

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**豐盛服務集團有限公司**  
**FSE SERVICES GROUP LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 331)**

**CONTINUING CONNECTED TRANSACTIONS:**

- (1) NWD MASTER SERVICES AGREEMENT**
- (2) NWS MASTER SERVICES AGREEMENT**
- (3) NWDS MASTER SERVICES AGREEMENT**
- (4) CTFJ MASTER SERVICES AGREEMENT**
- (5) CTFE MASTER SERVICES AGREEMENT**
- (6) DOO'S ASSOCIATES GROUP MASTER SERVICES AGREEMENT**

In the ordinary and usual course of business of the Group, members of the Group regularly entered into continuing connected transactions in relation to the provision of the Services with members of each of the NWD Group, the NWS Group, the NWDS Group, the CTFJ Group, the CTFE Group and the Doo's Associates Group. In order to streamline these continuing connected transactions in relation to the provision of the Services, the Company entered into the New Master Services Agreements. 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 Caps of each NWD Master Services Agreement and NWS Master Services Agreement is more than 25%, each of them, the Services Transactions contemplated thereunder and its Annual Caps are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A.

As the highest of the applicable Percentage Ratios in respect of the Annual Caps of each CTFE Master Services Agreement and Doo's Associates Group Master Services Agreement is more than 5% and exceeds HK\$10,000,000, each of them, the Services Transactions contemplated thereunder and its Annual Caps are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A.

As the highest of the applicable Percentage Ratios in respect of the Annual Caps of each CTFJ Master Services Agreement and NWDS Master Services Agreement is more than 0.1% but below 5%, each of them, the Services Transactions contemplated thereunder and its Annual Caps are subject to the reporting, annual review, announcement requirements but exempt from the Independent Shareholders' approval requirements under Chapter 14A. Nonetheless, with a view to adhering to enhanced corporate governance practices, the Company will follow the relevant requirements applicable to a non-exempt connected transaction under Chapter 14A and subject each CTFJ Master Services Agreement and NWDS Master Services Agreement, the Services Transactions contemplated thereunder and its Annual Caps to the Independent Shareholders' approval requirements under Chapter 14A.

An EGM will be convened and held by the Company to consider and, if thought fit, approve the EGM Matters.

A circular containing further details relating to the EGM Matters and other information as is required to be contained in it under the Listing Rules together with a form of proxy is expected to be despatched to the Shareholders on or about 1 June 2020 as time is required to prepare the required information for inclusion in the circular.

## **INTRODUCTION**

In the ordinary and usual course of business of the Group, members of the Group regularly entered into continuing connected transactions in relation to the provision of the Services with members of each of the NWD Group, the NWS Group, the NWDS Group, the CTFJ Group, the CTFE Group and the Doo's Associates Group.

In order to streamline these continuing connected transactions in relation to the provision of the Services, the Company entered into the New Master Services Agreements. The principal terms and conditions of which are set out in this Announcement.

## **NEW MASTER SERVICES AGREEMENTS**

### **1. NWD MASTER SERVICES AGREEMENT**

As the initial term of the Former NWD Master Services Agreements is due to expire on 30 June 2020, the Company and NWD entered into the NWD Master Services Agreement which serves to continue to provide them with a master framework of agreement upon which the Definitive Agreements to be made pursuant thereto are to be entered into between the Group and the NWD Group. The Group is part of the Services Group and the NWD Master Services Agreement was entered into as a definitive agreement to the NWD Services Group Master Services Agreement.

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

- Date** : 24 April 2020
- Parties** : (1) NWD; and  
(2) the Company.
- Conditions Precedent** : The NWD Master Services Agreement is conditional upon:
- (1) the obtaining of the approval of the Independent Shareholders at the EGM approving the NWD Master Services Agreement, the Services Transactions contemplated thereunder and their Annual Caps; and
  - (2) the obtaining of the approval of the independent shareholders of NWD at an extraordinary general meeting of NWD approving the NWD Services Group Master Services Agreement, the transactions contemplated thereunder and their annual caps.

**Duration** : Subject to fulfillment of the conditions precedent contained in the NWD Master Services Agreement, the NWD Master Services Agreement shall be for an initial term of three years commencing on the Effective Date and ending on 30 June 2023 (both days inclusive), unless terminated at an earlier date pursuant to the NWD Master Services Agreement.

Subject to re-compliance with the applicable requirements of the Listing Rules at the relevant time, the NWD Master Services Agreement may be automatically renewed at the end of its initial term (or any subsequent renewed term) for a successive period of three years (or such other period as required under the Listing Rules) unless either party gives written notice to the other party no later than two months before the end of its initial term (or any subsequent renewed term) to terminate the NWD Master Services Agreement.

**Services to be provided by the Group to the NWD Group** : The FSE Services and such other types of services as members of the 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 Group** : The NWD Services and such other types of services as members of the Group and members of the NWD Group may agree upon from time to time in writing.

**Definitive Agreements** : Members of the Group and members of the NWD Group will, from time to time during the term of the NWD Master 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, the NWD Master Services Agreement and the NWD Services Group Master Services Agreement.

All definitive agreements entered into in respect of the transactions contemplated under the Former NWD Master Services Agreements which are subsisting as at the Effective Date will be treated as Definitive Agreements made pursuant to the NWD Master Services Agreement as from the Effective Date and continue in full force and effect until their termination in accordance with their respective terms.

## **2. NWS MASTER SERVICES AGREEMENT**

As the initial term of the Former NWS Master Services Agreements is due to expire on 30 June 2020, the Company and NWS entered into the NWS Master Services Agreement which serves to continue to provide them with a master framework of agreement upon which the Definitive Agreements to be made pursuant thereto are to be entered into between the Group and the NWS Group. The Group is part of the Services Group and the NWS Master Services Agreement was entered into as a definitive agreement to the NWS Services Group Master Services Agreement.

Major terms of the NWS Master Services Agreement are set out below:

- Date** : 24 April 2020
- Parties** : (1) NWS; and  
(2) the Company.
- Conditions Precedent** : The NWS Master Services Agreement is conditional upon:
- (1) the obtaining of the approval of the Independent Shareholders at the EGM approving the NWS Master Services Agreement, the Services Transactions contemplated thereunder and their Annual Caps; and
  - (2) (where required) the obtaining of the approval of the independent shareholders of NWS at a special general meeting of NWS approving the NWS Services Group Master Services Agreement, the transactions contemplated thereunder and their annual caps.
- Duration** : Subject to fulfillment of the conditions precedent contained in the NWS Master Services Agreement, the NWS Master Services Agreement shall be for an initial term of three years commencing on the Effective Date and ending on 30 June 2023 (both days inclusive), unless terminated at an earlier date pursuant to the NWS Master Services Agreement.
- Subject to re-compliance with the applicable requirements of the Listing Rules at the relevant time, the NWS Master Services Agreement may be renewed at the end of its initial term for a further term of three years (or such other period permitted under the Listing Rules) unless either party gives written notice to the other party no later than two months before the end of its initial term to terminate the NWS Master Services Agreement.
- Services to be provided by the Group to the NWS Group** : The FSE Services (excluding provision of carparking and facility management services) and such other types of services as members of the 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 Group** : The NWS Services and such other types of services as members of the Group and members of the NWS Group may agree upon from time to time in writing.

**Definitive Agreements** : Members of the Group and members of the NWS Group will, from time to time during the term of the NWS Master 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, the NWS Master Services Agreement and the NWS Services Group Master Services Agreement.

All definitive agreements entered into in respect of the transactions contemplated under the Former NWS Master Services Agreements which are subsisting as at the Effective Date will be treated as Definitive Agreements made pursuant to the NWS Master Services Agreement as from the Effective Date and continue in full force and effect until their termination in accordance with their respective terms.

### **3. NWDS MASTER SERVICES AGREEMENT**

As the initial term of the Former NWDS Master Services Agreements is due to expire on 30 June 2020, the Company and NWDS entered into the NWDS Master Services Agreement which serves to continue to provide them with a master framework of agreement upon which the Definitive Agreements to be made pursuant thereto are to be entered into between the Group and the NWDS Group. The Group is part of the Services Group and the NWDS Master Services Agreement was entered into as a definitive agreement to the NWDS Services Group Master Services Agreement.

Major terms of the NWDS Master Services Agreement are set out below:

- Date** : 24 April 2020
- Parties** : (1) NWDS; and  
(2) the Company.
- Conditions Precedent** : The NWDS Master Services Agreement is conditional upon the obtaining of the approval of the Independent Shareholders at the EGM approving the NWDS Master Services Agreement, the Services Transactions contemplated thereunder and their Annual Caps.
- Duration** : Subject to fulfillment of the conditions precedent contained in the NWDS Master Services Agreement, the NWDS Master Services Agreement shall be for an initial term of three years commencing on the Effective Date and ending on 30 June 2023 (both days inclusive), unless terminated at an earlier date pursuant to the NWDS Master Services Agreement.

Subject to re-compliance with the applicable requirements of the Listing Rules at the relevant time, the NWDS Master Services Agreement may be automatically renewed at the end of its initial term (or any subsequent renewed term) for a

successive period of three years (or such other period permitted under the Listing Rules) unless either party gives written notice to the other party no later than two months before the end of its initial term (or any subsequent renewed term) to terminate the NWDS Master Services Agreement.

**Services to be provided by the Group to the NWDS Group** : The E&M engineering and Environmental Services, the Cleaning and Laundry Services (excluding the laundry services) and such other types of services as members of the Group and members of the NWDS Group may agree upon from time to time in writing.

**Services to be provided by the NWDS Group to the Group** : The NWDS Services and such other types of services as members of the Group and members of the NWDS Group may agree upon from time to time in writing.

**Definitive Agreements** : Members of the Group and members of the NWDS Group will, from time to time during the term of the NWDS Master 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, the NWDS Master Services Agreement and the NWDS Services Group Master Services Agreement.

