

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this Circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **FSE Services Group Limited**, you should at once hand this Circular to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**FSE SERVICES GROUP LIMITED**

**豐盛服務集團有限公司**

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

**(Stock Code: 331)**

**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**

**AND**

**NOTICE OF EGM**

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



**SOMERLEY CAPITAL LIMITED**

All capitalised terms used in this Circular shall have the meanings ascribed to them in the section headed "Definitions" of this Circular.

A letter from the Board is set out on pages 11 to 54 of this Circular. A letter from the Independent Board Committee is set out on pages 55 to 56 of this Circular. A letter from Somerley Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 57 to 90 of this Circular.

A notice convening the EGM to be held at 17th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong on Monday, 22 June 2020 at 11:00 a.m. is set out on pages EGM-1 to EGM-5 in this Circular.

A form of proxy for use at the EGM is enclosed with this Circular. Whether or not you are able to attend the EGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the EGM should you so wish.

1 June 2020

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## DEFINITIONS

*In this Circular,*

*(a) all references to Rules and Chapters are references to Rules and Chapters of the Listing Rules unless otherwise stated.*

*(b) the following expressions have the following meanings, unless the context requires otherwise.*

“30%-controlled company”	has the meaning ascribed to it under the Listing Rules
“Announcement”	the announcement of the Company dated 24 April 2020 in relation to the Services Transactions contemplated under the New Master Services Agreements
“Annual Caps”	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
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	FSE Services Group Limited (豐盛服務集團有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 331)
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“CTFE”	Chow Tai Fook Enterprises Limited (周大福企業有限公司), a company incorporated in Hong Kong with limited liability
“CTFE Group”	CTFE and its subsidiaries from time to time
“CTFJ”	Chow Tai Fook Jewellery Group Limited (周大福珠寶集團有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 1929)
“CTFJ Group”	CTFJ and its subsidiaries from time to time
“Definitive Agreements”	with respect to any 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

## DEFINITIONS

“Director”	the director of the Company
“Doo’s Associates Group”	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
“Dr. Cheng”	Dr. Cheng Kar Shun, Henry, the chairman and a non-executive Director of the Company
“Effective Date”	1 July 2020
“EGM”	an extraordinary general meeting of the Company to be convened and held at 17th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong on Monday, 22 June 2020 at 11:00 a.m. to consider and approve the EGM Matters
“EGM Matters”	the New Master Services Agreements, the Services Transactions contemplated thereunder respectively and their Annual Caps
“Former Master Services Agreements”	<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>

## DEFINITIONS

- (4) the master services agreements dated 10 April 2017 and 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

“FSE Holdings”	FSE Holdings Limited (豐盛創建控股有限公司), a company incorporated in the Cayman Islands with limited liability and a controlling shareholder of the Company holding 75% of the issued Shares carrying the right to vote at general meetings of the Company as at the Latest Practicable Date
“FSE Management”	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
“FY” or “financial year”	financial year of the Company ended or ending 30 June
“Group”	the Company and its subsidiaries from time to time
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Independent Board Committee”	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

## DEFINITIONS

“Independent Shareholders”	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
“Latest Practicable Date”	26 May 2020, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained in this Circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Doo”	Mr. Doo Wai Hoi, William, one of the controlling shareholders of the Company
“Mr. Doo Jr.”	Mr. Doo William Junior Guilherme, an executive Director of the Company
“Mr. Kwong”	Mr. Kwong Che Keung, Gordon, an independent non-executive Director of the Company
“Mr. Lam”	Mr. Lam Wai Hon, Patrick, the vice-chairman and an executive Director of the Company
“New Master Services Agreements”	<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></ol>

## DEFINITIONS

- (4) the new master services agreement dated 24 April 2020 (“**NWD Master Services Agreement**”) 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;
- (5) the new master services agreement dated 24 April 2020 (“**NWDS Master Services Agreement**”) entered into between the Company and NWDS in relation to (a) the provision of the E&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
- (6) the new master services agreement dated 24 April 2020 (“**NWS Master Services Agreement**”) entered into between the Company and NWS in relation to (a) the 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

“NWD”	New World Development Company Limited (新世界發展有限公司), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 17)
“NWD Group”	NWD and its subsidiaries from time to time but excluding the NWDS Group and the NWS Group
“NWD Services Group Master Services Agreement”	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

## DEFINITIONS

“NWDS”	New World Department Store China Limited (新世界百貨中國有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 825)
“NWDS Group”	NWDS and its subsidiaries from time to time
“NWDS Services Group Master Services Agreement”	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
“NWS”	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)
“NWS Group”	NWS and its subsidiaries from time to time
“NWS Services Group Master Services Agreement”	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
“Percentage Ratios”	the applicable percentage ratios under Rule 14.07
“relevant counterparty(ies) to the New Master Services Agreement(s)”	CTFE Group, CTFJ Group, the Doo’s Associates Group, the NWD Group, the NWDS Group or as the case may be, the NWS Group

## DEFINITIONS

“Services”

the provision of the following services collectively:

(A) the following services (“**FSE Services**”):

- provision of services as 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 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 (the “**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**”)

## DEFINITIONS

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

- leasing of properties, including without limitation, spare spaces, office spaces and carparking spaces, and related services (the “**Rental Services**”);
- appointment, coordination, consultancy and other related services (the “**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 (the “**IT Support Services**”); and
- supply of construction and building equipment and materials (the “**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 (the “**Facility Management Services**”); and
- rental of properties, spare spaces, carparking spaces, vehicle and vessels and related services (the “**Renting Services**”)

## DEFINITIONS

(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 (the “**Leasing Services**”); and
- security and guarding, landscaping and other related service (the “**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

“Services Transactions”

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 “**New Master Services Agreements**” of the Letter from the Board of this Circular)

“SFO”

the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

“Share”

ordinary share of par value HK\$0.10 in the share capital of the Company

“Shareholder”

the holder of any Share

“Somerey Capital” or  
“Independent Financial  
Adviser”

Somerey 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

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

## DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



**FSE SERVICES GROUP LIMITED**

**豐盛服務集團有限公司**

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

**(Stock Code: 331)**

*Non-executive Directors:*

Dr. Cheng Kar Shun, Henry (*Chairman*)

Mr. Wong Kwok Kin, Andrew

*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

Mr. Wong Shu Hung

*(Dr. Cheng Chun Fai as his alternate)*

*Independent Non-executive Directors:*

Mr. Kwong Che Keung, Gordon

Mr. Hui Chiu Chung, Stephen

Mr. Lee Kwan Hung, Eddie

Dr. Tong Yuk Lun, Paul

*Registered office:*

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and principal place*

*of business in Hong Kong:*

Units 801–810, 8th Floor

Chevalier Commercial Centre

8 Wang Hoi Road

Kowloon Bay, Kowloon

Hong Kong

1 June 2020

*To the Shareholders*

Dear Sir or Madam

**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**

**INTRODUCTION**

Reference is made to the Announcement. As disclosed in the Announcement, 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

## LETTER FROM THE BOARD

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 purpose of this Circular is to provide you with, among other matters, (i) further details of the New Master Services Agreements and the Services Transactions contemplated thereunder respectively; (ii) the advice of the Independent Board Committee to the Independent Shareholders; (iii) the advice from Somerley Capital to the Independent Board Committee and the Independent Shareholders; and (iv) other information as required under the Listing Rules.

### 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.

## LETTER FROM THE BOARD

**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.

## LETTER FROM THE BOARD

### 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 the initial term to terminate the NWS Master Services Agreement.

## LETTER FROM THE BOARD

**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.

## LETTER FROM THE BOARD

**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 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.

## LETTER FROM THE BOARD

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.

## LETTER FROM THE BOARD

**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.

## LETTER FROM THE BOARD

**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.

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### 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.

## LETTER FROM THE BOARD

**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 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 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 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.

## **LETTER FROM THE BOARD**

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 relevant counterparty to the New Master Services Agreement;
- (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).

## LETTER FROM THE BOARD

### **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 relevant 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 comprising the chief executive officer and the chief financial officer) for ensuring the fairness, reasonableness and competitiveness of the tender price 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

## LETTER FROM THE BOARD

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 independent 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

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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.

## LETTER FROM THE BOARD

### *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 geographic location/region, the contract duration and the nature and complexity of the relevant project; the expected competitiveness of the tender based on the previous experience; the expectation of the service quality by the client; the historical profit margin of similar type of existing contract and the government policy in the region at which the relevant projects are to be carried out. 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

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- 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;
- the proposed profit margin for the cleaning services would be determined taking into account factors including the geographic location/region, the contract duration and the nature and complexity of the relevant project; the expectation of the service quality by the client; the expected competitiveness of the tender based on the previous experience; the historical profit margin of similar type of existing contract and the government policy in the region at which the relevant projects are to be carried out;
- 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

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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 (such as whether the project is a commercial property or a private or a public residential property or a mixed complex; the brand, size and location; the scope and quality of required services; the complication in customer/tenant handling; the contract period; the estimated costs and target profit margins; the market fee/or rate charged by the competitors); 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

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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 of not less than 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 the 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.

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### *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

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- 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.

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### *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**

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

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**Services between the Group and the NWS Group**

<b>Categories</b>	<b>Aggregate transaction amount</b>		
	<b>FY2018</b> <i>(HK\$'000)</i>	<b>FY2019</b> <i>(HK\$'000)</i>	<b>Six months ended 31 December 2019</b> <i>(HK\$'000)</i>
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**

<b>Categories</b>	<b>Aggregate transaction amount</b>		
	<b>FY2018</b> <i>(HK\$'000)</i>	<b>FY2019</b> <i>(HK\$'000)</i>	<b>Six months ended 31 December 2019</b> <i>(HK\$'000)</i>
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>	<u><u>9,723</u></u>	<u><u>132</u></u>	<u><u>95</u></u>

**Services between the Group and the CTFJ Group**

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

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**Services between the Group and the CTFE Group**

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

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

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

**PREVIOUS ANNUAL CAPS**

The annual caps in respect of the Services Transactions contemplated under each of the Former Master Services Agreements for the FY2018, FY2019 and FY2020 respectively are as follows:

**Former NWD Master Services Agreement**

<b>Categories</b>	<b>Annual Caps</b>		
	<b>FY2018</b> <i>(HK\$'000)</i>	<b>FY2019</b> <i>(HK\$'000)</i>	<b>FY2020</b> <i>(HK\$'000)</i>
FSE Services provided or to be provided by the Group	674,316	791,777	1,012,149
NWD Services provided or to be provided by the NWD Group	1,591	1,750	3,638
<b>Total</b>	<b>675,907</b>	<b>793,527</b>	<b>1,015,787</b>

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**Former NWS Master Services Agreement**

<b>Categories</b>	<b>Annual Caps</b>		
	<b>FY2018</b> <i>(HK\$'000)</i>	<b>FY2019</b> <i>(HK\$'000)</i>	<b>FY2020</b> <i>(HK\$'000)</i>
FSE Services (excluding provision of carparking and facility management services) provided or to be provided by the Group	1,838,881	2,238,646	2,652,230
NWS Services provided or to be provided by the NWS Group	20,116	20,122	20,223
<b>Total</b>	<b>1,858,997</b>	<b>2,258,768</b>	<b>2,672,453</b>

