

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 Engineering Holdings 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 ENGINEERING HOLDINGS LIMITED

豐盛機電控股有限公司

(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) DOO'S ASSOCIATES GROUP MASTER SERVICES AGREEMENT**

AND

NOTICE OF EGM

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

BALLAS
C A P I T A L

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 10 to 43 of this Circular. A letter from the Independent Board Committee is set out on pages 44 to 45 of this Circular. A letter from Ballas Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 46 to 72 of this Circular.

A notice convening the EGM to be held at Meeting Rooms N211-N212 (Expo Drive Entrance), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Thursday, 25 May 2017 at 10:45 a.m. is set out on pages EGM-1 to EGM-4 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 22, 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.

9 May 2017

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DEFINITIONS

In this Circular, 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 10 April 2017 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 FY2018, FY2019 and FY2020
“associate”	has the meaning ascribed to it under the Listing Rules
“Ballas Capital” or “Independent Financial Adviser”	Ballas 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 Services Transactions contemplated under each of the New Master Services Agreements and their Annual Caps
“Board”	the board of Directors
“Company”	FSE Engineering Holdings Limited (豐盛機電控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (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
“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, its subsidiaries and associates from time to time but excluding the NWD Group, the NWDS Group and the NWS Group

DEFINITIONS

“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 in pursuant thereto
“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 2017
“EGM”	an extraordinary general meeting of the Company to be convened and held at Meeting Rooms N211–N212 (Expo Drive Entrance), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Thursday, 25 May 2017 at 10:45 a.m. to consider and approve the EGM Matters
“EGM Matters”	the New Master Services Agreements and the Services Transactions contemplated thereunder respectively and their Annual Caps
“Former Master Services Agreement(s)”	<p>the following former master services agreements collectively:</p> <p>(1) the master services agreement dated 20 November 2015 (“Former NWCL Master Services Agreement”) entered into between, inter alia, the Company and NWCL in relation to the provision of, inter alia, the E&M engineering and Environmental Services, and the Rental Services, to supplement the master services agreement dated 30 June 2014 entered into between Mr. Doo and NWCL in relation to the provision of services as contemplated thereunder between the Services Group and the NWCL Group;</p>

DEFINITIONS

- (2) the master services agreement dated 20 November 2015 (“**Former NWD Master Services Agreement**”) entered into between, inter alia, the Company and NWD in relation to the provision of, inter alia, the E&M engineering and Environmental Services, and the Rental Services, to supplement the master services agreement dated 11 April 2014 entered into between Mr. Doo and NWD in relation to the provision of services as contemplated thereunder between the Services Group and the NWD Group;
- (3) the master services agreement dated 20 November 2015 (“**Former NWDS Master Services Agreement**”) entered into between, inter alia, the Company and NWDS in relation to the provision of, inter alia, the E&M engineering and Environmental Services, and the Rental Services, to supplement the master services agreement dated 11 April 2014 entered into between Mr. Doo and NWDS in relation to the provision of services as contemplated thereunder between the Services Group and the NWDS Group;
- (4) the master services agreement dated 20 November 2015 (“**Former NWS Master Services Agreement**”) entered into between, inter alia, the Company and NWS in relation to the provision of, inter alia, the E&M engineering and Environmental Services, and the Contracting Services, to supplement the master services agreement dated 11 April 2014 entered into between Mr. Doo and NWS in relation to the provision of services as contemplated thereunder between the Services Group and the NWS Group;
- (5) the master services agreement dated 20 November 2015 (“**Former CTFJ Master Services Agreement**”) entered into between the Company and CTFJ in relation to the provision of, inter alia, the E&M engineering and Environmental Services by the Group to the CTFJ Group;

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- (6) the master services agreement dated 20 November 2015 (“**Former Doo’s Associates Group Master Services Agreement**”) entered into between the Company and FSE Management in relation the provision of, inter alia, the E&M engineering and Environmental Services, the Rental Services and the Sundry Services between the Group and the Doo’s Associates Group; and
- (7) the master services agreement dated 20 November 2015 (“**Former Property Leasing Master Services Agreement**”) entered into between the Company and Fung Seng in relation to the provision of, inter alia, the Rental Services by the Fung Seng Group to the Group

“FSE Holdings”	FSE Holdings Limited (豐盛創建控股有限公司), a company incorporated in the Cayman Islands 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
“Fung Seng”	Fung Seng Enterprises Limited (豐盛創建企業有限公司), a company incorporated in Hong Kong with limited liability, which is indirectly wholly-owned by Mr. Doo
“Fung Seng Group”	Fung Seng and its subsidiaries from time to time
“FY” or “financial year”	financial year of the Company ended or ending 30 June
“Group”	the Company and its subsidiaries from time to time
“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 and Dr. Tong Yuk Lun, Paul, established to advise the Independent Shareholders on, among other matters, the fairness and reasonableness of the New Master Services Agreements and the Services Transactions contemplated thereunder and their Annual Caps

DEFINITIONS

“Independent Shareholders”	the Shareholders, other than FSE Holdings, CTFJ, NWD, NWDS, NWS, Mr. Doo and their respective associates, who do not have any material interest in the matters to be considered at the EGM (namely, the New Master Services Agreements and the Services Transactions contemplated thereunder and their Annual Caps)
“Latest Practicable Date”	2 May 2017, 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
“Mr. Kwong”	Mr. Kwong Che Keung, Gordon, an independent non-executive Director
“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">(1) the new master services agreement dated 10 April 2017 (“CTFJ Master Services Agreement”) entered into between the Company and CTFJ in relation to the provision of the E&M engineering and Environmental Services by the Group to the CTFJ Group;(2) the new master services agreement dated 10 April 2017 (“Doo’s Associates Group Master Services Agreement”) entered into between the Company and FSE Management in relation to (a) the provision of the E&M engineering and Environmental Services by the Group to the Doo’s Associates Group; and (b) the provision of the Rental Services and the Sundry Services by the Doo’s Associates Group to the Group;