All definitive agreements entered into in respect of the transactions contemplated under the Former NWDS Master Services Agreements which are subsisting as at the Effective Date will be treated as Definitive Agreements made pursuant to the NWDS Master Services Agreement as from the Effective Date and continue in full force and effect until their termination in accordance with their respective terms.

#### **4. CTFJ MASTER SERVICES AGREEMENT**

As the initial term of the Former CTFJ Master Services Agreements is due to expire on 30 June 2020, the Company and CTFJ entered into the CTFJ Master Services Agreement which serves to continue to provide them with a master framework of agreement upon which the Definitive Agreements to be made pursuant thereto are to be entered into between the Group and the CTFJ Group.

Major terms of the CTFJ Master Services Agreement are set out below:

**Date** : 24 April 2020

**Parties** : (1) CTFJ; and  
(2) the Company.

**Conditions Precedent** : The CTFJ Master Services Agreement is conditional upon the obtaining of the approval of the Independent Shareholders at the EGM approving the CTFJ Master Services Agreement, the Services Transactions contemplated thereunder and their Annual Caps.

**Duration** : Subject to the fulfillment of the condition precedent of the CTFJ Master Services Agreement, the CTFJ Master Services Agreement shall be for an initial term of three years commencing on the Effective Date and ending on 30 June 2023 (both days inclusive), unless terminated at an earlier date pursuant to the CTFJ Master Services Agreement.

Subject to re-compliance with the applicable requirements of the Listing Rules at the relevant time, the CTFJ Master Services Agreement may be automatically renewed at the end of its initial term (or any subsequent renewed term) for a successive period of three years (or such other period permitted under the Listing Rules) unless either party gives written notice to the other party no later than two months before the end of its initial term (or any subsequent renewed term) to terminate the CTFJ Master Services Agreement.

**Services to be provided by the Group to the CTFJ Group** : The FSE Services and such other types of services as members of the Group and members of the CTFJ Group may agree upon from time to time in writing.

**Definitive Agreements** : Members of the Group and members of the CTFJ Group will, from time to time during the term of the CTFJ Master 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 CTFJ Master Services Agreement.

All definitive agreements entered into in respect of the transactions contemplated under the Former CTFJ Master Services Agreements which are subsisting as at the Effective Date will be treated as Definitive Agreements made pursuant to the CTFJ Master Services Agreement as from the Effective Date and continue in full force and effect until their termination in accordance with their respective terms.

## **5. CTFE MASTER SERVICES AGREEMENT**

As the initial term of the Former CTFE Master Services Agreements is due to expire on 30 June 2020, the Company and CTFE entered into the CTFE Master Services Agreement which serves to continue to provide them with a master framework of agreement upon which the Definitive Agreements to be made pursuant thereto are to be entered into between the Group and the CTFE Group.

Major terms of the CTFE Master Services Agreement are set out below:

- Date** : 24 April 2020
- Parties** : (1) CTFE; and  
(2) the Company.
- Conditions Precedent** : The CTFE Master Services Agreement is conditional upon the obtaining of the approval of the Independent Shareholders at the EGM approving the CTFE Master Services Agreement, the Services Transactions contemplated thereunder and their Annual Caps.
- Duration** : Subject to the fulfillment of the condition precedent of the CTFE Master Services Agreement, the CTFE Master Services Agreement shall be for an initial term of three years commencing on the Effective Date and ending on 30 June 2023 (both days inclusive), unless terminated at an earlier date pursuant to the CTFE Master Services Agreement.
- Subject to re-compliance with the applicable requirements of the Listing Rules at the relevant time, the CTFE Master Services Agreement may be automatically renewed at the end of its initial term (or any subsequent renewed term) for a successive period of three years (or such other period permitted under the Listing Rules) unless either party gives written notice to the other party no later than two months before the end of its initial term (or any subsequent renewed term) to terminate the CTFE Master Services Agreement.
- Services to be provided by the Group to the CTFE Group** : The FSE Services and such other types of services as members of the Group and members of the CTFE Group may agree upon from time to time in writing.
- Definitive Agreements** : Members of the Group and members of the CTFE Group will, from time to time during the term of the CTFE Master 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 CTFE Master Services Agreement.

All definitive agreements entered into in respect of the transactions contemplated under the Former CTFE Master Services Agreements which are subsisting as at the Effective Date will be treated as Definitive Agreements made pursuant to the CTFE Master Services Agreement as from the Effective Date and continue in full force and effect until their termination in accordance with their respective terms.

## 6. DOO'S ASSOCIATES GROUP MASTER SERVICES AGREEMENT

As the initial term of the Former Doo's Associates Group Master Services Agreements is due to expire on 30 June 2020, the Company and FSE Management entered into the Doo's Associates Group Master Services Agreement which serves to continue to provide them with a master framework of agreement upon which the Definitive Agreements to be made pursuant thereto are to be entered into between the Group and the Doo's Associates Group.

The major terms of the Doo's Associates Group Master Services Agreement are set out below:

- Date** : 24 April 2020
- Parties** : (1) FSE Management; and  
(2) the Company.
- Conditions Precedent** : The Doo's Associates Group Master Services Agreement is conditional upon the obtaining of the approval of the Independent Shareholders at the EGM approving the Doo's Associates Group Master Services Agreement, the Services Transactions contemplated thereunder and their Annual Caps.
- Duration** : Subject to fulfillment of the condition precedent contained in the Doo's Associates Group Master Services Agreement, the Doo's Associates Group Master Services Agreement shall be for an initial term of three years commencing on the Effective Date and ending on 30 June 2023 (both days inclusive), unless terminated at an earlier date pursuant to the Doo's Associates Group Master Services Agreement.
- Subject to re-compliance with the applicable requirements of the Listing Rules at the relevant time, the Doo's Associates Group Master Services Agreement may be automatically renewed at the end of its initial term (or any subsequent renewed term) for a successive period of three years (or such other period permitted under the Listing Rules) unless either party gives written notice to the other party no later than two months before the end of its initial term (or any subsequent renewed term) to terminate the Doo's Associates Group Master Services Agreement.
- Services to be provided by the Group to the Doo's Associates Group** : The FSE Services and such other types of services as members of the 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 Group** : Doo's Associates Services and such other types of services as members of the Group and members of the Doo's Associates Group may agree upon from time to time in writing.

**Definitive Agreements** : Members of the Group and members of the Doo's Associates Group will, from time to time during the term of the Doo's Associates Group Master 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 Doo's Associates Group Master Services Agreement.

All definitive agreements entered into in respect of the transactions contemplated under the Former Doo's Associates Group Master Services Agreements which are subsisting as at the Effective Date will be treated as Definitive Agreements made pursuant to the Doo's Associates Group Master Services Agreement as from the Effective Date and continue in full force and effect until their termination in accordance with their respective terms.

## **QUALIFICATIONS OF ENGAGEMENT**

The engagement to be made pursuant to each of the New Master 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 Group, the NWD Group, the NWS Group, the NWDS Group, the CTFJ Group, the CTFE Group or the Doo's Associates Group (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 Group, the NWD Group, the NWS Group, the NWDS Group, the CTFJ Group, the CTFE Group or the Doo's Associates Group (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 Group, the NWD Group, the NWS Group, the NWDS Group, the CTFJ Group, the CTFE Group or the Doo's Associates Group (as the case may be) has (have) been selected by the relevant member(s) of the Group, the NWD Group, the NWS Group, the NWDS Group, the CTFJ Group, the CTFE Group or the Doo's Associates Group (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 each of the CTFJ Master Services Agreement and CTFE Master Services Agreement is also subject to the following qualifications apart from the above:

- (1) each of CTFJ and CTFE and each of their respective group members shall have the sole and absolute right and discretion to decide whether to engage any member of the Group to provide the relevant FSE Services, and neither CTFJ nor CTFE nor any of their

respective group members shall be under any obligation or commitment to engage or procure the engagement of any member of the Group to provide the relevant FSE Services; and

- (2) the Company shall have no claim or right whatsoever against CTFJ and/or any member of the CTFJ Group, or against CTFE and/or any member of the CTFE Group in the event that any member(s) of the CTFJ Group or the CTFE Group does/do not engage any member(s) of the Group to provide the relevant FSE 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 New Master Services Agreements shall be determined:

- (1) in the ordinary and usual course of business of the Group and group members of the counterparties to the New Master Services Agreements;
- (2) on normal commercial terms and negotiated on arm's length basis;
- (3) at prices and on terms no less favourable to the Group or the relevant group member(s) of the counterparties to the New Master Services Agreements (as the case may be) than those charged and provided to independent third party customers of (a) the Group (in respect of the FSE Services); or (b) the NWD Group (in respect of the NWD Services); or (c) the NWDS Group (in respect of the NWDS Services); or (d) the NWS Group (in respect of the NWS Services); or (e) the Doo's Associates Group (in respect of the Doo's Associates Services); and
- (4) at prices and on terms no less favourable to the Group or the relevant group member(s) of the counterparties to the New Master Services Agreements (as the case may be) than those paid to or available from independent third party suppliers of (a) the Group (in respect of the NWD Services, the NWDS Services, the NWS Services and the Doo's Associates Services); or (b) each of the NWD Group, the NWDS Group, the NWS Group, the CTFJ Group, the CTFE Group and the Doo's Associates Group (in respect of the relevant FSE Services).