**Former NWDS Master Services Agreement**

<b>Categories</b>	<b>Annual Caps</b>		
	<b>FY2018</b> <i>(HK\$'000)</i>	<b>FY2019</b> <i>(HK\$'000)</i>	<b>FY2020</b> <i>(HK\$'000)</i>
FSE Services (not including Facility and Property Management Services) provided or to be provided by the Group	79,535	90,363	94,643
NWDS Services provided or to be provided by the NWDS Group	334	368	405
<b>Total</b>	<b>79,869</b>	<b>90,731</b>	<b>95,048</b>

**Former CTFJ Master Services Agreement**

<b>Categories</b>	<b>Annual Caps</b>		
	<b>FY2018</b> <i>(HK\$'000)</i>	<b>FY2019</b> <i>(HK\$'000)</i>	<b>FY2020</b> <i>(HK\$'000)</i>
FSE Services provided or to be provided by the Group	16,329	17,441	22,787
<b>Total</b>	<b>16,329</b>	<b>17,441</b>	<b>22,787</b>

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**Former CTFE Master Services Agreement**

<b>Categories</b>	<b>Annual Caps</b>		
	<b>FY2018</b> <i>(HK\$'000)</i>	<b>FY2019</b> <i>(HK\$'000)</i>	<b>FY2020</b> <i>(HK\$'000)</i>
FSE Services provided or to be provided by the Group	142,770	305,386	302,801
<b>Total</b>	<b>142,770</b>	<b>305,386</b>	<b>302,801</b>

**Former Doo's Associates Group Master Services Agreement**

<b>Categories</b>	<b>Annual Caps</b>		
	<b>FY2018</b> <i>(HK\$'000)</i>	<b>FY2019</b> <i>(HK\$'000)</i>	<b>FY2020</b> <i>(HK\$'000)</i>
FSE Services provided or to be provided by the Group	230,289	350,416	500,846
Doo's Associates Services provided or to be provided by the Doo's Associates Group	17,835	26,243	33,251
<b>Total</b>	<b>248,124</b>	<b>376,659</b>	<b>534,097</b>

**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**

<b>Categories</b>	<b>Annual Caps</b>		
	<b>FY2021</b> <i>(HK\$'000)</i>	<b>FY2022</b> <i>(HK\$'000)</i>	<b>FY2023</b> <i>(HK\$'000)</i>
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*	32,767	58,381	57,948
<b>Total</b>	<b>1,992,873</b>	<b>2,590,591</b>	<b>2,390,716</b>

\* *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.*

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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 sizable potential and existing commercial development projects in Hong Kong and various provinces in the Mainland China (with the revenue expected to be contributed by these existing projects and potential projects based on their estimated percentage of completion) which include, among others, the following:

- (i) Existing 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. Contracts have been entered for these existing projects; and
- (ii) Potential 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 material supply services required in the Group's E&M engineering projects. The increase in Annual Caps as compared with the historical transaction amounts is mainly due to the Group's business growth and estimated future demand for NWD Services from the NWD Group in respect of an existing commercial development contract in the SKYCITY at the Hong Kong International Airport as well as the Group's potential projects for two commercial development projects in Cheung Sha Wan and a number of potential projects in Ningbo, Shenzhen, Guangzhou, Wuhan and Beijing. The transaction amounts are estimated by reference to the projected material supply services according to the estimated materials requirement and site progress of each project in the upcoming three financial years.

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### NWS Master Services Agreement

<b>Categories</b>	<b>Annual Caps</b>		
	<b>FY2021</b> <i>(HK\$'000)</i>	<b>FY2022</b> <i>(HK\$'000)</i>	<b>FY2023</b> <i>(HK\$'000)</i>
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 sizable potential and existing projects (with the revenue expected to be contributed by these existing projects and potential projects based on their estimated percentage of completion) which include, among others, the following:

- (i) Existing 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. Contracts have been entered for these existing projects; and
- (ii) Potential 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

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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

<b>Categories</b>	<b>Annual Caps</b>		
	<b>FY2021</b> <i>(HK\$'000)</i>	<b>FY2022</b> <i>(HK\$'000)</i>	<b>FY2023</b> <i>(HK\$'000)</i>
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 potential 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,

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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 Agreements, including those for the FY2018, FY2019 and for the six months ended 31 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

<b>Categories</b>	<b>Annual Caps</b>		
	<b>FY2021</b> <i>(HK\$'000)</i>	<b>FY2022</b> <i>(HK\$'000)</i>	<b>FY2023</b> <i>(HK\$'000)</i>
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 potential project relating to power supply system replacement at World Peace Centre in Kwai Chung (with the revenue expected to be contributed by this potential project based on their expected completion date) 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.

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### CTFE Master Services Agreement

<b>Categories</b>	<b>Annual Caps</b>		
	<b>FY2021</b> <i>(HK\$'000)</i>	<b>FY2022</b> <i>(HK\$'000)</i>	<b>FY2023</b> <i>(HK\$'000)</i>
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. These potential cleaning services contracts 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 (with the revenue expected to be contributed by these potential E&M projects based on their estimated percentage of completion) 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

<b>Categories</b>	<b>Annual Caps</b>		
	<b>FY2021</b> <i>(HK\$'000)</i>	<b>FY2022</b> <i>(HK\$'000)</i>	<b>FY2023</b> <i>(HK\$'000)</i>
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*	54,781	79,003	44,319
<b>Total</b>	<b>192,712</b>	<b>307,965</b>	<b>272,995</b>

\* *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 potential commercial development projects for multi-purposes commercial buildings and a potential hotel redevelopment in Shanghai and a potential

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hotel development in Yangzhou in the Mainland China (with the revenue expected to be contributed by these potential projects based on their estimated percentage of completion) 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 (with the revenue expected to be contributed by these potential property management contracts based on estimated future demand by the Doo's Associates Group and the estimated market prices) 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) and the estimated transaction amount is based on the estimated percentage of completion of each project;
  - (c) the potential projects that may be undertaken by the Group (in relation to the E&M engineering and Environmental Services) and the estimated transaction amount is based on the estimated percentage of completion of each project; 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

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- 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

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- 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;

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- (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.
- (8) in relation to the **Materials Supply Services** to be provided to the Group by members of the NWD Group pursuant to the NWD Master Services Agreement:
- (a) the existing projects in progress (in relation to the E&M engineering and Environmental Services);
- (b) the potential projects (in relation to the E&M engineering and Environmental Services) that may be undertaken by the Group assuming the Group is able to secure them; and
- (c) the projected annual or annualised amounts in respect of the Materials Supply Services to be provided to the Group by members of 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%.

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

## **LETTER FROM THE BOARD**

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 relevant 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 relevant 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.

## LETTER FROM THE BOARD

The Directors (excluding those who had abstained from voting at the Board meeting approving the relevant New Master Services Agreements as described in the paragraph headed “Approval by the Board” below but including the independent non-executive Directors who are members of the Independent Board Committee) 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 Latest Practicable Date:

- 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 Jr. (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

## LETTER FROM THE BOARD

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.

In the event that any Annual Cap is exceeded or any New Master Services Agreement is renewed or materially varied, the Company will re-comply with the applicable reporting, announcement and Independent Shareholders' approval requirements in accordance with the Listing Rules.

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 advise and provide recommendation to the Independent Shareholders as to whether the EGM Matters are on normal commercial terms, fair and reasonable in so far as the Company and the Independent Shareholders are concerned, 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, and whether they are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote.

### APPROVAL BY THE BOARD

A Director whose name is set out opposite to a New Master Services Agreement in the table below is regarded as having a material interest or potential conflict of interest in the corresponding New Master Services Agreement.

	<b>Director who is regarded as having a material interest or potential conflict of interest in the relevant New Master Services Agreement</b>	<b>Basis upon which the Director is regarded as having a material interest or potential conflict of interest</b>
<b>Services Transactions contemplated under:</b>		
<b>NWD Master Services Agreement</b>	Dr. Cheng	<ul style="list-style-type: none"><li>• He is a director of NWD</li><li>• He is a member of the Cheng family which holds or controls each of the NWD Group, the NWDS Group, the NWS Group, the CTFJ Group and the CTFE Group</li></ul>

<b>LETTER FROM THE BOARD</b>
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<b>Services Transactions contemplated under:</b>	<b>Director who is regarded as having a material interest or potential conflict of interest in the relevant New Master Services Agreement</b>	<b>Basis upon which the Director is regarded as having a material interest or potential conflict of interest</b>
<b>NWDS Master Services Agreement</b>	Dr. Cheng	<ul style="list-style-type: none"> <li>● He is a director of NWDS</li> <li>● He is a member of the Cheng family which holds or controls each of the NWD Group, the NWDS Group, the NWS Group, the CTFJ Group and the CTFE Group</li> </ul>
<b>NWS Master Services Agreement</b>	Dr. Cheng	<ul style="list-style-type: none"> <li>● He is a director of NWS</li> <li>● He is a member of the Cheng family which holds or controls each of the NWD Group, the NWDS Group, the NWS Group, the CTFJ Group and the CTFE Group.</li> </ul>
	Mr. Doo Jr.	<ul style="list-style-type: none"> <li>● He is a non-executive director of NWS</li> </ul>
	Mr. Lam	<ul style="list-style-type: none"> <li>● He is a non-executive director of NWS</li> </ul>
	Mr. Kwong	<ul style="list-style-type: none"> <li>● He is an independent non-executive director of NWS</li> </ul>
<b>CTFJ Master Services Agreement</b>	Dr. Cheng	<ul style="list-style-type: none"> <li>● He is a director of CTFJ</li> <li>● He is a member of the Cheng family which holds or controls each of the NWD Group, the NWDS Group, the NWS Group, the CTFJ Group and the CTFE Group.</li> </ul>
	Mr. Kwong	<ul style="list-style-type: none"> <li>● He is an independent non-executive director of CTFJ</li> </ul>
<b>CTFE Master Services Agreement</b>	Dr. Cheng	<ul style="list-style-type: none"> <li>● He is a director of CTFE</li> </ul>

<b>LETTER FROM THE BOARD</b>
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<b>Services Transactions contemplated under:</b>	<b>Director who is regarded as having a material interest or potential conflict of interest in the relevant New Master Services Agreement</b>	<b>Basis upon which the Director is regarded as having a material interest or potential conflict of interest</b>
<b>Doo's Associates Group Master Services Agreement</b>	Dr. Cheng	<ul style="list-style-type: none"> <li>● He is a member of the Cheng family which holds or controls each of the NWD Group, the NWDS Group, the NWS Group, the CTFJ Group and the CTFE Group.</li> </ul>
	Mr. Doo Jr.	<ul style="list-style-type: none"> <li>● He has interest in some members of the Doo's Associates Group</li> <li>● He has interest in some members of the Doo's Associates Group</li> <li>● He is a director of some members of the Doo's Associates Group</li> </ul>
	Mr. Lam	<ul style="list-style-type: none"> <li>● He has interest in some members of the Doo's Associates Group</li> <li>● He is a director of some members of the Doo's Associates Group</li> </ul>
	Mr. Wong Kwok Kin, Andrew	<ul style="list-style-type: none"> <li>● He has interest in some members of the Doo's Associates Group</li> <li>● He is a director of FSE Holdings</li> </ul>
	Mr. Lee Kwok Bong	<ul style="list-style-type: none"> <li>● He has interest in some members of the Doo's Associates Group</li> <li>● He is a director of some members of the Doo's Associates Group</li> </ul>

Each of Dr. Cheng, Mr. Kwong, Mr. Doo Jr., Mr. Lam, Mr. Wong Kwok Kin, Andrew and Mr. Lee Kwok Bong who was present at the Board meeting approving the New Master Services Agreements had abstained from voting on the resolutions approving the relevant EGM Matters in respect of which he is regarded as having a material interest (or as the case may be, a potential conflict of interest) as indicated in the table above.

