD Group, the NWS Group, the CTFE Group and the CTFJ Group
	Mr. Doo William Junior Guilherme	<ul style="list-style-type: none"> ● He is a non-executive director of NWS
	Mr. Lam Wai Hon, Patrick	<ul style="list-style-type: none"> ● He is a non-executive director of NWS
	Mr. Kwong Che Keung, Gordon	<ul style="list-style-type: none"> ● He is an independent non-executive director of NWS
2019 CTFE Master Property Services Agreement	Dr. Cheng	<ul style="list-style-type: none"> ● He is a director of CTFE ● He is a member of the Cheng family which holds or controls each of the NWD Group, the NWS Group, the CTFE Group and the CTFJ Group
2019 CTFJ Master Property Services Agreement	Dr. Cheng	<ul style="list-style-type: none"> ● He is a director of CTFJ ● He is a member of the Cheng family which holds or controls each of the NWD Group, the NWS Group, the CTFE Group and the CTFJ Group
	Mr. Kwong Che Keung, Gordon	<ul style="list-style-type: none"> ● He is an independent non-executive director of CTFJ

Each of the directors named above who was present at the Board meeting approving the Proposed Acquisition and the 2019 Master Property Services Agreements had abstained from voting on the resolutions approving the Proposed Acquisition, the 2019 Master Property Services Agreements, the Services Transactions contemplated under these agreements and the Annual Caps for the same in respect of which he is regarded as having a material interest (or as the case may be, a potential conflict of interest) as indicated in the table above. For good corporate governance, Mr. Doo William Junior Guilherme had voluntarily abstained from voting at the Board meeting on other resolutions abovementioned, though he does not have (nor his associate has) a material interest in the relevant transactions.

Independent Board Committee and Independent Financial Adviser

The Independent Board Committee has been established to consider, among other matters, the terms of the Proposed Acquisition and the Specific Mandate, and to advise and provide recommendation to the Independent Shareholders as to whether the same are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Ballas Capital Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on, among other matters, the fairness and reasonableness of the Proposed Acquisition.

EGM

The EGM will be convened and held for:

- (1) the Independent Shareholders to consider and, if thought fit, approve the Proposed Acquisition, and the grant of the Specific Mandate; and
- (2) the Shareholders to consider and, if thought fit, approve the proposed re-designation of the authorised share capital of the Company.

A circular containing, among other things:

- (1) further details of the EGM Matters;
- (2) the recommendation from the Independent Board Committee on the EGM Matters (other than the proposed re-designation of the authorised share capital of the Company);
- (3) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the EGM Matters (other than the proposed re-designation of the authorised share capital of the Company);
- (4) financial information of the Group and the Target Group;
- (5) unaudited pro forma financial information of the Enlarged Group; and
- (6) other information as is required to be contained in the circular under the Listing Rules together with a notice of the EGM and a form of proxy,

is expected to be despatched to the Shareholders on or before 8 November 2019.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlement of the Shareholders to attend and vote at the EGM (or at any adjournment thereof), the Company's branch register of members will be closed from 3 December 2019 to 6 December 2019 (both days inclusive) during which period no transfer of Ordinary Shares will be effected. In order to be eligible to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on 2 December 2019.

Completion of the Proposed Acquisition, the re-designation of authorised share capital of the Company and the entering into of the 2019 Master Property Services Agreements are subject to the fulfilment (or, as the case may be, waiver) of certain conditions precedent. As the Proposed Acquisition, the proposed re-designation of authorised share capital of the Company and the 2019 Master Property Services Agreements may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

Unless the context otherwise requires, the following terms have the following meanings when used in this announcement:

- “2019 Master Property Services Agreements” the following proposed new master services agreements collectively:
- (1) the agreement to be entered into between the Company and the Seller in relation to (a) the provision of Rental and Other Services by the Doo's Associates Group to the Enlarged Group; and (b) the provision of the Property Management Services by the Enlarged Group to the Doo's Associates Group (“**2019 FSE Master Property Services Agreement**”);
 - (2) the agreement to be entered into between the Company and NWD in relation to (a) the provision of the Property Management Services by the Enlarged Group to the NWD Group; and (b) the provision of the Sundry Services by the NWD Group to the Enlarged Group (“**2019 NWD Master Property Services Agreement**”);
 - (3) the agreement to be entered into between the Company and NWS in relation to (a) the provision of the Property Management Services (excluding provision of car parking) by the Enlarged Group to the NWS Group; and (b) the provision of the Car Parking Rental Services by the NWS Group to the Enlarged Group (“**2019 NWS Master Property Services Agreement**”);

- (4) the agreement to be entered into between the Company and CTFE in relation to the provision of the Property Management Services by the Enlarged Group to the CTFE Group (“**2019 CTFE Master Property Services Agreement**”); and
- (5) the agreement to be entered into between the Company and CTFJ in relation to the provision of the Property Management Services by the Enlarged Group to the CTFJ Group (“**2019 CTFJ Master Property Services Agreement**”)

“30%-controlled company”	has the meaning ascribed to it under the Listing Rules
“Annual Cap(s)”	the estimated maximum aggregate annual amounts in respect of the Services Transactions contemplated under each of the 2019 Master Property Services Agreements for the period commencing from the date of Completion of the Proposed Acquisition and ending on 30 June 2020 (as applicable) as stated in the section headed “Annual Caps” in this announcement
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the Board of Directors
“Business Days”	any day (other than a Saturday or Sunday or public holiday) on which banks in Hong Kong are open for the transaction of normal business
“Business Valuation”	a business valuation of the Target Group performed by an independent professional valuer, Vigers Appraisal & Consulting Limited, as at 30 June 2019, amounting to HK\$742 million
“Buyer Co”	FSE Property Management Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“CAGR”	compound annual growth rate
“Company”	FSE Services Group Limited (豐盛服務集團有限公司), 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 (stock code: 331)
“Completion”	the completion of the Proposed Acquisition in accordance with the Sale and Purchase Agreement

“Completion Date”	the date which is 10 Business Days, or such other date as the Company and the Seller may agree, after the date (not being later than the Longstop Date) on which the last of the Conditions to be satisfied or waived is satisfied or waived (as applicable)
“Conditions”	the conditions for Completion set forth in the paragraph headed “Conditions precedent to Completion” of this announcement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the sale and purchase of the Sale Share, the initial sum of which being HK\$704,900,000, comprising (i) a cash consideration of HK\$564,000,000 payable in cash (subject to adjustment under the Share and Purchase Agreement); and (ii) a non-cash consideration of HK\$140,900,000 settled through the issue of Convertible Preference Shares by the Company
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Conversion Shares”	43,676,379 new Ordinary Shares to be allotted and issued to the holder(s) of the Convertible Preference Shares upon conversion of the Convertible Preference Shares
“Convertible Preference Shares”	the new non-voting non-redeemable convertible preference shares of HK\$0.10 each to be created as a new class of shares in the share capital of the Company upon Completion and to be issued and allotted by the Company credited as fully paid in settlement of part of the Consideration
“CTFE”	Chow Tai Fook Enterprises Limited (周大福企業有限公司), a company incorporated in Hong Kong with limited liability
“CTFE Group”	CTFE and its subsidiaries from time to time
“CTFJ”	Chow Tai Fook Jewellery Group Limited (周大福珠寶集團有限公司), 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 (stock code: 1929)
“CTFJ Group”	CTFJ and its subsidiaries from time to time
“Definitive Agreements”	with respect to any 2019 Master Property Services Agreement, the individual definitive agreements in respect of the Services Transactions contemplated under each of the 2019 Master Property Services Agreements which may from time to time be entered into in pursuance thereto