### **Pricing policy and procedures**

Subject to the general principle above, the pricing policy and procedures adopted and applied by the Group in setting the contract prices and terms of the Services Transactions with members of the counterparties to the New Master Services Agreements are as follows:

#### ***FSE Services: E&M engineering and Environmental Services***

As regards the electrical & mechanical engineering services to be provided by the Group as part of the E&M engineering and Environmental Services, members of the Group are typically engaged as subcontractor, contractor, management contractor or project manager of the E&M engineering and Environmental Services of the relevant projects after having been selected from participating tenderers or contractors by members of the relevant counterparties to the New Master Services Agreements:

- where a member of the Group participates in a tender with all bidders (including independent third parties in the market), the winning bid of which will usually be the one with the lowest tender amount in accordance with the employer's tender procedures on the condition that the bidder conformed to all the essential requirements (including but not limited to relevant experience, capability and historical relationship) as set out in the bid invitation from the employer. For each potential project, the tender information is submitted to the Group's tender department for review. The preparation of tenders is a very important aspect of the Group's E&M engineering operations and requires considerable experience in pricing the tender so that it is competitive while remaining profitable. The tender preparation process includes tender wrap-up meeting to perform a thorough analysis of the project to be undertaken including contract requirements and possible risks, followed by the collection of cost data. Such data include quotations from suppliers for materials to be used in the project, estimates on management resources, and material and labour costs;
- in pricing a tender, the Group also make references to recent job quotations, such as tender record, major material and equipment costs and subcontractor's labour costs, quotations, resources availability of the Group's projects completed or in progress which are stored in the Group's data system. In addition, related market information, such as material price trend and potential contract opportunities are also retrieved for reference. Before submission, each tender has to be reviewed by the Group's contract managers and approved by the Group's project director in accordance with the Group's pricing policy and limits of authority. In the tender wrap up process as referred to above in the determination of the tender price as may be submitted by the Group, the project director and where the proposed tender sum is more than certain thresholds as set out in the Group's pricing policy from time to time, the top management committee, will review the reasonableness of the tender price which included a mark-up, by reference to the unit costs (such as cost per area, cost per capacity or rating, cost per numbers of flat or unit, cost per equipment etc.) and to compare with the current and historical market prices of similar projects and tenders available and stored in the Group's data system (the current and historical market prices include successful tender prices by the Group and successful tender prices from other competitors if the relevant projects were not awarded to the Group, and recent tender prices submitted), to ensure that the tender price as may be submitted by the Group is fair, reasonable and competitive. The Group adopts the same pricing policy and procedures in the determination of the tender prices to connected persons of the Company as well as to independent third party customers of the Group in order to ensure that the tender prices as may be submitted by the Group to connected persons of the Company will be fair and reasonable and no less favourable to the Group than those offered to the independent third party customers;
- if the tender is from any connected person of the Company, the preparation and submission of the quotation should follow the same procedure as that with third party customer under a fair basis;
- in essence, the tender prices and terms of the Group's electrical & mechanical engineering services are project specific and will be at a fixed monetary amount and on terms assessed by the Group's contract managers, reviewed and approved by the Group's project director in charge of the relevant project in accordance with the Group's approved pricing policy which takes into account factors like the nature and complexity of the relevant project, the estimate of the costs and expenses of the Group, the requirements of the employer or main contractor of the relevant project;

- for non-tendering contracts of the Group's electrical & mechanical engineering services, the Group's contract sum and terms will be assessed and determined by adopting the same pricing policy and procedures as in the determination of the Group's tender prices and terms; and
- for other services which form part of the Group's electrical & mechanical engineering services, which are mainly in respect of the supply of E&M engineering equipment and building materials, the Group's contract sums will be at a fixed monetary amount based primarily on the Group's purchase costs which include mainly the costs of purchasing E&M engineering equipment and building materials, and all direct costs including applicable shipping or air freight costs with a reasonable mark-up to or close to the indicative benchmark rate (which rate is from time to time reviewed by the general manager of the building materials trading division of the Group annually or on an as needed basis and available to all relevant staff of the Group who is involved in the determination of the contract sums of the relevant projects to which supply of E&M engineering equipment and building materials are to be provided by the Group) above or reflective of the current market prices of the relevant E&M engineering equipment and/or building materials to be supplied by the Group. The operation manager of the building materials trading division of the Group is responsible for compiling and updating a list of the current market prices of the relevant E&M engineering equipment and/or building materials to be supplied by the Group and monitoring any change from time to time based on market prices information as is available from the markets including market prices or their trend as may be gathered from other services providers from projects in which the Group has made tenders and the price list provided to the Group by its suppliers at least annually or when there is a change in the price, against which the latest quote from the relevant supplier of a particular E&M engineering equipment or building material will be referenced to in the determination of the contract sums so that the contract sums provided by the Group are competitive while remaining profitable to the Group and on terms assessed on the Group's standard terms in general. The reasonable mark-up and the selling price for the relevant Services are approved by the general manager of the building materials trading division of the Group. The Group adopts the same pricing policy and procedures in the determination of the contract sums for the supply of E&M engineering equipment and building materials of the Group to connected persons of the Company as well as to independent third party customers of the Group which the general manager of the building materials division of the Group has to adhere to in the determination of the said contract sums, which are, as said, above or reflective of the market prices of the relevant E&M engineering equipment and/or building materials to be supplied by the Group and is therefore fair and reasonable and no less favourable to the Group than those offered to the independent third party customers.

As regards the environmental management services to be provided by the Group as part of the E&M engineering and Environmental Services:

- in essence, the Group's contract sum and terms will be at a fixed monetary amount based primarily on the Group's purchase costs which include mainly the costs of purchasing environmental products and equipment and all direct costs including applicable shipping or air freight costs, and direct labour costs or subcontractor costs estimated based on the nature, complexity and the requirements of the property owner or main contractor of the relevant project with a mark-up as determined by reference to

the latest market trend and acceptable pricing level which is monitored and assessed by the respective operation managers of environmental management services division of the Group from time to time based on market information available from the markets or their trend as may be gathered from projects in which the Group had made tenders in the past, so that the contract sums or prices including the mark-up provided by the Group are reasonable, competitive while remaining profitable to the Group and on terms assessed on the Group's standard terms in general. The prices including the mark-up for the relevant services are reviewed and approved by the general manager of the environmental management division of the Group; and

- if the job is from any connected person of the Company, the preparation and submission of the quotation should follow the same procedure as that with independent third party customer under a fair basis. The general manager of the environmental management services division of the Group is to adhere to the aforesaid pricing policy and procedures, which apply to all customers of the Group irrespective of whether or not they are independent third party customers or are connected persons of the Company, in the determination of the contract sum for the supply of environmental management services to ensure that the contract sums or prices are fair and reasonable and no less favourable to the Group than those offered to the independent third party customers.

#### ***FSE Services: Cleaning and Laundry Services***

As regards the Cleaning and Laundry Services to be provided by the Group pursuant to the relevant New Master Services Agreements:

- in general, the fees payable by the counterparties to the relevant New Master Services Agreements will be determined by reference to comparables of fee quotations provided by the Group to other independent customers, taking into account factors including the nature and type of services to be rendered;

#### ***Cleaning services***

- the marketing department identifies business opportunities by reviewing public tender notices and through invitations from customers to submit tenders for potential work. The marketing department is responsible for the preparation of tenders according to the tender preparation policies and procedures;
- during such tendering process, the Group estimates the service charge of each service based on the estimated cost under each service contract, such as (i) the estimated manpower required according to the scope of services required by the customer; (ii) materials and consumables required; and (iii) equipment required, plus a profit margin. The estimated service charges may need to be adjusted in order to enhance the competitiveness of the Group's tenders;
- the proposed profit margin for the cleaning services would be determined taking into account factors including the nature and complexity of the relevant project; the expected competitiveness of the tender based on the previous experience; the historical profit margin of similar type of existing contract. The Group adopts the same pricing policy and procedures in the determination of the service charge to the connected persons of the Group as well as to independent third party customers of the Group in

order to ensure that the service charge as may be submitted by the Group to connected persons of the Group will be fair and reasonable and no less favourable to the Group than those offered to the independent third party customers. The reasonable profit margin and the service charge for the relevant services are approved by the marketing managers, assistant general manager (marketing), assistant general manager (finance and procurement), general manager and directors in accordance with the company's approval procedures with limits of authority; and

- For non-tendering contracts of the Group's cleaning services, where a member of the Group are invited to provide a fee quotation, the contract sum and terms will be assessed and determined by adopting the same pricing policy and procedure as in the determination of the Group's tender prices and terms.

#### *Laundry services*

- when the laundry service providers are invited to tender for a project, the relevant sales & marketing manager will prepare tender proposal with reference to information including (1) the costing for individual items obtained from accounts department; (2) the price of existing clients with similar background/grading of service; and (3) a profit margin;
- the sales & marketing (S&M) manager obtains unit costs of individual items to be laundered from accounts department first, and the S&M manager will treat these unit costs as the basis for the tender proposal;
- then, as prices of individual items to be laundered differ depending on the background of the customers (for example, hotels of similar star rating) and the material of the item (for example, 100% cotton linen or 50% cotton & 50% polyester linen), the price offered for existing client with similar background and for items with similar material will be referred. In most of the cases, the price offered to two existing clients will be referred if available;
- other factors including the nature and complexity of the relevant project; the expected competitiveness of the tender based on the previous experience; the historical profit margin of similar type of existing contract, will be considered;
- finally, proposal for tender is concluded by the S&M manager after consolidation of all information mentioned above;
- the proposal will be reviewed by the Steering Committee (formed by the S&M manager, production manager, finance manager and the Representative of Corporate office) and approved by the director and general manager;
- for non-tendering contracts of the Group's laundry services, the Group's contract sum and terms will be assessed and determined by adopting the same pricing policy and procedures as in the determination of the Group's tender prices and terms; and
- the Group adopts the same pricing policy and procedures in the determination of the service charge to the connected persons of the Group as well as to independent third party customers of the Group in order to ensure that the service charge as may be submitted by the Group to connected persons of the Group will be fair and reasonable

and no less favourable to the Group than those offered to the independent third party customers. The reasonable profit margin and the service charge for the relevant services in the tender is concluded by the S&M manager after consolidation of all above factors reviewed by the Steering Committee and approved by the director and general manager.