## LETTER FROM THE BOARD

For good corporate governance:

- Mr. Doo Jr. had voluntarily abstained from voting at the Board meeting approving the NWD Master Services Agreement, the NWDS Master Services Agreement, the CTFE Master Services Agreement and the CTFJ Master Services Agreement, the Services Transactions contemplated thereunder respectively and the Annual Caps though he does not have (nor his associate has) a material interest in any of these agreements and the Services Transactions contemplated thereunder respectively.

Save as disclosed in “3. DISCLOSURE OF OTHER INTERESTS — (1) Interests in contract or arrangement” in the Appendix to this Circular, none of Dr. Cheng, Mr. Wong Kwok Kin, Andrew, Mr. Lee Kwok Bong, Mr. Doo Jr., Mr. Lam and Mr. Kwong had a material interest in the Former Master Services Agreements, the New Master Services Agreements and the Services Transactions contemplated thereunder respectively.

### 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 Latest Practicable Date, approximately 44.6% of the total issued share capital of NWD is held by CTFE and its subsidiaries.

To the best knowledge of the Directors, the principal businesses of the 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 Latest Practicable Date, approximately 60.86% of the total issued share capital of NWS is held by NWD and its subsidiaries and approximately 2.5% of the total issued share capital of NWS is held by CTFE.

To the best knowledge of the Directors, the principal businesses of NWS and its subsidiaries include: (i) the development of, investment in and/or management 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 the 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 Latest Practicable Date, approximately 74.99% of the total issued share capital of NWDS is held by NWD and its subsidiaries.

## LETTER FROM THE BOARD

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 Latest Practicable Date, approximately 89.34% of the total issued share capital of CTFJ is held by Chow Tai Fook (Holding) Limited.

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, including gem-set jewellery products, 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 Latest Practicable Date, 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, the principal business of CTFE is 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 Latest Practicable Date, 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, 9% by Mr. Doo Jr. 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) and property and facility management services and trading of building materials.

## LETTER FROM THE BOARD

### RECOMMENDATIONS

Your attention is drawn to (i) the advice of the Independent Board Committee set out in its letter set out on pages 55 to 56 of this Circular; and (ii) the letter from Somerley Capital to the Independent Board Committee and the Independent Shareholders set out on pages 57 to 90 of this Circular in respect of the EGM Matters and the principal factors considered by Somerley Capital in formulating its advice.

The Independent Board Committee, having taken into account the advice of Somerley Capital, considers that the EGM Matters are fair and reasonable in so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions approving the EGM Matters.

### CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlement of the Shareholders to attend and vote at the EGM (or at any adjournment thereof), the Company's register of Shareholders will be closed from Wednesday, 17 June 2020 to Monday, 22 June 2020 (both days inclusive) during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 16 June 2020.

### EGM

The EGM will be held at 17th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong on Monday, 22 June 2020 at 11:00 a.m. to consider and, if thought fit, to approve the EGM Matters. A notice of the EGM is set out on pages EGM-1 to EGM-5 of this Circular.

The voting at the EGM will be taken by poll.

In accordance with the Listing Rules, any Shareholders with a material interest in all or any of the EGM Matters are required to abstain from voting at the EGM 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 Latest Practicable Date, 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 the 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

## LETTER FROM THE BOARD

of the 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.

A form of proxy for use in connection with the EGM is also enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM or any adjournment thereof if you so wish.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information as set out in the appendices to this Circular.

Yours faithfully  
For and on behalf of  
**FSE Services Group Limited**  
**Lam Wai Hon, Patrick**  
*Vice-Chairman*

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

*The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this Circular.*



**FSE SERVICES GROUP LIMITED**

**豐盛服務集團有限公司**

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

**(Stock Code: 331)**

1 June 2020

*To the Independent Shareholders*

Dear Sir or Madam

**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**

We refer to the circular dated 1 June 2020 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider the EGM Matters (namely, the New Master Services Agreements and the Services Transactions contemplated thereunder and their Annual Caps) and to advise the Independent Shareholders as to whether, in our opinion, the EGM Matters are fair and reasonable in so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Somerley Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the EGM Matters and whether the EGM Matters are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote.

We wish to draw your attention to the letter from the Board as set out on pages 11 to 54 of the Circular which contains, among others, information on the EGM Matters as well as the letter from Somerley Capital as set out on pages 57 to 90 of the Circular which contains its advice in respect of the EGM Matters.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

Having taken into account the advice of Somerley Capital, we consider that the EGM Matters are on normal commercial terms and in the ordinary and usual course of business of the Group, and fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in relation to the EGM Matters.

Yours faithfully  
*Independent Board Committee*  
**Mr. Hui Chiu Chung, Stephen**  
**Mr. Lee Kwan Hung, Eddie**  
**Dr. Tong Yuk Lun, Paul**

## LETTER FROM SOMERLEY CAPITAL

*The following is the letter of advice from Somerley Capital to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



### SOMERLEY CAPITAL LIMITED

20th Floor  
China Building  
29 Queen's Road Central  
Hong Kong

1 June 2020

*To: the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### 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

### INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with (a) the terms of the New Master Services Agreements entered into by the Company on the one hand and (i) NWD; (ii) NWS; (iii) NWDS; (iv) CTFJ; (v) CTFE; and (vi) Doo's Associates Group (the "**Counterparties**") on the other and the Services Transactions contemplated thereunder; and (b) their Annual Caps, details of which are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 1 June 2020 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Circular and the letter from the Board unless the context requires otherwise.

As stated in the letter from the Board, 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 Jr. (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.

## LETTER FROM SOMERLEY CAPITAL

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.

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.

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 relationship 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 Latest Practicable Date, 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 the 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 the 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.

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 in so far as the Company and the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. We, Somerley Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard and to advise the Independent Shareholders on how to vote.

## LETTER FROM SOMERLEY CAPITAL

We, Somerley Capital Limited, are not associated with the Company, each of NWD, NWS, NWDS, CTFJ, CTFE, Doo's Associates Group, or any of their respective associates, and accordingly, are considered eligible to give independent advice on the terms of the New Master Services Agreements and the Services Transactions. Apart from the normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we receive any fees or benefits from the Company, each of NWD, NWS, NWDS, CTFJ, CTFE, Doo's Associates Group or their respective associates. Accordingly, we are independent as defined under Rule 13.84 of the Listing Rules to act as an independent financial adviser to the Independent Board Committee of the Company and the Independent Shareholders.

In formulating our opinion, we have reviewed, amongst others, the New Master Services Agreements, the calculations for determining the proposed Annual Caps for the Services Transactions, the annual reports or interim reports of the Counterparties, if available, and the information contained in the Circular. We have also discussed with the management of the Group regarding the businesses of the Group, the commercial implications of the New Master Services Agreements and the Services Transactions.

We relied on the information and facts supplied, and the opinions expressed to us, by the management of the Group and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information have been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our advice and recommendation with regard to the New Master Services Agreements and the Services Transactions, we have taken into account the principal factors and reasons set out below:

#### **1. Information on 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) and property and facility management services and trading of building materials.

**2. Information on the Counterparties**

*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 Latest Practicable Date, approximately 44.6% of the total issued share capital of NWD is held by CTFE and its subsidiaries.

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 Latest Practicable Date, approximately 60.86% of the total issued share capital of NWS is held by NWD and its subsidiaries and approximately 2.5% of the total issued share capital of NWS is held by CTFE.

To the best knowledge of the Directors, the principal businesses of NWS and its subsidiaries include: (i) the development of investment in and/or management 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 Latest Practicable Date, approximately 74.99% of the total issued share capital of NWDS is held by NWD and its subsidiaries.

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 business 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 Latest Practicable Date, approximately 89.34% of the total issued share capital of CTFJ is held by Chow Tai Fook (Holding) Limited.

## LETTER FROM SOMERLEY CAPITAL

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, including gem-set jewellery products, 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 Latest Practicable Date, 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, the principal business of CTFE is 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 Latest Practicable Date, 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, 9% by Mr. Doo Jr. 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.

### **3. Reasons for, and benefits of, the 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 relevant 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.

## LETTER FROM SOMERLEY CAPITAL

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.

Based on the above, we concur with the Directors' view that the entering into of the New Master Services Agreements is in the ordinary and usual course of business of the Group, and we consider that it is in the interests of the Company and Shareholders as a whole.

#### **4. New Master Services Agreements and pricing policies**

As set out in the letter from the Board, on 24 April 2020, the New Master Services Agreements have been entered into by the Company on the one hand and each of the Counterparties on the other. Each of the New Master Services Agreements shall be for an initial term of three years commencing on the Effective Date and ending on 30 June 2023 (both days inclusive). Members of the Group and members of the Counterparties' Group will, from time to time during the term of the New Master Services Agreements, 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 New Master Services Agreements. All definitive agreements entered into in respect of the transactions contemplated under the Former Master Services Agreements which are subsisting as at the Effective Date will be treated as Definitive Agreements made pursuant to the New Master Services Agreements as from the Effective Date and continue in full force and effect until their termination in accordance with their respective terms. A summary of the type of services to be provided by the Group and the Counterparties and the relevant pricing basis are set out as follows:

*4.1 FSE Services*

**Pricing policies and procedures**

**Our review and assessment**

**E&M engineering and Environmental Services**

- Electrical & mechanical engineering services

  - 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 comprising the chief executive officer and the chief financial officer) for ensuring the fairness, reasonableness and competitiveness of the tender price 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;

We have obtained and reviewed 14 samples of worksheets prepared for tenders for the electrical & mechanical engineering services projects which were awarded by the Counterparties and 17 samples of worksheets prepared for tenders for the electrical & mechanical engineering services projects which were awarded by independent third parties, and noted that the margins charged to the Counterparties fell within the range of the margins charged to the independent third parties.

## Our review and assessment

### Pricing policies and procedures

- 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.

**Pricing policies and procedures**

- Environmental management 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.

**Our review and assessment**

We have obtained and reviewed 2 samples of worksheets prepared for tenders for the environmental management services projects which were awarded by the Counterparties and 2 samples of worksheets prepared for tenders for the environmental management services projects which were awarded by the independent third parties, and noted that the margins charged to the Counterparties fell within or higher than the range of the margins charged to the independent third parties.

**Our review and assessment**

We have obtained and reviewed 7 samples of worksheets prepared for tenders for the cleaning services projects which were awarded by the Counterparties and 7 samples of worksheets prepared for tenders for the cleaning services projects which were awarded by independent third parties, and noted that the margins charged to the Counterparties fell within the range of the margins charged to the independent third parties.

**Pricing policies and procedures**

**Cleaning and Laundry Services**

- 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 geographic location/region, the contract duration and the nature and complexity of the relevant project; the expected competitiveness of the tender based on the previous experience; the expectation of the service quality by the client; the historical profit margin of similar type of existing contract and the government policy in the region at which the relevant projects are to be carried out. 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.