“Directors”	the directors of the Company
“Doo’s Associates Group”	Mr. Doo and companies, other than members of the Enlarged Group, which are the 30%-controlled companies of Mr. Doo, his “immediate family members” and/or “family members” (as defined in the Listing Rules), individually or together, and the subsidiaries of such companies
“Dr. Cheng”	Dr. Cheng Kar Shun, Henry, the chairman and a non-executive Director of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the EGM Matters
“EGM Matters”	the Proposed Acquisition, the grant of the Specific Mandate, and the re-designation of the authorised share capital of the Company
“Enlarged Group”	the Group as enlarged by the Target Group upon Completion
“EV/EBITDA”	enterprise value divided by the earnings before interest, tax, depreciation and amortisation
“Facility Agreement”	the term loan facility agreement entered into between Buyer Co (as the borrower), two of the Company’s direct subsidiaries, FSE Engineering Group Limited and FSE Facility Services Group Limited (as the guarantors) and a bank dated 18 October 2019
“FSE Holdings”	FSE Holdings Limited (豐盛創建控股有限公司), a company incorporated in the Cayman Islands with limited liability and a controlling shareholder of the Company holding 75% of the Ordinary Shares in issue of the Company as at the date of this announcement
“FY” or “financial year”	financial year of the Company ended or ending 30 June
“Group”	the Company and its subsidiaries from time to time
“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

“Independent Board Committee”	an independent committee of the Board, which comprises all of the independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Mr. Hui Chiu Chung, Stephen, Mr. Lee Kwan Hung, Eddie and Dr. Tong Yuk Lun, Paul, established to advise the Independent Shareholders on, among other matters, the fairness and reasonableness of the Proposed Acquisition
“Independent Financial Adviser”	Ballas Capital Limited, a corporation licensed to carry out Types 1 and 6 regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders with regard to the Proposed Acquisition
“Independent Shareholders”	the Shareholders, other than FSE Holdings, who do not have any material interest in the Proposed Acquisition
“Issue Date”	in relation to any Convertible Preference Share, the date on which it was issued
“Issue Price”	HK\$3.2260 (calculated based on the average of the closing prices for one Ordinary Share for the 5 trading days prior to the date of this announcement) per Convertible Preference Share, to be credited as fully paid
“Joint Venture Target Entities”	Harbour Place Management Services Limited (海濱南岸管理服務有限公司), Urban-Wellborn Property Management Limited (富邦物業管理有限公司) and 廣州市富城物業管理有限公司
“Kiu Lok Group”	Flash Star International Limited, KLPS Group Limited (僑樂房產服務集團有限公司), Kiu Lok Service Management Company Limited (僑樂服務管理有限公司), Kiu Lok International Realty Limited (僑樂國際物業代理有限公司) and KL Property Management Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longstop Date”	30 June 2020 or such other date as the Company and the Seller may agree in writing
“Mr. Doo”	Mr. Doo Wai Hoi, William, one of the controlling shareholders of the Company
“NTAV”	the net tangible assets value of the Target Group

“NWD”	New World Development Company Limited (新世界發展有限公司), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 17)
“NWD Group”	NWD and its subsidiaries from time to time but excluding the NWDS Group and the NWS Group
“NWDS”	New World Department Store China Limited (新世界百貨中國有限公司), 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 (stock code: 825)
“NWDS Group”	NWDS and its subsidiaries from time to time
“NWS”	NWS Holdings Limited (新創建集團有限公司), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 659)
“NWS Group”	NWS and its subsidiaries from time to time
“Ordinary Share”	ordinary share of par value HK\$0.10 in the share capital of the Company
“P/E”	price divided by earnings
“Percentage Ratios”	the applicable percentage ratios under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China
“Proposed Acquisition”	the proposed acquisition of the Sale Share by the Company from the Seller on and subject to the terms and conditions of the Sale and Purchase Agreement and the performance of the transactions contemplated thereunder
“Reorganisation”	the series of transactions required in order for each member of the Urban Group and the Kiu Lok Group to become subsidiaries of (or, in the case of the Joint Venture Target Entities, to become joint ventures under) the Target Company
“Sale and Purchase Agreement”	the conditional deed for the sale and purchase of the Sale Share entered into between the Seller, the Buyer Co and the Company dated 18 October 2019