### ***FSE Services: Facility and Property Management Services***

As regards the Facility and Property Management Services to be provided by the Group pursuant to the relevant New Master Services Agreements:

- the facility and property management services involve the administration, control, operation and oversight services of property by the owner itself or typically by another party (i.e. property manager), in order to preserve the value of the property and therefore to offer better environment for residents or users;
- main types of facility and property management services include property, facilities and venue management and related accounting services, property sales, letting agency services, rental collection services, consultancy services, technical services, housekeeping and cleaning services, security and guarding services, repair and maintenance services, provision of carparking management and other services for building;
- the property management manager explores the possibility of business opportunities by reviewing public tender notices and through invitation from customers to submit tenders or quotations for potential property management project. The property management department is responsible for the preparation of tenders and quotations according to the tender and quotation preparation policies and procedures; and
- during such process, the Group estimates the service charge of each service based on estimated cost under each service contract such as (i) the estimated manpower and qualified professional staff required according to the scope of services required by the customer; (ii) material and consumables required; (iii) equipment required plus a profit margin on normal commercial terms based on the prevailing market rate. The proposed profit margin for the facility and property management services would be determined taking into account factors including the nature and complexity of the relevant project; the expected competitiveness of the tender based on the previous experience; the historical profit margin of similar type of existing contract. Also, there are management service contracts which the Group receives the income by the way at a fixed manager's remuneration charge rate or fixed service charge rate based on the expenditure spent in the owners' property management building accounts on the market comparable charge rate and normal commercial terms. The Group adopts the same pricing policy and procedures in the determination of the service charge to the connected persons of the Group as well as to independent third party customers of the Group in order to ensure that the service charge as may be submitted by the Group to connected persons of the Group will be fair and reasonable and no less favorable to the Group than those offered to the independent third party customer. The reasonable profit margin and service charge (on normal commercial terms based on the prevailing market rate) for relevant service are approved by the operation of property manager and general manager and director in accordance with the company's approval procedures with limits of authority.

## **Tender Process**

- For tendering contract, where a member of the Group are invited in a tender for a service project with all bidders (including independent third parties in the market), the winning bid of which will usually be the one with the lowest tender amount in accordance with the employer's tender procedures on the condition that the bidder conformed to all the essential requirements (including but not limited to relevant experience, capability and historical relationship) as set out in the tender invitation from the employer.

## **Non Tender Process**

- For non-tendering contracts, where a member of the Group are invited to provide a fee quotation, the contract sum and terms will be assessed and determined by adopting the same pricing policy and procedure as in the determination of the Group's tender prices and terms.

## ***Contracting Services***

As regards the Contracting Services to be provided to the Group by members of the NWS Group pursuant to the NWS Master Services Agreement:

- comparables of a sufficient number of fee quotations, a minimum of two comparables will be obtained from other independent service providers and assessed (including assessing whether the comparables obtained are appropriate ones after taking into account of financial capability, workload, scope and standard of Contracting Services offered which meet the requirements of the Group and the past performance and relevant experience of the independent service providers) and reviewed by the manager of tender department of the Group upon which the fairness and reasonableness of the prices and terms as may be offered by members of the NWS Group can be compared and assessed by the Group in determining if they are fair and reasonable and comparable to those offered by independent third parties, taking into account factors like reputation, quality and reliability of the counterparty concerned as compared to independent service providers. If a member of the NWS Group offers the price and terms equal to or better than those offered by the independent service providers and conforms to all the essential requirements (including but not limited to relevant experience, compliance with specifications, capability and historical relationship) of the services to be provided, the Group may award the contract to such member of the NWS Group.

## ***Facility Management Services***

As regards the Facility Management Services to be provided to the Group by members of the NWS Group pursuant to the NWS Master Services Agreement:

- the fees payable by the Group will be determined by reference to the market prices provided to the Group by other independent service providers, taking into account factors including the nature and type of services to be rendered.

### ***Renting Services***

As regards the Renting Services to be provided to the Group by members of the NWS Group pursuant to the NWS Master Services Agreement:

- the rental payable by the Group will be determined by reference to the market rental of the properties, carparking spaces, vehicle and vessels concerned current at or close to the lease commencement date by reference to rentals comparables of similar properties and carparking spaces, in similar locations and where applicable, with comparable facilities, and rentals comparables of vehicle and vessels obtained from independent property agencies or parties.

### ***IT Support Services***

As regards the IT Support Services to be provided to the Group by members of the NWD Group pursuant to the NWD Master Services Agreement:

- the fees payable by the Group will be determined based on arm's length negotiations between the service provider and the service recipient, taking into account factors including the number of users, types of functions and the replacement costs of the relevant IT systems or software, and where comparables are available for the type of service concerned, they would also be taken into account when the service charges are determined; and
- administration and support department manager considers the above factors, and submits the proposal to the assistant general manager (human capital and administration) and the general manager for approval.

### ***Rental Services or Leasing Services***

As regards the Rental Services or the Leasing Services to be provided to the Group by members of the NWD Group, the NWDS Group or the Doo's Associates Group pursuant to the NWD Master Services Agreement, the NWDS Master Services Agreement or the Doo's Associates Group Master Services Agreement:

- the existing rental paid by Group under each existing lease agreement was determined by reference to the market rental of the property concerned current at or close to the lease commencement date; and
- the rental payable by the Group under each new lease agreement, whether or not in relation to property currently leased by the Group from members of the relevant counterparties to the relevant New Master Services Agreements, 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 a minimum of two rentals comparables of similar properties in similar locations and where applicable, with comparable facilities, obtained from independent property agencies or other parties, including reputable independent professional property valuers, collected, assessed (including assessing whether the comparables collected are appropriate ones) and reviewed by the human resources manager of the Group (who has over 30 years' experience in human resources management and administration and is responsible for the human resources management and the office administrative work including but not limited to the

administration of office rental arrangement, office cleaning, landscaping, property management and office renovation) for approval of the pricing of the Rental Services or the Leasing Services by the Chief Executive Officer of the Group.

### ***Materials Supply Services***

As regards the Materials Supply Services to be provided to the Group by members of the NWD Group pursuant to the NWD Master Services Agreement:

- comparable of a sufficient number of quotation will be obtained from other independent service providers and assessed (including assessing whether the comparable obtained is appropriate after taking into account of financial capability, workload, scope and standard of Materials Supply Services offered which meet the requirements of the Group and the past performance and relevant experience of the independent service providers) and reviewed by the manager of tender and procurement department of the Group upon which the fairness and reasonableness of the prices and terms as may be offered by members of the NWD Group can be compared and assessed by the manager of the tender and procurement department of the Group in determining if they are fair and reasonable and comparable to those offered by independent third parties, taking into account factors like reputation, quality and reliability of the NWD Group as compared to independent service providers before approving the pricing of the Materials Supply Services. If a member of the NWD Group offers the price and terms equal to or better than those offered by the independent service providers and conforms to all the essential requirements (including but not limited to relevant experience, compliance with specifications, capability and historical relationship) of the services to be provided, the Group may award the contract to such member of the NWD Group.

### ***Sundry Services***

As regards the Sundry Services to be provided to the Group by members of the NWD Group pursuant to the NWD Master Services Agreement:

- the fees payable by the Group will be determined by reference to the market prices provided to the Group by other independent suppliers, taking into account factors including the nature and type of services to be rendered.

### ***Other Services***

As regards the Other Services to be provided to the Group by members of the Doo's Associates Group pursuant to the Doo's Associates Group Master Services Agreement:

- the fees payable by the Group will be determined by reference to the market prices provided to the Group by other independent suppliers, with a minimum of two comparables will be obtained and assessed and taking into account factors including the nature and type of services to be rendered.

## HISTORICAL AGGREGATE TRANSACTION AMOUNTS

The historical aggregate transaction amounts in respect of the Services Transactions for the FY2018, FY2019 and the six months ended 31 December 2019 respectively are set out below.

The historical aggregate transaction amounts in respect of the Cleaning and Laundry Services commenced from 11 April 2018 when the Group complete its acquisition of the group of companies providing the Cleaning and Laundry Services as announced in the Company's announcements dated 27 February 2018 and 30 April 2018 and in the circular of the Company dated 20 March 2018.

The historical aggregate transaction amounts in respect of the Facility and Property Management Services commenced from 16 December 2019 when the Group complete its acquisition of the group of companies providing the Facility and Property Management Services as announced in the Company's announcements dated 18 October 2019, 8 November 2019, 14 November 2019 and 16 December 2019 and in the circular of the Company dated 15 November 2019.