**Our review and assessment**

We have obtained and reviewed 3 samples of worksheets prepared for tenders for laundry service projects which were awarded by the Counterparties and 3 samples of worksheets prepared for tenders for laundry service projects which were awarded by independent third parties, and noted that the margins charged to the Counterparties fell within the range of the margins charged to the independent third parties.

**Pricing policies and procedures**

- 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;
- the proposed profit margin for the cleaning services would be determined taking into account factors including the geographic location/region, the contract duration and the nature and complexity of the relevant project; the expectation of the service quality by the client; the expected competitiveness of the tender based on the previous experience; the historical profit margin of similar type of existing contract and the government policy in the region at which the relevant projects are to be carried out;
- 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 Steering Committee and approved by the director and general manager.

— Laundry services

**Our review and assessment**

We have obtained and reviewed 6 samples of contracts entered into with the Counterparties and 19 samples of contracts entered into with independent third parties, and noted that the margins charged in contracts entered into with the Counterparties fell within the range of the margins charged in contracts entered into with independent third parties.

**Pricing policies and procedures**

- 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 (such as whether the project is a commercial property or a private or public residential property or a mixed complex; the brand, size and location; the scope and quality of required services; the complication in customer/tenant handling; the contract period; the estimated costs and target profit margins; the market fee/or rate charged by the competitors); 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 favourable 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;
- 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; and
- 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.

**Facility and Property Management Services**

Given that we have reviewed and compared 80 samples of contracts or worksheets prepared for tenders across different types of FSE services provided by the Group to Counterparties and to independent third parties and noted that the Group has adopted similar pricing policies and procedures for similar types of FSE Services provided to both the Counterparties and independent third parties and the prices charged to the Counterparties for similar type of services are no less favourable than those charged to the independent third parties, we are of the view that the FSE Services transactions contemplated under the New Master Services Agreements shall be conducted on normal commercial terms and thus the pricing basis and terms are fair and reasonable.

*4.2 Counterparties Services*

**Pricing policies**

- comparables of a sufficient number of fee quotations of not less than 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.

**Our review and assessment**

As advised by the management of the Group, no contracting services contracts have been entered into with the Counterparties for the period from 1 July 2017 to 31 December 2019.

**Contracting Services**

**Facility Management Services**

- 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.

As advised by the management of the Group, no facility management services contracts have been entered into with the Counterparties for the period from 1 July 2017 to 31 December 2019.

**Renting Services**

- 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.

We have obtained and reviewed 1 sample of fee note issued by the Counterparty for carparking services and 1 sample of fee note issued by independent third party for carparking services, and noted that the fee charged by the Counterparty was no less favourable to those charged by the independent third party.

# LETTER FROM SOMERLEY CAPITAL

## Pricing policies

- **IT Support Services** 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

- 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.

## Sundry Services

- 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.

## Our review and assessment

We have obtained and reviewed 1 sample of IT maintenance contract entered into with the Counterparty and 1 sample of IT maintenance contract entered into with independent third party, and noted that both IT support services contracts were approved by assistant general manager and the general manager to meet the Group's unique demand for IT support services.

We have obtained and reviewed 8 samples of tenancy agreements entered into with the Counterparties and 8 samples of market rentals for same buildings provided by independent third party real estate agents, and noted that the rentals charged by the Counterparties were no less favourable than market rentals for the same buildings.

We have obtained and reviewed 2 samples of share of appointment fee contracts entered into with the Counterparties and 3 samples of share of appointment fee contracts entered into with independent third parties, and noted that the fees charged by the Counterparties were no less favourable than those charged by the independent third parties.

# LETTER FROM SOMERLEY CAPITAL

## Pricing policies

- Materials Supply Services**
- 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.

## Other Services

- 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.

## Our review and assessment

As advised by the management of the Group, no materials supply services contracts have been entered into with the Counterparties for the period from 1 July 2017 to 31 December 2019.

We have obtained and reviewed 1 sample of security service contract entered into with the Counterparty and 3 samples of security service contracts entered into with independent third parties, and noted that the fee charged by the Counterparty was no less favourable than those charged by the independent third parties.

Given that we have reviewed and compared 29 samples of contracts and agreements across different types of services provided by the Counterparties and by the independent third parties to the Group and noted that the Group has adopted similar pricing policies and procedures for similar types of services provided by both the Counterparties and independent third parties and the prices charged by the Counterparties for similar types of services are no less favourable than those charged by independent third parties, we are of the view that the Counterparties Services transactions contemplated under the New Master Services Agreements shall be conducted on normal commercial terms and thus the pricing basis and terms are fair and reasonable.

## LETTER FROM SOMERLEY CAPITAL

### 5. The proposed Annual Caps

#### 5.1 NWD Master Services Agreement

Based on the information set out in the letter from the Board and our discussion with the management of the relevant departments and subsidiaries of the Group, we noted that (i) the FSE Services to be provided by the Group to the NWD Group consist of E&M engineering and Environmental Services, Cleaning and Laundry Services and Property Management Services; and (ii) the NWD Services to be provided by the NWD Group consist of material supply services, rental services, sundry services and IT support services. The Annual Caps under the NWD Master Services Agreement in respect of (i) the FSE Services; and (ii) the NWD Services for the three years ending 30 June 2023 are set out as follows:

	Historical transaction amounts			Proposed Annual Caps		
	FY2018	FY2019	First half of FY2020	FY2021	FY2022	FY2023
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
<b>Categories</b>						
FSE Services to be provided by the Group	389,546	657,617	402,137	1,960,106	2,532,210	2,332,768
NWD Services to be provided by the NWD Group <i>(note)</i>	<u>98</u>	<u>42</u>	<u>103</u>	<u>32,767</u>	<u>58,381</u>	<u>57,948</u>
<b>Total</b>	<b><u>389,644</u></b>	<b><u>657,659</u></b>	<b><u>402,240</u></b>	<b><u>1,992,873</u></b>	<b><u>2,590,591</u></b>	<b><u>2,390,716</u></b>

*Note: The Annual Caps relating to the Rental Services to be provided by the 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 for the years ending 30 June 2021, 2022 and 2023. As advised by the management of the Group, the accounting policies and calculations for the short-term leases entered into after the Group's adoption of HKFRS 16 are same as those disclosed in the Group's latest interim report for the six months ended 31 December 2019.*

## LETTER FROM SOMERLEY CAPITAL

To assess the fairness and reasonableness of the proposed Annual Caps for the NWD Master Services Agreement, we have reviewed and discussed with the management of the Group the annual caps projection which sets out (i) secured projects awarded and potential projects to be awarded by the NWD Group and their respective projected income schedule for the financial years ending 30 June 2021, 2022 and 2023; and (ii) the provision of services by the NWD Group under the existing contracts and the secured projects awarded and potential projects to be awarded by the NWD Group to the Group and their respective projected income schedule for the financial years ending 30 June 2021, 2022 and 2023 and our findings are set out as follows:

*(A) Provision of the FSE Services by the Group to the NWD Group*

Based on the projection provided by the Group and our discussion with the management of the Group, the Annual Caps have been arrived at based on (i) for electrical & mechanical engineering services, (a) the income to be generated in accordance with the completion progress of the existing projects; and (b) the expected income to be derived from the potential projects that may be undertaken by the Group after having discussed with the NWD Group; and (ii) for the rest, the estimated future demand for the relevant FSE Services by the NWD Group and the estimated market prices of such services with reference to the current market prices after having taken into account the increase in services costs and inflation, etc..

Majority of the Annual Caps for the three years ending 30 June 2023 is attributable to the provision of electrical & mechanical engineering services by the Group to the NWD Group. The increase of the Annual Caps for the FSE Services as compared with the historical amounts between the Group and the NWD Group is also mainly due to the increase in the provision of electrical & mechanical engineering services in respect of certain potential sizable upcoming

## LETTER FROM SOMERLEY CAPITAL

and ongoing commercial development projects in Hong Kong and various provinces in Mainland China (with the revenue expected to be contributed by these existing projects and potential projects based on their estimated percentage of completion), which include the followings:

	FY2021 <i>(HK\$'million)</i>	FY2022 <i>(HK\$'million)</i>	FY2023 <i>(HK\$'million)</i>
<i>Existing projects</i>			
A construction project for a sport complex in Kai Tak and a commercial development project in the SKYCITY at Hong Kong International Airport	598.7	703.8	520.5
<i>Potential projects</i>			
— 4 residential projects in Yuen Long	14.6	275.8	448.0
— A commercial development project in the SKYCITY at Hong Kong International Airport	195.0	260.0	162.5
— Two commercial development projects in Cheung Sha Wan	50.0	180.0	135.0
— Certain potential projects in Ningbo and Wuhan of the Mainland China	317.5	366.5	170.1

We have reviewed NWD's annual report for the year ended 30 June 2019 and noted that (i) in Hong Kong, the NWD Group continues to replenish its landbank and actively undertakes old building acquisitions and farmland conversions. The NWD Group won bids for three residential sites on the Kai Tak Runway for the year ended 30 June 2019 and had eight projects with a total GFA of approximately 1.8 million sq.ft. located in Yuen Long and Fanling which are under active negotiation with the authority on land use conversion, of which a total GFA of approximately 500,000 sq.ft. has entered the final stages. Meanwhile, the NWD Group jointly developed the SKYCITY project with a total GFA of approximately 3.7 million sq.ft.; and (ii) in Mainland China, core property development projects are primarily located in Guangzhou, Foshan, Shenzhen, Wuhan, Ningbo, Beijing and Shenyang, constituting a landbank (exclude car park) with a total GFA of approximately 5.3 million sq.m.. The NWD Group acquired the remaining 51% interest of Ningbo New World which will be developed into K11 Art Mall, Rosewood Hotel, Ningbo Tower, office building, high-end residences, business and leisure avenues and K11 Art Part. The NWD Group also has three major property development projects in Wuhan. It is noted that the projects set out in the Annual Caps projection are in line with those stated in the latest annual report of NWD.

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### *(B) Provision of the NWD Services by the NWD Group to the Group*

As advised by the management of the Group, the NWD Services include (i) certain rental services and IT support services to meet the Group's daily operation needs; and (ii) project-related services like appointment, short-term rental services and supply of construction and building equipment and materials based on the secured projects awarded and potential projects to be awarded by the NWD Group, other Counterparties and independent third party customers.

Based on the projection provided by the Group and our discussion with the management of the Group, the Annual Caps are largely attributable to the supply of construction and building equipment and materials and have been arrived at based on (i) the committed amounts under the existing contracts and the expected amounts assuming that the contracts will be renewed upon expiries; (ii) the committed amounts relating to the projects awarded by the NWD Group as discussed in (A) above where the Group needs to procure the materials and services from the NWD Group for undertaking the projects; (iii) the estimated amounts to be incurred relating to the potential projects to be awarded by the NWD Group other Counterparties and independent third party customers; and (iv) the estimated market prices of such services with reference to current market prices after having taken into account the expected increase in service cost and inflation.

Given that the Annual Caps are prepared based on (i) the list of secured projects with income schedules in accordance with the completion progress; (ii) the list of potential projects to be awarded by the NWD Group which are consistent with the projects undertaken by the NWD Group as stated in its latest annual report; (iii) the list of potential projects that may be undertaken by the Group; and (iv) the daily operation needs of the Group, we consider the Annual Caps for the NWD Master Services Agreement to be fair and reasonable.