“Sale Share”	1 fully paid ordinary share of par value of US\$1.00 in the share capital of the Target Company legally and beneficially owned by the Seller, representing the entire issued share capital of the Target Company
“Seller”	FSE Management Company Limited (豐盛創建管理有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of FSE Holdings
“Services”	the provision of the following services collectively: <ul style="list-style-type: none"> (1) (in respect of each 2019 Master Property Services Agreements) property management services, letting agency services, consultancy services, property sales, the provision of car parking, management and other related services (the “Property Management Services”); (2) (in respect of 2019 FSE Master Property Services Agreement only) rental (the “Rental Services”), security and guarding, landscaping, project management and other related services (the “Other Services” and together with the Rental Services, “Rental and Other Services”); and (3) (in respect of 2019 NWD Master Property Services Agreement only) appointment, coordination, consultancy and other related services (the “Sundry Services”)
“Services Transactions”	the provision of the Services as contemplated under the 2019 Master Property Services Agreements (as more particularly set out under the section headed “THE 2019 MASTER PROPERTY SERVICES AGREEMENTS” of this announcement above)
“SFO”	the Securities and Futures Ordinance (Cap. 571)
“Shareholder(s)”	the holder of any Ordinary Share and Convertible Preference Share (if any)
“Specific Mandate”	the specific mandate to be granted by the Independent Shareholders to the Board to allot and issue the Convertible Preference Shares and Conversion Shares pursuant to the Sale and Purchase Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Legend Success Investments Limited, a company incorporated in the British Virgin Islands with limited liability and, as at the date of this announcement, a direct wholly-owned subsidiary of the Seller
“Target Entity”	each member of the Target Group
“Target Group”	the Target Company, and members of each of (i) the Urban Group, and (ii) the Kiu Lok Group, which will at or before Completion become subsidiaries of the Target Company
“Urban Group”	Urban Management Limited, International Property Management Limited (國際物業管理有限公司), Urban Property Management Limited (富城物業管理有限公司), Espora Company Limited, FSE Facility Management Limited (豐盛創建設施管理有限公司), i-Urban Limited (富城網有限公司), KOHO Facility Management Limited, Paramatta Estate Management Limited (百得物業管理有限公司), Park Vale (Management) Limited (柏蕙苑物業管理有限公司), Sunningdale (Management) Limited (蕙逸居(管理)有限公司), Turning Technical Services Limited (通力技術服務有限公司), Urban Management Services Limited (富城管理服務有限公司), Urban Technical Services Limited (富城技術服務有限公司) and the Joint Venture Target Entities
“%”	per cent

By order of the Board
FSE Services Group Limited
Cheng Kar Shun, Henry
Chairman

Hong Kong, 18 October 2019

As at the date of this announcement, the Board comprises Dr. Cheng Kar Shun, Henry (Chairman) and Mr. Wong Kwok Kin, Andrew as non-executive directors, Mr. Lam Wai Hon, Patrick (Vice-Chairman), Mr. Poon Lock Kee, Rocky (Chief Executive Officer), Mr. Doo William Junior Guilherme, Mr. Lee Kwok Bong, Mr. Soon Kweong Wah and Mr. Wong Shu Hung (Dr. Cheng Chun Fai as his alternate) as executive directors, Mr. Kwong Che Keung, Gordon, Mr. Hui Chiu Chung, Stephen, Mr. Lee Kwan Hung, Eddie and Dr. Tong Yuk Lun, Paul as independent non-executive directors.