### Services between the Group and the NWD Group

Categories	Aggregate transaction amount		
	FY2018 (HK\$'000)	FY2019 (HK\$'000)	Six months ended 31 December 2019 (HK\$'000)
FSE Services provided by the Group	389,546	657,617	402,137
NWD Services provided by the NWD Group	<u>98</u>	<u>42</u>	<u>103</u>
<b>Total</b>	<u><u>389,644</u></u>	<u><u>657,659</u></u>	<u><u>402,240</u></u>

### Services between the Group and the NWS Group

Categories	Aggregate transaction amount		
	FY2018 (HK\$'000)	FY2019 (HK\$'000)	Six months ended 31 December 2019 (HK\$'000)
FSE Services (excluding provision of carparking and facility management services) provided by the Group	1,278,607	1,090,485	209,071
NWS Services provided by the NWS Group	<u>27</u>	<u>120</u>	<u>64</u>
<b>Total</b>	<u><u>1,278,634</u></u>	<u><u>1,090,605</u></u>	<u><u>209,135</u></u>

## Services between the Group and the NWDS Group

### Aggregate transaction amount

<b>Categories</b>	<b>FY2018</b> (HK\$'000)	<b>FY2019</b> (HK\$'000)	<b>Six months ended</b> <b>31 December 2019</b> (HK\$'000)
FSE Services (not including laundry services of the Cleaning and Laundry Services and Facility and Property Management Services) provided by the Group	9,551	-	10
NWDS Services provided by the NWDS Group	<u>172</u>	<u>132</u>	<u>85</u>
<b>Total</b>	<b><u>9,723</u></b>	<b><u>132</u></b>	<b><u>95</u></b>

## Services between the Group and the CTFJ Group

### Aggregate transaction amount

<b>Categories</b>	<b>FY2018</b> (HK\$'000)	<b>FY2019</b> (HK\$'000)	<b>Six months ended</b> <b>31 December 2019</b> (HK\$'000)
FSE Services provided by the Group	<u>5,219</u>	<u>9,636</u>	<u>5,828</u>
<b>Total</b>	<b><u>5,219</u></b>	<b><u>9,636</u></b>	<b><u>5,828</u></b>

## Services between the Group and the CTFE Group

### Aggregate transaction amount

<b>Categories</b>	<b>FY2018</b> (HK\$'000)	<b>FY2019</b> (HK\$'000)	<b>Six months ended</b> <b>31 December 2019</b> (HK\$'000)
FSE Services provided by the Group	<u>40,715</u>	<u>55,716</u>	<u>42,319</u>
<b>Total</b>	<b><u>40,715</u></b>	<b><u>55,716</u></b>	<b><u>42,319</u></b>

## Services between the Group and the Doo's Associates Group

Categories	Aggregate transaction amount		
	FY2018 (HK\$'000)	FY2019 (HK\$'000)	Six months ended 31 December 2019 (HK\$'000)
FSE Services provided by the Group	129,328	242,002	1,793
Doo's Associates Services provided by the Doo's Associates Group	<u>12,050</u>	<u>19,517</u>	<u>9,237</u>
<b>Total</b>	<u><b>141,378</b></u>	<u><b>261,519</b></u>	<u><b>11,030</b></u>

## ANNUAL CAPS

The expected Annual Caps in respect of the Services Transactions contemplated under each of the New Master Services Agreements for the FY2021, FY2022 and FY2023 respectively are as follows:

### NWD Master Services Agreement

Categories	Annual Caps		
	FY2021 (HK\$'000)	FY2022 (HK\$'000)	FY2023 (HK\$'000)
FSE Services to be provided by the Group	1,960,106	2,532,210	2,332,768
NWD Services to be provided by the NWD Group *	<u>32,767</u>	<u>58,381</u>	<u>57,948</u>
<b>Total</b>	<u><b>1,992,873</b></u>	<u><b>2,590,591</b></u>	<u><b>2,390,716</b></u>

\* The Annual Caps relating to the Rental Services to be provided by NWD Group represent the lease expenses to be paid/payable by the Group for short-term leases to be entered into after the Group's adoption of HKFRS 16 in FY2021, FY2022 and FY2023.

The increase in Annual Caps for the FSE Services as compared with the historical amounts between the Group and the NWD Group is mainly due to the increase in electrical & mechanical engineering services to be provided as part of the E&M engineering and Environmental Services in respect of certain potential sizable upcoming and ongoing commercial development projects in Hong Kong and various provinces in the Mainland China which include, among others, the following:

- (i) works relating to a construction project for a sport complex in Kai Tak with estimated project completion date in FY2024 and a commercial development project in the SKYCITY at Hong Kong International Airport, with estimated project completion date in FY2024, both are of considerable size in Hong Kong of which the Group has been

engaged as the service provider and contribute HK\$598.7 million (FY2021), HK\$703.8 million (FY2022) and HK\$520.5 million (FY2023) to the above Annual Caps; and

- (ii) works relating to certain residential and commercial development projects in Hong Kong and Mainland China. The estimated future demand of the Group's services for certain potential projects of the NWD Group for 4 residential projects in Yuen Long which contribute HK\$14.6 million (FY2021), HK\$275.8 million (FY2022) and HK\$448.0 million (FY2023) to the above Annual Caps, a commercial development project in the SKYCITY at Hong Kong International Airport which contributes HK\$195.0 million (FY2021), HK\$260.0 million (FY2022) and HK\$162.5 million (FY2023) to the above Annual Caps; and two commercial development projects in Cheung Sha Wan which contribute HK\$50.0 million (FY2021), HK\$180.0 million (FY2022) and HK\$135.0 million (FY2023) to the above Annual Caps. The estimated future demand of the Group's services for certain potential projects of the NWD Group in Ningbo and Wuhan of the Mainland China which contribute HK\$317.5 million (FY2021), HK\$366.5 million (FY2022) and HK\$170.1 million (FY2023) to the above Annual Caps.

The Annual Caps for the NWD Services to be provided by the members of the NWD Group to the member of the Group are largely attributable to the supply of construction and building equipment and materials to cope with the Group's business growth and the above upcoming and ongoing commercial development projects. The Annual Caps for the NWD Services as compared with the historical amounts between the Group and the NWD Group will be increased accordingly.

### NWS Master Services Agreement

Categories	Annual Caps		
	FY2021 (HK\$'000)	FY2022 (HK\$'000)	FY2023 (HK\$'000)
FSE Services (excluding provision of carparking and facility management services) to be provided by the Group	1,837,314	2,920,934	3,715,568
NWS Services to be provided by the NWS Group	<u>40,808</u>	<u>40,880</u>	<u>40,957</u>
<b>Total</b>	<u><u>1,878,122</u></u>	<u><u>2,961,814</u></u>	<u><u>3,756,525</u></u>

The increase in Annual Caps for the FSE Services (excluding provision of carparking and facility management services) as compared with the historical amounts between the Group and the NWS Group is mainly due to the increase in electrical & mechanical engineering services to be provided as part of the E&M engineering and Environmental Services in respect of certain potential sizable upcoming and ongoing projects which include, among others, the following:

- (i) works relating to an engineering installation project for Transport Department's Vehicle Examination Centre with estimated project completion in FY2021,

construction projects for two government buildings in Kai Tak and Tseung Kwan O with estimated project completion date in FY2022 and FY2023 and a commercial development project in Kwun Tong with estimated project completion date in FY2023, are of considerable size in Hong Kong undertaken by the NWS Group of which the Group has been engaged as the service provider and contribute HK\$798.3 million (FY2021), HK\$1,138.2 million (FY2022) and HK\$780.2 million (FY2023) to the above Annual Caps; and

- (ii) works relating to certain public sector development projects as well as various private sector development projects (including residential, commercial development and hospital development projects). The estimated future demand of the Group's services for certain potential projects of the NWS Group in two private sector development projects in Kai Tak which contribute HK\$132.0 million (FY2021), HK\$294.0 million (FY2022) and HK\$306.0 million (FY2023) to the above Annual Caps and two hospital development projects in Kwun Tong and Tseung Kwan O which contribute HK\$420.0 million (FY2021), HK\$720.0 million (FY2022) and HK\$1,620.0 million to the above Annual Caps.

The Annual Caps for the Services to be provided by members of the NWS Group to members of the Group under the NWS Master Services Agreement are largely attributable to the provision of the Contracting Services. The increase in the Annual Caps as compared with their historical transaction amounts is mainly due to the estimated future demand for Contracting Services from the NWS Group in respect of certain potential sizable upcoming projects, which include, but not limited to, certain public sector development projects in respect of which the Group has to engage sub-contractors in the provision of the Contracting Services and NWS Group is one of the reputable service providers among the Group's list of service providers. There may have four potential public sector development projects in Hong Kong, which include two hospital development projects, a large-scale centralized air-conditioning system at Kai Tak and a government complex facility at Chai Wan. In view of the significant size of these potential public sector development projects and the expected volume and variety of Contracting Services required for these projects including builder's works in the scope of works of the contracts of underground piping works which have to be performed or otherwise carried out by builders such as excavation, backfilling, suspended manholes and the like, engagement of sub-contractors in the provision of the Contracting Services is required and services providers with reputable, reliable and quality services like the NWS Group is fundamental. As at the Latest Practicable Date, these upcoming projects were either at the tender stage or prior to the tender stage when tender would expect to be launched in the third quarter of 2020. Members of the Group are amongst the handful few of qualified contractors for the public sector development projects on the List of Approved Contractors for Public Works which is with extensive experience and engineering design capability and coupled with the promising record of the Group in succeeding in obtaining tenders for the provision of electrical & mechanical engineering service for public sector development projects in the past, the Group has high chance in succeeding in obtaining the tender for the provision of electrical & mechanical engineering services for these public sector development projects and justify the inclusion in the Annual Caps of the estimated contract sums required for Contracting Services to be provided by the NWS Group under the NWS Master Services Agreement.

## NWDS Master Services Agreement

Categories	Annual Caps		
	FY2021 (HK\$'000)	FY2022 (HK\$'000)	FY2023 (HK\$'000)
FSE Services (not including laundry services of the Cleaning and Laundry Services and Facility and Property Management Services) to be provided by the Group	27,178	66,504	51,196
NWDS Services to be provided by the NWDS Group *	<u>1,262</u>	<u>1,389</u>	<u>1,528</u>
<b>Total</b>	<u><u>28,440</u></u>	<u><u>67,893</u></u>	<u><u>52,724</u></u>

\* The Annual Caps relating to the Rental Services to be provided by NWDS Group represent the lease expenses to be paid/payable by the Group for short-term leases to be entered into after the Group's adoption of HKFRS 16 in FY2021, FY2022 and FY2023.