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### 5.2 NWS Master Services Agreement

Based on the information set out in the letter from the Board and our discussion with the management of the relevant departments and subsidiaries of the Group, we noted that (i) the FSE Services to be provided by the Group to the NWS Group consist of E&M engineering and Environmental Services, Cleaning and Laundry Services and Property Management Services; and (ii) the NWS Services to be provided by the NWS Group consist of main contracting, management contracting and project management, building and general construction, civil engineering, etc.. The Annual Caps under the NWS Master Services Agreement in respect of (i) the FSE Services; and (ii) the NWS Services for the three years ending 30 June 2023 are set out as follows:

Categories	Historical transaction amounts			Proposed Annual Caps		
	FY2018	FY2019	First half of FY2020	FY2021	FY2022	FY2023
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
FSE Services provided/to be provided by the Group	1,278,607	1,090,485	209,071	1,837,314	2,920,934	3,715,568
NWS Services provided/to be provided by the NWS Group	27	120	64	40,808	40,880	40,957
<b>Total</b>	<b>1,278,634</b>	<b>1,090,605</b>	<b>209,135</b>	<b>1,878,122</b>	<b>2,961,814</b>	<b>3,756,525</b>

To assess the fairness and reasonableness of the proposed Annual Caps for the NWS Master Services Agreement, we have reviewed and discussed with the management of the Group, the annual caps projection which set outs (i) secured projects awarded and potential projects to be awarded by the NWS Group and their respective projected income schedule for the financial years ending 30 June 2021, 2022 and 2023; and (ii) the provision of services by the NWS Group under the existing contracts and the secured projects awarded and potential projects to be awarded by the NWS Group to the Group or other potential projects that may be undertaken by the Group and their respective projected income schedule for the financial years ending 30 June 2021, 2022 and 2023 and our findings are set out as follows:

*(A) Provision of the FSE Services by the Group to the NWS Group*

Based on the projection provided by the Group and our discussion with the management of the Group, the Annual Caps have been arrived at based on (i) for electrical & mechanical engineering services, (a) the income to be generated

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in accordance with the completion progress of the existing projects; and (b) the expected income to be derived from the potential projects that may be undertaken by the Group after having discussed with the NWS Group; and (ii) for the rest, the estimated future demand for the relevant FSE Services by the NWS Group and the estimated market prices of such services with reference to the current market prices after having taken into account the increase in services costs and inflation, etc.

Majority of the Annual Caps for the three years ending 30 June 2023 is attributable to the provision of electrical & mechanical engineering services by the Group to the NWS Group. The increase of the Annual Caps for the FSE Services as compared with the historical amounts between the Group and the NWS Group is also mainly due to the increase in the provision of electrical & mechanical engineering services in respect of certain potential sizable upcoming and ongoing projects (with the revenue expected to be contributed by these existing projects and potential projects based on their estimated percentage of completion), which include the followings:

	FY2021 <i>(HK\$'million)</i>	FY2022 <i>(HK\$'million)</i>	FY2023 <i>(HK\$'million)</i>
<i>Existing projects</i>			
An engineering installation project for Transport Department's Vehicle Examination Centre, construction projects for two government buildings in Kai Tak and Tseung Kwan O and a commercial development project in Kwun Tong	798.3	1,138.2	780.2
<i>Potential projects</i>			
— two private sector development projects in Kai Tak	132.0	294.0	306.0
— two hospital development projects in Kwun Tong and Tseung Kwan O	420.0	720.0	1,620.0

We have reviewed NWS's annual report for the year ended 30 June 2019 and noted that in Hong Kong, a number of new projects were awarded to the NWS Group including the design and construction works of Inland Revenue Tower in Kai Tak Development Area and Kai Tak Sports Park, the design and construction works of Immigration Headquarters in Tseung Kwan O, Two Taikoo Place in Quarry Bay, the residential development in Ap Lei Chau and Kwun Tong. In addition, we have been provided with and reviewed the notices for the tenders in respect of superstructure and construction works for two hospital development projects in Kwun Tong and Tseung Kwan O and, as

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advised by the management of the Group, they have discussed with the NWS Group on the two hospital projects. It is noted that the projects set out in the Annual Caps projection are in line with those stated in the latest annual report of NWS as well as the potential projects that may be undertaken by the NWS Group.

*(B) Provision of the NWS Services by the NWS Group to the Group*

As advised by the management of the Group, the NWS Services include main contracting, management contracting and project management, building and general construction, civil engineering and car parking rental services based on (i) the secured projects awarded and potential projects to be awarded by the NWS Group; and (ii) other potential projects that may be undertaken by the Group and require relevant services from the NWS Group when carrying out the projects.

Based on the projection provided by the Group and our discussion with the management of the Group, the Annual Caps are largely the provision of the Contracting Services by the NWS Group and have been arrived at based on (i) the committed amounts to be incurred under the existing contracts; (ii) the committed amounts to be incurred relating to the projects awarded by the NWS Group as discussed in (A) above; (iii) the estimated amounts to be incurred relating to the potential projects awarded by the NWS Group; (iv) the estimated amounts to be incurred relating to other potential projects that may be undertaken by the Group and, where the Group needs to procure the materials and services from the NWS Group for undertaking the projects; and (v) the estimated market prices of such services with reference to current market prices after having taken into account the expected increase in service cost and inflation.

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, (i) certain potential public sector development projects as discussed in (A); and (ii) potential projects relating to a large-scale centralized air-conditioning system at Kai Tak and a government complex facility at Chai Wan, in respect of which the Group has to engage sub-contractors in the provision of the Contracting Services. The NWS Group is one of the reputable service providers among the Group's list of service providers. In view of the significant size of these potential public sector development projects as discussed and the expected volume and variety of Contracting Services required for these projects, engagement of reputable, reliable and quality service sub-contractors like the NWS Group in the provision of the Contracting Services is required. Given that the Group is one of qualified contractors for the public sector development projects on the List of Approved Contractors for Public Works and its extensive experience and engineering design capability and promising record in

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succeeding in obtaining tenders for public sector development projects in the past, the management of the Group believes that the Group is well poised to succeed in obtaining the tender for the provision of electrical & mechanical engineering services for these public sector development projects and it is justifiable to take into account the estimated contract sums required for Contracting Services in arriving at the Annual Caps.

Given that the Annual Caps are prepared based on (i) the list of secured projects awarded with income schedules in accordance with the completion progress; (ii) the list of potential projects to be awarded by the NWS Group which are consistent with the projects undertaken by the NWS Group as stated in its latest annual report and the potential projects that may be undertaken by the NWS Group; and (iii) the other potential public sector development projects that may be undertaken by the Group, we consider the Annual Caps for the NWS Master Services Agreement to be fair and reasonable.

### 5.3 NWDS Master Services Agreement

Based on the information set out in the letter from the Board and our discussion with the management of the relevant departments and subsidiaries of the Group, we noted that (i) the FSE Services to be provided by the Group to the NWDS Group consist of E&M engineering and Environmental Services and cleaning services; and (ii) the NWDS Services to be provided by the NWDS Group consist of rental services. The Annual Caps under the NWDS Master Services Agreement in respect of (i) the FSE Services; and (ii) the NWDS Services for the three years ending 30 June 2023 are set out as follows:

	Historical transaction amounts			Proposed Annual Caps		
	FY2018	FY2019	First half of FY2020	FY2021	FY2022	FY2023
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
<b>Categories</b>						
FSE Services						
provided/to be						
provided by the						
Group	9,551	—	10	27,178	66,504	51,196
NWDS Services						
provided/to be						
provided by the						
NWDS Group						
(note)	172	132	85	1,262	1,389	1,528
<b>Total</b>	<b>9,723</b>	<b>132</b>	<b>95</b>	<b>28,440</b>	<b>67,893</b>	<b>52,724</b>

*Note: The Annual Caps for the Rental Services to be provided by the 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 for the years ending 30 June 2021, 2022 and*

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2023 As advised by the management of the Group, the accounting policies and calculations for short-term leases entered into after the Group's adoption of HKFRS 16 are same as those disclosed in the Group's latest interim report for the six months ended 31 December 2019.

We have discussed with the management of the relevant departments and subsidiaries of the Group and are advised that the decrease in the historical transaction amounts for the year ended 30 June 2019 as compared to the previous year was mainly due to the completion of a project in Zhengzhou, Mainland China.

To assess the fairness and reasonableness of the proposed Annual Caps for the NWDS Master Services Agreement, we have reviewed and discussed with the management of the Group the annual caps projection which sets out (i) secured projects awarded and potential projects to be awarded by the NWDS Group and their respective projected income schedule for the financial years ending 30 June 2021, 2022 and 2023; and (ii) the provision of services by the NWDS Group under the existing contracts and the secured projects awarded and potential projects to be awarded by the NWDS Group to the Group and their respective projected income schedule for the financial years ending 30 June 2021, 2022 and 2023 and our findings are set out as follows:

*(A) Provision of the FSE Services by the Group to the NWDS Group*

Based on the projection provided by the Group and our discussion with the management of the Group, the Annual Caps have been arrived at based on (i) for electrical & mechanical engineering services, the expected income to be derived from the potential projects that may be undertaken by the Group after having discussed with the NWDS Group; and (ii) for the rest, the estimated future demand for the relevant FSE Services by the NWDS Group and the estimated market prices of such services with reference to the current market prices after having into account the increase in services costs and inflation, etc..

Majority of the Annual Caps for the three years ending 30 June 2023 is attributable to the provision of electrical & mechanical engineering services by the Group to the NWDS Group. The increase of the Annual Caps for the FSE Services as compared with the historical amounts between the Group and the NWDS Group is also mainly due to the increase in the provision of electrical & mechanical engineering services in respect of certain potential sizable upcoming projects in Mainland China (with the revenue expected to be contributed by these potential projects based on their estimated percentage of completion), which include the followings:

	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
	<i>(HK\$'million)</i>	<i>(HK\$'million)</i>	<i>(HK\$'million)</i>
Existing department stores in Beijing, Shanghai and Shenyang in the Mainland China	<u>13.8</u>	<u>51.7</u>	<u>35.0</u>

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We have reviewed NWDS's annual report for the year ended 30 June 2019 and noted that as at 30 June 2019, the NWDS Group operated 31 department stores and shopping malls with a total GFA of approximately 1.3 million sq.m., covering 17 key locations across Mainland China, including Beijing, Tianjin, Yanjiao, Yantai, Lanzhou, Xi'an, Harbin, Shenyang, Shanghai, Nanjing, Wuhan, Changsha, Zhengzhou, Chengdu, Chongqing, Kunming and Mianyang. After having discussed with the NWDS Group, the management of the Group understands that certain department stores operated by the NWDS Group in Mainland China would be subject to usual renovation, fitting out and decoration cycle and plan in the coming years but no definite timetable has been fixed. Given that certain members of the Group are one of a few foreign owned enterprises holding necessary qualifications to carry out the electrical & mechanical engineering works in the Mainland China, the management of the Group considers that the Group is well-equipped and may be able to participate in the projects for renovation, fitting out and decoration works of the department stores in Beijing, Shanghai and Shenyang of the Mainland China for the next three financial years.

### *(B) Provision of the NWDS Services by the NWDS Group to the Group*

As advised by the management of the Group, the Group's estimated demand for rental services to be provided by the NWDS Group is driven by the potential projects to be awarded by the NWDS Group as well as the Group's own business development. For the carrying out of the projects, the Group needs to lease site office premises, warehouse and car parking spaces near the subject sites. In addition, the Group also needs to lease office premises for its further business development in Mainland China.