The increase in Annual Caps for the FSE Services (not including Facility and Property Management Services) as compared with the historical amounts between the Group and the NWDS Group is mainly due to the increase in estimated future demand of projects of the NWDS Group for the Group's electrical & mechanical engineering services (particularly for renovation, fitting out and decoration works) of the existing department stores in Beijing, Shanghai and Shenyang in the Mainland China, which are under negotiation and expected to be implemented during the next three financial years based on the Group's understanding of usual renovation, fitting out and decoration cycle and plan of department stores of NWDS Group in the Mainland China, and estimated to contribute HK\$13.8 million (FY2021), HK\$51.7 million (FY2022) and HK\$35.0 million (FY2023) to the above Annual Caps based on the estimated areas of the department stores. Members of the Group are amongst the handful few of foreign owned enterprises in the Mainland China that has the necessary qualification to undertake the electrical & mechanical engineering works for these projects in holding all the General Contracting Certificate for E&M Installation, Special Contracting Certificate for E&M Equipment Installation, Special Contracting Certificate for Fire Safety Equipment Engineering Works and Safety Production Permit in the Mainland China.

The decrease in Annual Caps for the FSE Services of approximately HK\$9.6 million in FY2019 from that of FY2018 was mainly due to the completion of a renovation project in Zhengzhou, Mainland China. The Group has in the determination of the above Annual Caps taken into account that the Group will continue to remain as one of the major services providers of E&M engineering services to the NWDS Group based on its long standing business relationship with NWDS Group as well as the historical records of the Services Transactions provided by the Group to the NWDS Group under the Former NWDS Master Services Agreement, including those for the FY2018, FY2019 and for the six months ended in December 2019, that the Annual Caps will remain stable and coupled with the factors as stated above.

The increase in Annual Caps for the NWDS Services as compared with the historical amounts between the Group and the NWDS Group is mainly due to the estimated future

demand in floor spaces for office and site office premises, warehouse, carparking spaces and other business uses of the Group to cope with the Group's business growth.

### CTFJ Master Services Agreement

Categories	Annual Caps		
	FY2021 (HK\$'000)	FY2022 (HK\$'000)	FY2023 (HK\$'000)
FSE Services to be provided by the Group	19,882	56,849	24,925
<b>Total</b>	<b>19,882</b>	<b>56,849</b>	<b>24,925</b>

The increase in Annual Caps for the FSE Services as compared with the historical amounts between the Group and the CTFJ Group is mainly due to the estimated future demand by the CTFJ Group for the Group's electrical & mechanical engineering services to be provided as part of the E&M engineering and Environmental Services for a power supply system replacement project at World Peace Centre in Kwai Chung and for the Group's cleaning services to be provided as part of the Cleaning and Laundry Services for shops of the CTFJ Group in various locations in Hong Kong. Since the system replacement project is expected to be completed in FY2022, the Annual Caps for FY2023 will be decreased.

### CTFE Master Services Agreement

Categories	Annual Caps		
	FY2021 (HK\$'000)	FY2022 (HK\$'000)	FY2023 (HK\$'000)
FSE Services to be provided by the Group	112,710	145,428	151,146
<b>Total</b>	<b>112,710</b>	<b>145,428</b>	<b>151,146</b>

The increase in Annual Caps for the FSE Services as compared with the historical amounts between the Group and the CTFE Group is mainly due to the estimated future demand by the CTFE Group for the Group's cleaning services to be provided as part of the Cleaning and Laundry Services for several kindergarten campuses in Hong Kong and two commercial complex in Mainland China, which are estimated to contribute HK\$67.5 million (FY2021), HK\$73.9 million (FY2022) and HK\$81.9 million (FY2023) to the above Annual Caps and for the Group's electrical & mechanical engineering services to be provided as part of the E&M engineering and Environmental Services for two potential commercial construction projects in Wuhan and Shenzhen, Mainland China which are under negotiation and expected to be implemented during and beyond the next three financial years. These two projects are estimated to contribute HK\$15.1 million (FY2021), HK\$28.2 million (FY2022) and HK\$17.7 million (FY2023) to the above Annual Caps.

## Doo's Associates Group Master Services Agreement

Categories	Annual Caps		
	FY2021 (HK\$'000)	FY2022 (HK\$'000)	FY2023 (HK\$'000)
FSE Services to be provided by the Group	137,931	228,962	228,676
Doo's Associates Services to be provided by the Doo's Associates Group *	<u>54,781</u>	<u>79,003</u>	<u>44,319</u>
<b>Total</b>	<u>192,712</u>	<u>307,965</u>	<u>272,995</u>

\* The Annual Caps relating to the Leasing Services to be provided by Doo's Associates Group include the lease expenses to be paid/payable by the Group (for leases entered into before the Group's adoption of HKFRS 16) and the total value of the addition of right-of-use assets to be recognised by the Group (for leases entered into after the Group's adoption of HKFRS 16) in FY2021, FY2022 and FY2023.

The increase in Annual Caps for the FSE Services as compared with the historical amounts between the Group and the Doo's Associates Group is mainly due to the estimated future demand of the projects of the Doo's Associates Group particularly for the electrical & mechanical engineering services to be provided as part of the E&M engineering and Environmental Services for various prospective commercial development projects for multi-purposes commercial buildings and a hotel redevelopment in Shanghai and a hotel development in Yangzhou in the Mainland China which may contribute HK\$90.4 million (FY2021), HK\$59.5 million (FY2022) and HK\$51.5 million (FY2023) and the estimated future demand of the Group's property management services for a multi-purposes commercial building and a hotel development in Shanghai in the Mainland China which may contribute HK\$118.0 million (FY2022) and HK\$124.0 million (FY2023) to the above Annual Caps.

The increase in Annual Caps for the Doo's Associates Services as compared with the historical amounts between the Group and the Doo's Associates Group is mainly due to the increase in the Annual Caps for the Leasing Services and the Other Services to be provided by the Doo's Associates Group to cope with the increase in the Group's future demand for security and guarding services and for Leasing Services of floor spaces of office premises, carparking spaces, wall signages, lighting box, common areas to facilitate the Group's business growth.

### Bases of determination of the Annual Caps

The Annual Caps in respect of the Services Transactions contemplated under each New Master Services Agreement are determined on the following bases:

- (1) in relation to the **FSE Services** to be provided by the Group to members of the relevant counterparty to the New Master Services Agreement:
  - (a) the historical annual or annualised amounts in respect of the relevant FSE

Services provided by members of the Group to members of the relevant counterparty to the New Master Services Agreement during the FY2018, FY2019 and the six months ended 31 December 2019;

- (b) the existing projects in progress (in relation to the E&M engineering and Environmental Services);
  - (c) the potential projects that may be undertaken by the Group (in relation to the E&M engineering and Environmental Services); and
  - (d) the projected annual or annualised amounts in respect of the relevant FSE Services to be provided by the members of the Group to members of the relevant counterparty to the New Master Services Agreement in the next three FY2021, FY2022 and FY2023, having taken into account the following major factors:
    - the estimated future demand for the relevant FSE Services by members of the relevant counterparty to the New Master Services Agreement; and the estimated market prices of such services by reference to the current market prices after factoring into the expected increase in service costs in providing the relevant FSE Services taking into account various factors like inflation rate of about 2% to 3%.
- (2) in relation to the **Contracting Services** to be provided to the Group by members of the NWS Group pursuant to the NWS Master Services Agreement:
- (a) the potential projects (in relation to the E&M Engineering Services) that may be undertaken by the Group assuming the Group is able to secure them; and
  - (b) the projected annual or annualised amounts in respect of the Contracting Services to be provided to the Group by members of the NWS Group in the next three FY2021, FY2022 and FY2023, having taken into account the following major factors:
    - the business growth and need of the Group; and
    - the estimated market prices of such services by reference to the current market prices after factoring into the expected increase in service costs as well as inflation of about 2% to 3%.
- (3) in relation to the **Renting Services** to be provided to the Group by the NWS Group pursuant to the NWS Master Services Agreement:
- (a) the historical annual or annualised amounts in respect of the Renting Services provided to the Group by the NWS Group during the FY2018, FY2019 and the six months ended 31 December 2019; and
  - (b) the projected annual or annualised amounts in respect of the Renting Services to be provided to the Group by the NWS Group in the next three FY2021, FY2022 and FY2023, having taken into account the following major factors:
    - the business growth and need of the Group; and

- the estimated market prices of such services by reference to the current market prices after factoring into the expected increase in service costs as well as inflation of about 2% to 3%.
- (4) in relation to the **IT Support Services** to be provided to the Group by the NWD Group pursuant to the NWD Master Services Agreement, the projected annual or annualised amounts in respect of the IT Support Services to be provided to the Group by the NWD Group in the next three FY2021, FY2022 and FY2023, having taken into account the following major factors:
- the business growth and need of the Group; and
  - the estimated market prices of such services by reference to the current market prices after factoring into the expected increase in service costs as well as inflation of about 2% to 3%.
- (5) in relation to the **Rental Services or Leasing Services** to be provided to the Group by members of the NWD Group, the NWDS Group or the Doo's Associates Group pursuant to the NWD Master Services Agreement, the NWDS Master Services Agreement or the Doo's Associates Group Master Services Agreement:
- (a) the existing rentals paid by the Group under the existing lease agreements;
  - (b) the expected rentals as may be paid by the Group at the time of entering into the new lease agreements or upon renewal of the existing lease agreements taking into account the current rentals and expected market rentals of similar properties in similar locations and where applicable, with comparable facilities, obtained from independent property agencies or other parties, including reputable independent professional property valuers; and
  - (c) the Group's demand in floor spaces for office and site office premises, warehouse, spare space, carparking spaces, wall signages, lighting boxes and other business uses of the Group to cope with the Group's business growth.
- (6) in relation to the **Sundry Services** to be provided to the Group by the NWD Group pursuant to the NWD Master Services Agreement:
- (a) the historical annual or annualised amounts in respect of the Sundry Services provided to the Group by the NWD Group during the FY2018, FY2019 and the six months ended 31 December 2019; and
  - (b) the projected annual or annualised amounts in respect of the Sundry Services to be provided to the Group by the NWD Group in the next three FY2021, FY2022 and FY2023, having taken into account the following major factors:
    - the business growth and need of the Group; and
    - the estimated market prices of such services by reference to the current market prices after factoring into the expected increase in service costs as well as inflation of about 2% to 3%.

- (7) in relation to the **Other Services** to be provided to the Group by members of the Doo's Associates Group pursuant to the Doo's Associates Group Master Services Agreement:
- (a) the historical annual or annualised amounts in respect of the Other Services provided to the Group by members of the Doo's Associates Group during the FY2018, FY2019 and the six months ended 31 December 2019;
  - (b) the projected annual or annualised amounts in respect of the Other Services to be provided to the Group by Doo's Associates Group in the next three FY2021, FY2022 and FY2023, having taken into account the following major factors:
    - the business growth and need of the Group;
    - the estimated market prices of such services by reference to the current market prices after factoring into the expected increase in service costs as well as inflation of about 2% to 3%; and
  - (c) the Group's demand in the Other Services to meet the Group's clients' need.

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 Group.

## **INTERNAL CONTROL MEASURES**

The Group has established internal control measures for reporting and monitoring on continuing connected transactions to ensure the compliance with Chapter 14A.

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 for final confirmation by the Company Secretary. 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:

- (1) the independent non-executive Directors of the Company shall, on an annual basis, review the transactions contemplated under the New Master 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 New Master 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.

## **REASONS FOR, AND BENEFITS OF, ENTERING INTO THE NEW MASTER SERVICES AGREEMENTS**

The Services Transactions contemplated under the New Master Services Agreements are of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group, as well as the relevant members of the counterparties to the New Master Services Agreements.

The New Master Services Agreements serve to streamline the Services Transactions between members of the Group and members of the counterparties to the New Master Services Agreements by providing a single basis upon which the Company could comply with the applicable reporting, announcement and independent shareholders' approval requirements under Chapter 14A and thereby reducing the administrative burden and costs of the Company in complying with these requirements.

The members of the relevant counterparties to the New Master Services Agreements are with profound experience and reputation in their respective areas of services and solid financial standing and have demonstrated themselves as reliable services providers or customers of the 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 Group's growth in the long run. The Board does not consider that there is any disadvantage to the Group in entering into the New Master Services Agreements.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into consideration the advice from the Independent Financial Adviser) are of the views that the terms of each of the New Master Services Agreements and the proposed Annual Caps in respect of the Services Transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **CONNECTION BETWEEN THE PARTIES**

As at the date of this announcement:

- Dr. Cheng, the chairman and non-executive Director, is a connected person of the Company. Dr. Cheng is also the brother-in-law of Mr. Doo (one of the controlling shareholders of the Company), 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 NWDS Group, the NWS Group, the CTFE Group and the CTFJ Group. As such, each of the NWD Group, the NWDS Group, the NWS Group, the CTFE Group and the CTFJ Group is treated as a connected person of the Company.

- Mr. Doo is one of the controlling shareholders of the Company and is a connected person of the Company. The Doo's Associates Group are 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. Members of the Doo's Associates Group are associates of Mr. Doo and are connected persons of the Company.

## **REQUIREMENTS OF THE LISTING RULES**

As the highest of the applicable Percentage Ratios in respect of the Annual Caps of each NWD Master Services Agreement and NWS Master Services Agreement is more than 25%, each of them, the Services Transactions contemplated thereunder and its Annual Caps are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A.

As the highest of the applicable Percentage Ratios in respect of the Annual Caps of each CTFE Master Services Agreement and Doo's Associates Group Master Services Agreement is more than 5% and exceeds HK\$10,000,000, each of them, the Services Transactions contemplated thereunder and its Annual Caps are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A.

As the highest of the applicable Percentage Ratios in respect of the Annual Caps of each CTFJ Master Services Agreement and NWDS Master Services Agreement is more than 0.1% but below 5%, each of them, the Services Transactions contemplated thereunder and its Annual Caps are subject to the reporting, annual review, announcement requirements but exempt from the Independent Shareholders' approval requirements under Chapter 14A. Nonetheless, with a view to adhering to enhanced corporate governance practices, the Company will follow the relevant requirements applicable to a non-exempt connected transaction under Chapter 14A and subject each CTFJ Master Services Agreement and NWDS Master Services Agreement, the Services Transactions contemplated thereunder and its Annual Caps to the Independent Shareholders' approval requirements under Chapter 14A.

An EGM will be convened and held by the Company to consider and, if thought fit, approve each of the EGM Matters. The voting at the EGM will be taken by poll.

At the EGM, any Shareholders with a material interest in all or any of the New Master Services Agreements and the Services Transactions contemplated thereunder are required to abstain from voting on the proposed resolutions to be put forwarded to the Independent Shareholders at the EGM for approving the EGM Matters.

In view of the interests of CTFE, CTFJ, NWD, NWDS, NWS and Mr. Doo in the CTFE Master Services Agreement, the CTFJ Master Services Agreement, the NWD Master Services Agreement, the NWDS Master Services Agreement, the NWS Master Services Agreement and the Doo's Associates Group Master Services Agreement, respectively, and the relation between Mr. Doo and Dr. Cheng as mentioned above, each of CTFE, CTFJ, NWD, NWDS, NWS and Mr. Doo and their respective associates are required to abstain from voting at the EGM as aforesaid.

As at the date of this Announcement, amongst these persons who are required to abstain from voting at the EGM as aforesaid, FSE Holdings, being an associate of Mr. Doo and one of controlling shareholders of the Company, is holding 75% of the issued Shares. FSE Holdings will therefore abstain from voting at the EGM as aforesaid.

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 all or any of the EGM Matters who are required to abstain from voting at the EGM as aforesaid.

## **INFORMATION ON THE PARTIES**

### **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 are interested in approximately 44.6% 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, property investment and investment in and/or operation of roads, commercial aircraft leasing, construction, insurance, hotels and other strategic businesses.

### **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 are interested in approximately 60.86% of the total issued share capital of NWS and CTFE is interested in approximately 2.5% of the total issued share capital of NWS.

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

### **NWDS Group**

NWDS is a company incorporated in Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 825). As at the date of this announcement and based on publicly available information, NWD and its subsidiaries are interested in approximately 74.99% of the total issued share capital of NWDS.

To the best knowledge of the Directors, the principal business of NWDS and its subsidiaries is the business of operating department stores and other related businesses, and property investment operations in the Mainland China.

## **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 is interested in approximately 89.34% of the total issued share capital of CTFJ.

To the best knowledge of the Directors, the CTFJ Group is principally engaged in the business of manufacturing and selling of high-end luxury, mass luxury and youth line jewellery products, including gem-set jewellery, gold products and platinum/karat gold products, and distribution of various watch brands.

## **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, CTFE is a wholly-owned subsidiary of Chow Tai Fook (Holding) Limited. Chow Tai Fook (Holding) Limited is a 81.03% owned subsidiary of Chow Tai Fook Capital Limited. Chow Tai Fook Capital Limited is owned as to 48.98% and 46.65% by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited, respectively.

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

## **Doo's Associates Group**

Doo's Associates Group includes FSE Management which is a company incorporated in Hong Kong with limited liability. As at the date of this announcement and based on publicly available information, the entire issued share capital of FSE Management was held by FSE Holdings, which is in turn beneficially owned as to 63% by Mr. Doo, 18% by Dr. Cheng, 7% by Mr. Wong Kwok Kin, Andrew, 2% by Mr. Lam Wai Hon, Patrick, 9% by Mr. Doo William Junior Guilherme and 1% by Mr. Lee Kwok Bong.

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

## **The Group**

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

## **GENERAL**

The Independent Board Committee (comprising Mr. Hui Chiu Chung, Stephen, Mr. Lee Kwan Hung, Eddie and Dr. Tong Yuk Lun, Paul, all of them are independent non-executive Directors) has been established to consider the EGM Matters and to advise and provide recommendation to the Independent Shareholders as to whether the EGM Matters are on

normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Somerley Capital 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 EGM Matters.

A circular containing further details relating to 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 is expected to be despatched to the Shareholders on or about 1 June 2020 as time is required to prepare the required information for inclusion in the circular.

## DEFINITIONS

In this announcement, all references to Rules and Chapters are references to Rules and Chapters of the Listing Rules unless otherwise stated.