Based on the projection provided by the Group and our discussion with the management of the Group, the Annual Caps have been arrived at based on (i) the estimated amounts to be incurred relating to the potential projects awarded by the NWDS Group; (ii) the estimated amounts to be incurred to cope with the future business development of the Group in Mainland China; and (iii) the estimated market prices of such services with reference to current market prices after having taken into account the expected increase in service cost and inflation.

Given that the Annual Caps are prepared based on (i) the potential projects that may be awarded by the NWDS Group after having discussed with the NWDS Group on the usual renovation, fitting out and decoration cycle and plan of its department stores; and (ii) potential business expansion of the Group in the next three years, we consider the Annual Caps for NWDS Master Services Agreement to be fair and reasonable.

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### 5.4 CTFJ Master Services Agreement

Based on the information set out in the letter from the Board and our discussion with the management of the relevant departments and subsidiaries of the Group, we noted that the FSE Services to be provided by the Group to the CTFJ Group consist of E&M engineering and Environmental Services, Cleaning and Laundry Services and Property Management Services. The Annual Caps under the CTFJ Master Services Agreement in respect of the FSE Services for the three years ending 30 June 2023 are set out as follows:

Categories	Historical transaction amounts			Proposed Annual Caps		
	FY2018	FY2019	First half	FY2021	FY2022	FY2023
			of FY2020			
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
FSE Services provided/to be provided by the Group	5,219	9,636	5,828	19,882	56,849	24,925
<b>Total</b>	<b>5,219</b>	<b>9,636</b>	<b>5,828</b>	<b>19,882</b>	<b>56,849</b>	<b>24,925</b>

To assess the fairness and reasonableness of the proposed Annual Caps for CTFJ Master Services Agreement, we have reviewed and discussed with the management of Group the annual caps projection which sets out secured projects awarded and potential projects to be awarded by the CTFJ Group and their respective projected income schedule for the financial years ending 30 June 2021, 2022 and 2023. In addition, the Annual Caps have been arrived at based on (i) for electrical & mechanical engineering services, (a) the income to be generated in accordance with the completion progress of the existing projects; and (b) the expected income to be derived from the potential projects that may be undertaken by the Group after having discussed with the CTFJ Group; and (ii) for the rest, the estimated future demand for the relevant FSE Services by the CTFJ Group and the estimated market prices of such services with reference to the current market prices after having into account the increase in services costs and inflation, etc..

Majority of the Annual Caps for the three years ending 30 June 2023 is attributable to the provision of cleaning services and electrical & mechanical engineering services by the Group to the CTFJ Group. We have reviewed CTFJ's annual report for the year ended 31 March 2019 and noted that the CTFJ Group operated 276 retail stores in Hong Kong, Macau and other markets as at 31 March 2019. Based on the information provided by the Group, the CTFJ Group has an increasing demand in cleaning services as evidenced by the increases in the historical amounts of the cleaning services of 678% for the first half of FY2020 as compared to half of that for FY2019 after completion of the acquisition of cleaning business by the Group in April 2018. The Group is currently providing cleaning services to

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CTFJ's offices and, after discussion with the CTFJ Group, plans to further expand its cleaning service coverage to 57 CTFJ shops out of a total of 276 shops in the next three years. The Annual Caps for FY2021 and FY2023 have been projected to be HK\$19.9 million and HK\$24.9 million while the Annual Cap for FY2022 is HK\$56.8 million. The increase in Annual Caps for FY2022 is mainly due to a potential power supply system replacement project at World Peace Centre in Kwai Chung that may be undertaken by the Group with estimated completion in FY2022.

Given that the Annual Caps are prepared based on (i) the expected increasing demand for the FSE Services by the CTFJ Group as supported by the increase in the relevant historical amounts in recent years; and (ii) the potential power supply system replacement project at World Peace Centre in Kwai Chung that may be undertaken by the Group, we consider the Annual Caps for CTFJ Master Services Agreement to be fair and reasonable.

### 5.6 CTFE Master Services Agreement

Based on the information set out in the letter from the Board and our discussion with the management of the relevant departments and subsidiaries of the Group, we noted that the FSE Services to be provided by the Group to the CTFE Group consist of E&M engineering and Environmental Services, Cleaning and Laundry Services and Property Management Services. The Annual Caps under the CTFE Master Services Agreement in respect of the FSE Services for the three years ending 30 June 2023 are set out as follows:

Categories	Historical transaction amounts			Proposed Annual Caps		
	FY2018	FY2019	First half of FY2020	FY2021	FY2022	FY2023
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
FSE Services to be provided by the Group	40,715	55,716	42,319	112,710	145,428	151,146
<b>Total</b>	<b>40,715</b>	<b>55,716</b>	<b>42,319</b>	<b>112,710</b>	<b>145,428</b>	<b>151,146</b>

To assess the fairness and reasonableness of the proposed Annual Caps for the CTFE Master Services Agreement, we have reviewed and discussed with the management of the Group the annual caps projection which sets out secured projects awarded and potential projects to be awarded by the CTFE Group and their respective projected income schedule for the financial years ending 30 June 2021, 2022 and 2023.

Based on the projection provided by the Group and our discussion with the management of the Group, the Annual Caps have been arrived at based on (i) for electrical & mechanical engineering services, (a) the income to be generated in

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accordance with the completion progress of the existing projects; and (b) the expected income to be derived from the potential projects that may be undertaken by the Group after having discussed with the CTFE Group; and (ii) for the rest, the estimated future demand for the relevant FSE Services by the CTFE Group and the estimated market prices of such services with reference to the current market prices after having into account the increase in services costs and inflation, etc.

Majority of the Annual Caps for the three years ending 30 June 2023 is attributable to the provision of cleaning services and electrical & mechanical engineering services by the Group to the CTFE Group. The increase of the Annual Caps for the FSE Services as compared with the historical amounts between the Group and the CTFE Group is also mainly due to the increase in the provision of cleaning services and electrical & mechanical engineering services in respect of certain potential sizable upcoming projects in Hong Kong and Mainland China (with the revenue expected to be contributed by these potential projects based on their estimated future demand from the CTFE Group/estimated percentage of completion), which include the followings:

	FY2021	FY2022	FY2023
	<i>(HK\$'million)</i>	<i>(HK\$'million)</i>	<i>(HK\$'million)</i>
Cleaning services — several kindergarten campuses in Hong Kong and two commercial complex in Mainland China	67.5	73.9	81.9
Electrical & mechanical engineering services — two potential commercial construction projects in Wuhan and Shenzhen, Mainland China	15.1	28.2	17.7

As advised by the management of the Group, the CTFE Group has engaged in the property development in the Mainland China. Given that certain members of the Group are qualified to carry out the electrical & mechanical engineering works in the Mainland China, the management considers that the Group is well poised to succeed in obtaining the tender for the provision of electrical & mechanical engineering services for these development projects undertaken by the CTFE Group and it is reasonable to take into account the estimated contract sums required for this service in arriving at the Annual Caps. The historical amounts in respect of the FSE Services provided by the Group increased by 36.8% for FY2019 year-on-year and 51.9% for the first half of FY2020 as compared to half of that for FY2019. On this basis, the Annual Caps, with the year-on-year increases range from 4% to 33% are considered to be reasonable.

Given that (i) the expected increasing demand for the FSE Services by the CTFJ Group as supported by the increase in the relevant historical amounts in the last 2.5 years; and (ii) the Annual Caps are prepared based on the potential projects that may be undertaken by the Group, we consider the Annual Caps for the CTFE Master Services Agreement to be fair and reasonable.

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### 5.7 Doo's Associates Group Master Services Agreement

Based on the information set out in the letter from the Board and our discussion with the management of the relevant departments and subsidiaries of the Group, we noted that (i) the FSE Services to be provided by the Group to the Doo's Associate Group consist of E&M engineering and Environmental Services, Cleaning and Laundry Services and Property Management Services; and (ii) the Doo's Associates Services to be provided by the Doo's Associates Group consist of leasing services, security and guarding, landscaping, and other related services. The Annual Caps under the Doo's Associates Group Master Services Agreement in respect of (i) the FSE Services; and (ii) the Doo's Associates Services for the three years ending 30 June 2023 are set out as follows:

	Historical transaction amounts			Proposed Annual Caps		
	FY2018 (HK\$'000)	FY2019 (HK\$'000)	First half of FY2020 (HK\$'000)	FY2021 (HK\$'000)	FY2022 (HK\$'000)	FY2023 (HK\$'000)
<b>Categories</b>						
FSE Services provided/to be provided by the Group	129,328	242,002	1,793	137,931	228,962	228,676
Doo's Associates Services provided/ to be provided by the Doo's Associates Group (note)	<u>12,050</u>	<u>19,517</u>	<u>9,237</u>	<u>54,781</u>	<u>79,003</u>	<u>44,310</u>
<b>Total</b>	<b><u>141,378</u></b>	<b><u>261,519</u></b>	<b><u>11,030</u></b>	<b><u>192,712</u></b>	<b><u>307,965</u></b>	<b><u>272,995</u></b>

*Note: The Annual Caps for the Leasing Services to be provided by the Doo's Associates Group include the lease expenses to be paid/payable by the Group (for leases entered into before the 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) for the years ending 30 June 2021, 2022 and 2023. As advised by the management of the Group, the accounting policies and calculations for the right-of-use assets of the Group (for leases entered into after the Group's adoption of HKFRS 16) is same as that disclosed in the Group's latest interim report for the six months ended 31 December 2019.*

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To assess the fairness and reasonableness of the proposed Annual Caps for the Doo's Associates Group Master Services Agreement, we have reviewed and discussed with the management of the Group the annual caps projection which sets out (i) secured projects awarded and potential projects to be awarded by the Doo's Associate Group and their respective projected income schedule for the financial years ending 30 June 2021, 2022 and 2023; and (ii) the provision of services by the Doo's Associates Group under the existing contracts and the secured projects awarded and potential projects to be awarded by the Doo's Associates Group to the Group and their respective projected income schedule for the financial years ending 30 June 2021, 2022 and 2023 and our findings are set out as follows:

*(A) Provision of the FSE Services by the Group to the Doo's Associates Group:*

Based on the projection provided by the Group and our discussion with the management of the Group, the Annual Caps have been arrived at based on (i) for electrical & mechanical engineering services, (a) the income to be generated in accordance with the completion progress of the existing projects; and (b) the expected income to be derived from the potential projects that may be undertaken by the Group after having discussed with the Doo's Associates Group; and (ii) for the rest, the estimated future demand for the relevant FSE Services by the Doo's Associates Group and the estimated market prices of such services with reference to the current market prices after having into account the increase in services costs and inflation, etc.

Majority of the Annual Caps for the three years ending 30 June 2023 is attributable to the provision of electrical & mechanical engineering services and provision of property management services by the Group to the Doo's Associates Group. The increase of the Annual Caps for the FSE Services as compared with the historical amounts between the Group and the Doo's Associates Group is also mainly due to the increase in the provision of electrical & mechanical engineering services and provision of property

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management services in respect of certain potential sizable upcoming projects in Mainland China (with the revenue expected to be contributed by these potential projects based on their estimated percentage of completion/future demand from the Doo's Associates Group), which include the followings:

	FY2021	FY2022	FY2023
	<i>(HK\$'million)</i>	<i>(HK\$'million)</i>	<i>(HK\$'million)</i>
Electrical & mechanical engineering services — various potential commercial development projects for multi-purposes commercial buildings, a potential hotel redevelopment in Shanghai and a hotel development in Yangzhou in the Mainland China	90.4	59.5	51.5
Property management services — a multi-purposes commercial building and a hotel development in Shanghai in the Mainland China	—	118.0	124.0

As set out in the letter from the Board, the Doo's Associates Group is engaged in, amongst others, property investment and development in the Mainland China. Given that certain members of the Group are qualified to carry out the electrical & mechanical engineering works in the Mainland China, the management of the Group considers that the Group is well poised to succeed in obtaining the tender for the provision of electrical & mechanical engineering services for the above development projects undertaken by the Doo's Associates Group and it is reasonable to take into account the estimated contract sums required for this service in arriving at the Annual Caps. The historical amounts in respect of the FSE Services provided by the Group increased by 87.1% for FY2019 year-on-year but reduced substantially for the first half of FY2020 as compared to half of that for FY2019 after completion of the acquisition of the property management services business from the Doo's Associates Group in December 2019 and the property management companies of the Doo's Associates Group being acquired are no longer the clients of the Group.

*(B) Provision of the Doo's Associates Services by the Doo's Associates Group to the Group:*

As advised by the management of the Group, the Doo's Associates Services include (i) certain leasing services and other related services to meet the Group's daily operation needs including the leasing of the Group's head office and other offices in Kowloon Bay and other offices in Wan Chai; and (ii) project-related services including security services based on the secured projects awarded and potential projects to be awarded by the Doo's Associates Group and other Counterparties or independent third party customers.

## LETTER FROM SOMERLEY CAPITAL

Based on the projection provided by the Group and our discussion with the management of the Group, the Annual Caps have been arrived at based on (i) the committed amounts under the existing contracts and the expected amounts assuming that the contracts will be renewed upon expiries; (ii) the committed amounts relating to the projects awarded by the Doo's Associates Group as discussed in (A) above where the Group needs to procure the materials and services from the Doo's Associates Group for undertaking the projects; (iii) the estimated amounts to be incurred relating to the potential projects to be awarded by the Doo's Associates Group, other Counterparties or independent third party customers where the Group needs to procure the services from the Doo's Associates Group for undertaking the projects; and (iv) the estimated market prices of such services with reference to current market prices after having taken into account the expected increase in service cost and inflation. The historical amounts in respect of the Doo's Associates Services provided by the Doo's Associates Group increased by 62.0% for FY2019 year-on-year and was about the same for the first half of FY2020 as compared to half of that for FY2019. The increase in historical amounts for FY 2019 was mainly due to the leasing services provided by the Doo's Associates Group to laundry operation of the Group after completion of the acquisition of cleaning and laundry services business by the Group from the Doo's Associates Group in April 2018.

Given that the Annual Caps are prepared based on (i) the list of secured projects with income schedules in accordance with the completion progress; (ii) the list of potential projects of the Doo's Associates Group that may be undertaken by the Group; (iii) the Group's daily operation needs; and (iv) the list of potential projects that may be undertaken by the Group, we consider the Annual Caps for the Doo's Associates Group Master Services Agreement to be fair and reasonable.

### **6. Internal Control Measures**

As set out in the letter from the Board, 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.

## LETTER FROM SOMERLEY CAPITAL

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, (i) 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 (ii) 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.

To assess the effectiveness of the internal control procedures implemented by the Group, we obtained and reviewed internal accounting policy and procedures, and noted that the internal pricing guidelines and policies have been clearly written down, and, as advised by the management of the Group, would be subject to regularly review and update. We also obtained and reviewed the qualifications of the management-level officers who are responsible for conducting internal monitoring and reviews, and noted that they are with more than 20 years working experiences. Furthermore, we have obtained and reviewed the samples of contracts, agreements or worksheets prepared for tenders for contracts entered into between the Group on one hand and the Counterparties of the New Master Services Agreements and the independent third parties on the other hand to determine whether the Services Transactions contemplated under the New Master Services Agreements complied with the terms of the New Master Services Agreements. Our work done to review the samples of contracts, agreements or worksheets for tenders on the transactions contemplated under the New Master Services Agreements as opposed to the third parties' is set out in the sub-section headed "4. New Master Services Agreements and pricing policies" in this letter. In addition, during our review, it is noted that approvals have been obtained from managers or directors from different departments on the prices for the FSE Services and Counterparties Services.

Given that (i) the Group has established internal accounting policy and procedure manual to monitor the Services Transactions contemplated under the New Master Services Agreements; (ii) the designated officers with years of experience in relevant industries including but not limited to legal and company secretarial manager and senior finance manager and departments including but not limited to the operation department, supporting department and the internal audit department of the Group would monitor and review the Services Transactions contemplated under the New Master Services Agreements; and (iii) the independent non-executive Directors and the auditors of the Group will, pursuant to Chapter 14A, review, among other things, whether the Services Transactions contemplated under the New Master Services Agreements are conducted on normal commercial terms, we are of the view that adequate measures have been put in

## LETTER FROM SOMERLEY CAPITAL

place to ensure the Services Transactions contemplated under the New Master Services Agreements are conducted in accordance with the pricing policies under the New Master Services Agreements and on normal commercial terms.

### OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the entering into of the New Master Services Agreement is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the New Master Services Agreements are on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the EGM in relation to the New Master Services Agreements and the Services Transactions contemplated thereunder, and the proposed Annual Caps.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
**Jenny Leung**  
*Director*

*Ms. Jenny Leung is a licensed person and responsible officer of Somerley Capital Limited registered with the SFC to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.*

## 1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

## 2. INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or chief executives of the Company were taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of listed issuers to be notified to the Company and the Stock Exchange:

Name of Director	Our Company/ associated corporation	Capacity/Nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding (Note 2)
Dr. Cheng	FSE Holdings (Note 3)	Beneficial owner (Note 4)	90,000,000 shares of HK\$0.10 each (L)	18%
Mr. Doo Jr.	FSE Holdings (Note 3)	Interest of controlled corporation (Note 5)	25,000,000 shares of HK\$0.10 each (L)	5%
	FSE Holdings (Note 3)	Interest of controlled corporation (Note 6)	20,000,000 shares of HK\$0.10 each (L)	4%
Mr. Wong Kwok Kin, Andrew	FSE Holdings (Note 3)	Interest of controlled corporation (Note 7)	35,000,000 shares of HK\$0.10 each (L)	7%

Name of Director	Our Company/ associated corporation	Capacity/Nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding (Note 2)
Mr. Lam	FSE Holdings (Note 3)	Interest of controlled corporation (Note 8)	10,000,000 shares of HK\$0.10 each (L)	2%
Mr. Lee Kwok Bong	FSE Holdings (Note 3)	Interest of controlled corporation (Note 9)	5,000,000 shares of HK\$0.10 each (L)	1%

*Notes:*

- (1) The letter “L” denotes the long position of the Director in the shares of the Company or the relevant associated corporation of the Company.
- (2) The percentage of shareholding is calculated on the basis of 500,000,000 shares in issue of FSE Holdings as at the Latest Practicable Date.
- (3) FSE Holdings is the holding company of the Company and falls under the definition of “associated corporation” within the meaning under Part XV of the SFO.
- (4) The shares are held by Chow Tai Fook Nominee Limited for Dr. Cheng.
- (5) The shares are held by Master Empire Group Limited, the entire issued share capital of which is solely and beneficially owned by Mr. Doo Jr..
- (6) The shares are held by Supreme Win Enterprises Limited, the entire issued share capital of which is solely and beneficially owned by Mr. Doo Jr..
- (7) The shares are held by Frontier Star Limited, the entire issued share capital of which is solely and beneficially owned by Mr. Wong Kwok Kin, Andrew.
- (8) The shares are held by Equal Merit Holdings Limited, the entire issued share capital of which is solely and beneficially owned by Mr. Lam.
- (9) The shares are held by Lagoon Treasure Limited, the entire issued share capital of which is solely and beneficially owned by Mr. Lee Kwok Bong.

### 3. DISCLOSURE OF OTHER INTERESTS

#### (1) Interests in contract or arrangement

As at the Latest Practicable Date, the following Directors had a material interest in the following contracts which were significant in relation to the business of the Group:

- (1) Dr. Cheng, is interested in the following agreements and transactions contemplated thereunder respectively:
  - a. the master services agreements dated 10 April 2017 and 24 April 2020 made between Mr. Doo and:
    - i. NWD in relation to the provision of services as contemplated thereunder by Mr. Doo, his 30%-controlled companies and their subsidiaries to the NWD Group and vice versa; and
    - ii. NWS in relation to the provision of services as contemplated thereunder by Mr. Doo, his 30%-controlled companies and their subsidiaries to the NWS Group and vice versa;
  - b. the master services agreement dated 10 April 2017 made between Mr. Doo and NWDS in relation to the provision of services as contemplated thereunder by Mr. Doo, his 30%-controlled companies and their subsidiaries to the NWDS Group and vice versa;
  - c. the Former Master Services Agreements;
  - d. the sale and purchase agreement dated 18 October 2019 over the entire issued share capital of Legend Success Investments Limited entered into between FSE Management being the vendor and FSE Property Management Group Limited being the purchaser (the “**Sale and Purchase Agreement**”), supplemented by the supplemental deed dated 14 November 2019 (the “**Supplemental Deed**”); and
  - e. the New Master Services Agreements.
- (2) Mr. Wong Kwok Kin, Andrew and Mr. Lee Kwok Bong are interested in the following agreements and transactions contemplated thereunder respectively:
  - a. the Former Doo’s Associates Master Services Agreements;
  - b. the Sale and Purchase Agreement and the Supplemental Deed; and
  - c. the Doo’s Associates Group Master Services Agreement.

- (3) Mr. Kwong is interested in the following agreements and transactions contemplated thereunder respectively:
- a. the Former NWS Master Services Agreements;
  - b. the Former CTFJ Master Services Agreements;
  - c. the NWS Master Services Agreement; and
  - d. the CTFJ Master Services Agreement.
- (4) Mr. Doo Jr. and Mr. Lam are interested in the following agreements and transactions contemplated thereunder respectively:
- a. the Former NWS Master Services Agreements;
  - b. the Former Doo's Associates Master Services Agreements;
  - c. the Sale and Purchase Agreement and the Supplemental Deed;
  - d. the NWS Master Services Agreement; and
  - e. the Doo's Associates Master Services Agreement.

Save as disclosed above, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted which was significant in relation to the business of the Group as at the date of this Circular.

## **(2) Interests in assets**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which, since 30 June 2019, being the date to which the latest published audited consolidated accounts of the Company were made up, had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group.

**(3) Interests in competing business**

As at Latest Practicable Date, the following Directors have interests in the following businesses apart from the Group's businesses which competed or would likely to compete, either directly or indirectly, with the businesses of the Group.

<b>Name of Director</b>	<b>Entity whose business is considered to compete or likely to compete with the businesses of the Group</b>	<b>Description of business of the entity which is considered to compete or likely to compete with the businesses of the Group</b>	<b>Nature of interest of the Director in the entity</b>
Dr. Cheng	NWD Group	property and carpark management	director
	NWS Group	carpark management	director
Mr. Lam	NWS Group	carpark management	director
Mr. Doo Jr.	NWS Group	carpark management	director

As the Board is independent of the boards of the abovementioned entities and none of the above Directors can control the Board, the Group is therefore capable of carrying on its businesses independently of, and at arm's length from the businesses of these entities.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective close associates have interests in any business apart from the businesses of the Group, which was considered to compete or is likely to compete, either directly or indirectly, with those of the Group.