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

<b>“30%-controlled company”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Annual Caps”</b>	with respect to any New Master Services Agreement, the estimated maximum aggregate annual amounts in respect of the Services Transactions contemplated thereunder for each of the FY2021, FY2022 and FY2023
<b>“associate”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Board”</b>	the board of Directors
<b>“Company”</b>	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)
<b>“connected person”</b>	has the meaning ascribed to it under the Listing Rules
<b>“controlling shareholder”</b>	has the meaning ascribed to it under the Listing Rules
<b>“CTFE”</b>	Chow Tai Fook Enterprises Limited (周大福企業有限公司), a company incorporated in Hong Kong with limited liability
<b>“CTFE Group”</b>	CTFE and its subsidiaries from time to time
<b>“CTFJ”</b>	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)

<b>“CTFJ Group”</b>	CTFJ and its subsidiaries from time to time
<b>“Definitive Agreements”</b>	with respect to any New Master Services Agreement, the individual definitive agreements in respect of the Services Transactions which may from time to time be entered into pursuant thereto
<b>“Director”</b>	the director of the Company
<b>“Doo’s Associates Group”</b>	companies, other than members of the 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
<b>“Dr. Cheng”</b>	Dr. Cheng Kar Shun, Henry, the chairman and non-executive Director of the Company
<b>“Effective Date”</b>	1 July 2020
<b>“EGM”</b>	an extraordinary general meeting of the Company to be convened and held to consider and approve the EGM Matters
<b>“EGM Matters”</b>	the New Master Services Agreements, the Services Transactions contemplated thereunder and their Annual Caps
<b>“Former Master Services Agreements”</b>	<p>the following former master services agreements collectively:</p> <ol style="list-style-type: none"> <li>(1) the master services agreements dated 11 April 2018 and 16 December 2019 (“<b>Former CTFE Master Services Agreements</b>”) entered into between the Company and CTFE in relation to the provision of some of the FSE Services by the Group to the CTFE Group;</li> <li>(2) the master services agreements dated 10 April 2017, 11 April 2018 and 16 December 2019 (“<b>Former CTFJ Master Services Agreements</b>”) entered into between the Company and CTFJ in relation to the provision of some of the FSE Services by the Group to the CTFJ Group;</li> <li>(3) the master services agreements dated 10 April 2017, 11 April 2018 and 16 December 2019 (“<b>Former Doo’s Associates Group Master Services Agreements</b>”) entered into between the Company and FSE Management in relation to the provision of, among other services, the FSE Services and the Doo’s Associates Services between the Group and the Doo’s Associates Group;</li> </ol>

- (4) the master services agreements dated 10 April 2017, 11 April 2018 and 16 December 2019 (“**Former NWD Master Services Agreements**”) entered into between the Company and NWD in relation to the provision of, among other services, the FSE Services and the NWD Services between the Group and the NWD Group;
- (5) the master services agreements dated 10 April 2017 and 11 April 2018 (“**Former NWDS Master Services Agreements**”) entered into between the Company and NWDS in relation to the provision of, among other services, the FSE Services and the NWDS Services between the Group and the NWDS Group; and
- (6) the master services agreements dated 10 April 2017, 11 April 2018 and 16 December 2019 (“**Former NWS Master Services Agreements**”) entered into between the Company and NWS in relation to the provision of, among other services, the FSE Services and the NWS Services between the Group and the NWS Group

<b>“FSE Holdings”</b>	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 issued Shares carrying the right to vote at general meetings of the Company as at the date of this Announcement
<b>“FSE Management”</b>	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
<b>“FY” or “financial year”</b>	financial year of the Company ended or ending 30 June
<b>“Group”</b>	the Company and its subsidiaries from time to time
<b>“HKFRS”</b>	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
<b>“Independent Board Committee”</b>	an independent committee of the Board, which comprises three independent non-executive Directors, namely 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 EGM Matters
<b>“Independent Shareholders”</b>	the Shareholders, other than FSE Holdings, CTFJ, CTFE, NWD, NWDS, NWS, Mr. Doo and their respective associates, who do not have any material interest in the EGM Matters to be considered at the EGM

<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Mr. Doo”</b>	Mr. Doo Wai Hoi, William, one of the controlling shareholders of the Company
<b>“New Master Services Agreements”</b>	<p>the following new master services agreements collectively:</p> <ol style="list-style-type: none"> <li>(1) the new master services agreement dated 24 April 2020 (<b>“CTFE Master Services Agreement”</b>) entered into between the Company and CTFE in relation to the provision of the FSE Services by the Group to the CTFE Group;</li> <li>(2) the new master services agreement dated 24 April 2020 (<b>“CTFJ Master Services Agreement”</b>) entered into between the Company and CTFJ in relation to the provision of the FSE Services by the Group to the CTFJ Group;</li> <li>(3) the new master services agreement dated 24 April 2020 (<b>“Doo’s Associates Group Master Services Agreement”</b>) entered into between the Company and FSE Management in relation to (a) the provision of the FSE Services by the Group to the Doo’s Associates Group; and (b) the provision of the Doo’s Associates Services by the Doo’s Associates Group to the Group;</li> <li>(4) the new master services agreement dated 24 April 2020 (<b>“NWD Master Services Agreement”</b>) entered into between the Company and NWD in relation to (a) the provision of the FSE Services by the Group to the NWD Group; and (b) the provision of the NWD Services by the NWD Group to the Group as a definitive agreement to the NWD Services Group Master Services Agreement;</li> <li>(5) the new master services agreement dated 24 April 2020 (<b>“NWDS Master Services Agreement”</b>) entered into between the Company and NWDS in relation to (a) the provision of the E&amp;M engineering and Environmental Services and Cleaning and Laundry Services (excluding the laundry services) by the Group to the NWDS Group; and (b) the provision of the NWDS Services by the NWDS Group to the Group as a definitive agreement to the NWDS Services Group Master Services Agreement; and</li> <li>(6) the new master services agreement dated 24 April 2020 (<b>“NWS Master Services Agreement”</b>) entered into between the Company and NWS in relation to (a) the</li> </ol>

provision of the FSE Services (excluding provision of carparking and facility management services) by the Group to the NWS Group; and (b) the provision of the NWS Services by the NWS Group to the Group as a definitive agreement to the NWS Services Group Master Services Agreement

<b>“NWD”</b>	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)
<b>“NWD Group”</b>	NWD and its subsidiaries from time to time (but excluding the NWDS Group and the NWS Group for the purpose of the NWD Master Services Agreement)
<b>“NWD Services Group Master Services Agreement”</b>	the master services agreement dated 24 April 2020 made between Mr. Doo and NWD in relation to the provision of services as contemplated thereunder by the Services Group to the NWD Group and vice versa
<b>“NWDS”</b>	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)
<b>“NWDS Group”</b>	NWDS and its subsidiaries from time to time
<b>“NWDS Services Group Master Services Agreement”</b>	the master services agreement dated 17 April 2017 made between Mr. Doo and NWDS in relation to the provision of services as contemplated thereunder by the Services Group to the NWDS Group and vice versa
<b>“NWS”</b>	NWS Holdings Limited, 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)
<b>“NWS Group”</b>	NWS and its subsidiaries from time to time
<b>“NWS Services Group Master Services Agreement”</b>	the master services agreement dated 24 April 2020 made between Mr. Doo and NWS in relation to the provision of services as contemplated thereunder by the Services Group to the NWS Group and vice versa
<b>“Percentage Ratios”</b>	the applicable percentage ratios under Rule 14.07
<b>“Services”</b>	(A) the following services (“FSE Services”): <ul style="list-style-type: none"><li>• provision of services as contractors, management contractors and project managers, building and</li></ul>

general construction, civil engineering, building exterior and interior design, building repair, renovation, maintenance consultancy and other services, demolition, building and property fitting out and decoration work, construction management and the supply of construction and building equipment and materials, electrical and mechanical engineering works, supply and installation of air-conditioning, heating and ventilation systems, fire services systems, plumbing and drainage systems, electrical systems, system design and consultancy, computer aided drafting services and related services (**“E&M engineering and Environmental Services”**);

- (a) cleaning services including general cleaning, waste management and disposal, external wall and window cleaning, pest control and clinical waste management rendered at commercial buildings, residential buildings, public transportations and other public institutions and facilities; and (b) laundry services including laundry, dry cleaning and linen management services to corporate customers and the operation of dry cleaning and laundry retail valet outlets and other related services (the **“Cleaning and Laundry Services”**); and
- facility and property management services, letting agency services, consultancy services, property sales, the provision of carparking, management and other related services (the **“Facility and Property Management Services”**)

(B) the following services (**“NWD Services”**):

- leasing of properties, including without limitation, spare spaces, office spaces and carparking spaces, and related services (**“Rental Services”**);
- appointment, coordination, consultancy and other related services (**“Sundry Services”**);
- the maintenance and support of computer software-related matters, such as solving software and hardware conflicts and usability problems and supplying updates and patches for bugs, security holes in the programme and other services as required by in-house IT staff as and when necessary (**“IT Support Services”**); and
- supply of construction and building equipment and materials (**“Materials Supply Services”**)

(C) the following services (“**NWDS Services**”):

- the Rental Services

(D) the following services (“**NWS Services**”):

- provision of services as main contractors, management contractors and project managers, building and general construction, civil engineering, building exterior and interior design, building repair, renovation, maintenance consultancy and other services, demolition, building and property fitting out and decoration work, construction management, supply of construction and building equipment and materials, system design and consultancy, computer aided drafting services and related services (the “**Contracting Services**”);
- provision of convention and exhibition facilities and related functions and services and food and beverage catering services (“**Facility Management Services**”); and
- rental of properties, spare spaces, carparking spaces, vehicle and vessels and related services (“**Renting Services**”)

(E) the following services (“**Doo’s Associates Services**”):

- leasing of properties, including without limitation, spare spaces, office spaces and carparking spaces, licences for the use of wall signages, lighting boxes and the use of common areas and related services (“**Leasing Services**”); and
- security and guarding, landscaping and other related service (“**Other Services**”)

## “**Services Group**”

Mr. Doo and any company in the equity capital of which Mr. Doo is or will be directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the voting power at general meetings from time to time or to control the composition of a majority of the board of directors, and the subsidiaries of such companies. The Doo’s Associates Group and the Group are members of the Services Group

“ <b>Services Transactions</b> ”	with respect to any New Master Services Agreement, the provision of the Services as contemplated thereunder (as more particularly set out under the paragraph headed “ <b>New Master Services Agreements</b> ” of this announcement above)
“ <b>Share</b> ”	ordinary share of par value HK\$0.10 in the share capital of the Company
“ <b>Shareholder</b> ”	the holder of any Share
“ <b>Somerley Capital</b> ” or “ <b>Independent Financial Adviser</b> ”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) 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 EGM Matters
“ <b>Stock Exchange</b> ”	The Stock Exchange of Hong Kong Limited
“ <b>HKS</b> ”	Hong Kong dollars, the lawful currency of Hong Kong
“ <b>%</b> ”	per cent.

By order of the Board  
**FSE Services Group Limited**  
**Lam Wai Hon, Patrick**  
*Vice-Chairman*

Hong Kong, 24 April 2020

*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.*