**4. DIRECTOR'S SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had a service contract with any member of the Group which was not determinable by the Company within one year without payment of compensation other than statutory compensation.

**5. QUALIFICATIONS AND CONSENT OF EXPERTS**

The following are the qualifications of the experts whose opinions or advice are contained in this Circular:

<b>Name</b>	<b>Qualifications</b>
Somerley Capital Limited	A corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Somerley Capital:

- (1) had no direct or indirect shareholdings in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group; and
- (2) had no interests, direct or indirect, in any assets which had been, since 30 June 2019 being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any of member of the Group, or are proposed to be acquired or disposed of by or leased to any of member of the Group.

Somerley Capital has given and has not withdrawn its written consent to the issue of this Circular with the inclusion therein of its letter dated 1 June 2020 in the form set out in the Letter from Somerley Capital in this Circular, report or opinion and reference to its name in the form and context in which they respectively appear.

## **6. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position or outlook of the Group since 30 June 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## **7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the contracts referred to in the section headed “Interests in contract or arrangement” in this appendix will be available for inspection at the Company’s principal place of business in Hong Kong at Units 801–810, 8th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. on any weekday (except public holidays) from the date of this Circular up to 22 June 2020.

## NOTICE OF EGM



### FSE SERVICES GROUP LIMITED

豐盛服務集團有限公司

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

**(Stock Code: 331)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of **FSE SERVICES GROUP LIMITED** (the “**Company**”) will be held at 17th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong on Monday, 22 June 2020 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions each to be proposed as an ordinary resolution of the Company:

#### ORDINARY RESOLUTIONS

1. “**THAT** (a) the NWD Master Services Agreement dated 24 April 2020 entered into between NWD and the Company (a copy of which has been produced to the meeting marked “A” and initialled by the chairman of the meeting for identification purpose) and the Services Transactions contemplated thereunder as more particularly set out in the “Letter from the Board” in the circular of the Company dated 1 June 2020 (the “**Circular**”); (b) the proposed annual caps in respect of the Service Transactions contemplated under the NWD Master Services Agreement for each of the three financial years ending 30 June 2023 as more particularly set out in the “Letter from the Board” in the Circular be and are hereby approved, ratified and/or confirmed; and (c) the Directors acting together or by committee, or any Director acting individually, be and is/are hereby authorised to take all steps necessary on behalf of the Company whatever he or they may, in his/their absolute discretion, consider necessary, desirable or expedient for the purpose of, or in connection with, the implementing and/or giving effect to the above matter (terms defined in the Circular have the same meanings when used in this resolution)”.
2. “**THAT** (a) the NWS Master Services Agreement dated 24 April 2020 entered into between NWS and the Company (a copy of which has been produced to the meeting marked “B” and initialled by the chairman of the meeting for identification purpose) and the Services Transactions contemplated thereunder as more particularly set out in the “Letter from the Board” in the Circular; (b) the proposed annual caps in respect of the Service Transactions contemplated under the NWS Master Services Agreement for each of the three financial years ending 30 June 2023 as more particularly set out in the “Letter from the Board” in the Circular be and are hereby approved, ratified and/or confirmed; and (c) the Directors acting together or by committee, or any Director acting individually, be and is/are hereby authorised to take all steps necessary on behalf of the Company whatever he or they may, in his/their absolute

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discretion, consider necessary, desirable or expedient for the purpose of, or in connection with, the implementing and/or giving effect to the above matter (terms defined in the Circular have the same meanings when used in this resolution)”.

3. **“THAT** (a) the NWDS Master Services Agreement dated 24 April 2020 entered into between NWDS and the Company (a copy of which has been produced to the meeting marked “C” and initialled by the chairman of the meeting for identification purpose) and the Services Transactions contemplated thereunder as more particularly set out in the “Letter from the Board” in the Circular; (b) the proposed annual caps in respect of the Service Transactions contemplated under the NWDS Master Services Agreement for each of the three financial years ending 30 June 2023 as more particularly set out in the “Letter from the Board” in the Circular be and are hereby approved, ratified and/or confirmed; and (c) the Directors acting together or by committee, or any Director acting individually, be and is/are hereby authorised to take all steps necessary on behalf of the Company whatever he or they may, in his/their absolute discretion, consider necessary, desirable or expedient for the purpose of, or in connection with, the implementing and/or giving effect to the above matter (terms defined in the Circular have the same meanings when used in this resolution)”.
4. **“THAT** (a) the CTFJ Master Services Agreement dated 24 April 2020 entered into between CTFJ and the Company (a copy of which has been produced to the meeting marked “D” and initialled by the chairman of the meeting for identification purpose) and the Services Transactions contemplated thereunder as more particularly set out in the “Letter from the Board” in the Circular; (b) the proposed annual caps in respect of the Service Transactions contemplated under the CTFJ Master Services Agreement for each of the three financial years ending 30 June 2023 as more particularly set out in the “Letter from the Board” in the Circular be and are hereby approved, ratified and/or confirmed; and (c) the Directors acting together or by committee, or any Director acting individually, be and is/are hereby authorised to take all steps necessary on behalf of the Company whatever he or they may, in his/their absolute discretion, consider necessary, desirable or expedient for the purpose of, or in connection with, the implementing and/or giving effect to the above matter (terms defined in the Circular have the same meanings when used in this resolution)”.
5. **“THAT** (a) the CTFE Master Services Agreement dated 24 April 2020 entered into between CTFE and the Company (a copy of which has been produced to the meeting marked “E” and initialled by the chairman of the meeting for identification purpose) and the Services Transactions contemplated thereunder as more particularly set out in the “Letter from the Board” in the Circular; (b) the proposed annual caps in respect of the Service Transactions contemplated under the CTFE Master Services Agreement for each of the three financial years ending 30 June 2023 as more particularly set out in the “Letter from the Board” in the Circular be and are hereby approved, ratified and/or confirmed; and (c) the Directors acting together or by committee, or any Director acting individually, be and is/are hereby authorised to take all steps necessary on behalf of the Company whatever he or they may, in his/their absolute discretion, consider necessary, desirable or expedient for the purpose

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of, or in connection with, the implementing and/or giving effect to the above matter (terms defined in the Circular have the same meanings when used in this resolution)”.

6. “**THAT** (a) the Doo’s Associates Group Master Services Agreement dated 24 April 2020 entered into between FSE Management and the Company (a copy of which has been produced to the meeting marked “F” and initialled by the chairman of the meeting for identification purpose) and the Services Transactions contemplated thereunder as more particularly set out in the “Letter from the Board” in the Circular; (b) the proposed annual caps in respect of the Service Transactions contemplated under the Doo’s Associates Group Master Services Agreement for each of the three financial years ending 30 June 2023 as more particularly set out in the “Letter from the Board” in the Circular be and are hereby approved, ratified and/or confirmed; and (c) the Directors acting together or by committee, or any Director acting individually, be and is/are hereby authorised to take all steps necessary on behalf of the Company whatever he or they may, in his/their absolute discretion, consider necessary, desirable or expedient for the purpose of, or in connection with, the implementing and/or giving effect to the above matter (terms defined in the Circular have the same meanings when used in this resolution)”.

By order of the Board  
**FSE Services Group Limited**  
**Chan Ju Wai**  
*Company Secretary*

Hong Kong, 1 June 2020

*Registered office:*  
Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Head office and principal place  
of business in Hong Kong:*  
Units 801–810, 8th Floor  
Chevalier Commercial Centre  
8 Wang Hoi Road  
Kowloon Bay, Kowloon  
Hong Kong

*Notes:*

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more ordinary shares (the “Shares”) of HK\$0.10 each in the Company may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy needs not be a member of the Company.
2. In the case of joint registered holders of any Share, any one of such joint holders may vote at the Meeting (or any adjournment thereof), either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders are present at the Meeting (or any adjournment thereof) personally or by proxy, that one of the said joint holders so present whose name stands first on the Company’s register of ordinary shareholders in respect of such Share shall alone be entitled to vote in respect thereof.

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3. A form of proxy for use at the Meeting is enclosed. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the Meeting (or any adjournment thereof) if you so wish, and in such event, the form of proxy shall be deemed to be revoked.
4. To be valid, the instrument appointing a proxy, together with any power of attorney or other authority (if any) under which it is signed or a notorially certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting (or any adjournment thereof).
5. In order to determine entitlement of a member of the Company to attend and vote at the Meeting (or any adjournment thereof), the Company's register of ordinary shareholders will be closed from Wednesday, 17 June 2020 to Monday, 22 June 2020 (both days inclusive) during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 16 June 2020.
6. Voting on the above resolutions will be taken by poll.

*As at the date of this notice, the board of directors of the Company 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.*

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### PRECAUTIONARY MEASURES FOR THE MEETING

At the time of publishing this notice the coronavirus (COVID-19) situation in Hong Kong is still developing and the situation at the time of Meeting is difficult to predict. **The Company reminds attendees that they should carefully consider the risks of attending the Meeting, taking into account their own personal circumstances. Furthermore, the Company would like to remind shareholders that physical attendance in person at the Meeting is not necessary for the purpose of exercising their voting rights and strongly recommends shareholders to appoint the chairman of the Meeting as their proxy and submit their form of proxy as early as possible.**

Should the coronavirus continue to affect Hong Kong at or around the time of the Meeting, the Company may implement precautionary measures at the Meeting in the interests of the health and safety of the attendees of the Meeting which include without limitation:

1. All attendees will be required to wear surgical face masks before they are permitted to attend, and during their attendance of, the Meeting. Attendees are advised to observe good personal hygiene and maintain appropriate social distance with each other at all times when attending the Meeting.
2. There will be compulsory body temperature screening for all persons before entering the Meeting venue. Should anyone seeking to attend the Meeting decline to submit to temperature testing or be found to be suffering from a fever with a body temperature of 37.3 degrees Celsius or above or otherwise unwell, the Company reserves the right to refuse such person's admission to the Meeting.
3. Attendees may be asked if (i) he/she has travelled outside of Hong Kong within 14 days immediately before the Meeting; (ii) he/she is subject to any HKSAR Government prescribed quarantine requirement; and (iii) he/she has any flu-like symptoms or close contact with any person under quarantine or with recent travel history. Any person who responds positively to any of these questions will be denied entry into the Meeting venue and will not be allowed to attend the Meeting.
4. Appropriate distancing and spacing in line with the guidance from the HKSAR Government will be maintained and as such, the Company may limit the number of attendees at the Meeting as may be necessary to avoid over-crowding.
5. Each attendee will be assigned a designated seat to facilitate contact tracing and to ensure appropriate social distancing.
6. **No gifts, food or beverages will be provided at the Meeting.**
7. Company staff and representatives at the Meeting venue will assist with crowd control and queue management to ensure appropriate social distancing.
8. Due to the constantly evolving COVID-19 pandemic situation, the Company may implement further changes and precautionary measures in relation to the Meeting arrangements at short notice. Shareholders should check the Company's website for further announcements and updates on the Meeting arrangements.