DEFINITIONS

- (3) the new master services agreement dated 10 April 2017 (“**NWD Master Services Agreement**”) entered into between the Company and NWD in relation to (a) the provision of the E&M engineering and Environmental Services by the Group to the NWD Group; and (b) the provision of the Rental Services by the NWD Group to the Group as a definitive agreement to the NWD Services Group Master Services Agreement;
- (4) the new master services agreement dated 10 April 2017 (“**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 by the Group to the NWDS Group; and (b) the provision of the Rental Services by the NWDS Group to the Group as a definitive agreement to the NWDS Services Group Master Services Agreement; and
- (5) the new master services agreement dated 10 April 2017 (“**NWS Master Services Agreement**”) entered into between the Company and NWS in relation to (a) the provision of the E&M engineering and Environmental Services by the Group to the NWS Group; and (b) the provision of the Contracting Services by the NWS Group to the Group as a definitive agreement to the NWS Services Group Master Services Agreement

“NWCL”	New World China Land Limited (新世界中國地產有限公司), a company incorporated in the Cayman Islands with limited liability and whose shares were formerly listed on the Main Board of the Stock Exchange (stock code: 917) until they ceased to be so listed on 4 August 2016. NWCL had become a wholly-owned subsidiary of NWD since 3 August 2016
“NWCL Group”	NWCL and its subsidiaries from time to time
“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

DEFINITIONS

“NWD Services Group Master Services Agreement”	the master services agreement dated 10 April 2017 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
“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 10 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, 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 10 April 2017 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 of the Listing Rules
“relevant counterparty(ies) to the New Master Services Agreement(s)”	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:

- (1) 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 (“**E&M engineering and Environmental Services**”);
- (2) leasing of properties, including without limitation, spare spaces, office spaces and car parking spaces, and related services (“**Rental Services**”);
- (3) cleaning and landscaping, laundry, property and facility management, security and guarding, project management (“**Sundry Services**”); and
- (4) 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 (“**Contracting Services**”)

DEFINITIONS

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

LETTER FROM THE BOARD



FSE ENGINEERING HOLDINGS LIMITED

豐盛機電控股有限公司

(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

Independent Non-executive Directors:

Mr. Kwong Che Keung, Gordon

Mr. Hui Chiu Chung, Stephen

Mr. Lee Kwan Hung

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

9 May 2017

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) 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 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.

LETTER FROM THE BOARD

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 Ballas 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 Agreement is due to expire on 30 June 2017, 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.

NWCL has become a wholly-owned subsidiary of NWD since 3 August 2016. As such, the provision of the services as contemplated under the Former NWCL Master Services Agreement now form part of the Services Transactions as contemplated under the NWD Master Services Agreement.

For the purpose of effecting a termination of the Former NWD Master Services Agreement upon expiry of its initial term, the Company, NWD, Mr. Doo and FSE Management entered into a termination agreement on 10 April 2017 to terminate the Former NWD Master Services Agreement with effect from the Effective Date subject to the obtaining of the independent shareholders' approval of NWD to the NWD Services Group Master Services Agreement.

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

Date	:	10 April 2017
Parties	:	(1) NWD; and (2) the Company.

LETTER FROM THE BOARD

- Conditions Precedent** : The NWD Master Services Agreement is conditional upon:
- (1) the obtaining of the approval of the Independent Shareholders at the EGM approving the NWD Master Services Agreement, the Services Transactions contemplated thereunder and their Annual Caps; and
 - (2) the obtaining of the approval of the independent shareholders of NWD at an extraordinary general meeting of NWD approving the NWD Services Group Master Services Agreement, the transactions contemplated thereunder and their annual caps.
- Duration** : Subject to fulfillment of the conditions precedent contained in the NWD Master Services Agreement, the NWD Master Services Agreement shall be for an initial term of three years commencing on the Effective Date and ending on 30 June 2020 (both days inclusive).
- Subject to re-compliance with the applicable requirements of the Listing Rules at the relevant time, the NWD Master Services Agreement shall be automatically renewed at the end of its initial term for a successive period of three years (or such other period as required under the Listing Rules or by the Stock Exchange) upon expiration of its initial term or any subsequently renewed term.
- Services to be provided by the Group to the NWD Group** : E&M engineering and Environmental 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** : Rental 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.

LETTER FROM THE BOARD

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 Agreement and the Former NWCL Master Services Agreement which are subsisting as at the Effective Date will be treated as Definitive Agreements made pursuant to the NWD Master Services Agreement as from the Effective Date and continue in full force and effect until their termination in accordance with their respective terms.

2. NWS Master Services Agreement

As the initial term of the Former NWS Master Services Agreement is due to expire on 30 June 2017, 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.

For the purpose of effecting a termination of the Former NWS Master Services Agreement upon expiry of its initial term, NWS served a termination notice to Mr. Doo, the Company and FSE Management on 10 April 2017 to terminate the Former NWS Master Services Agreement upon the NWS Services Group Master Services Agreement becoming effective on the Effective Date.

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

Date : 10 April 2017

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

LETTER FROM THE BOARD

- 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) 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 2020 (both days inclusive).
- Subject to re-compliance with the applicable requirements of the Listing Rules at the relevant time, the NWS Master Services Agreement may be renewed as from the Effective Date 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.
- Services to be provided by the Group to the NWS Group** : E&M engineering and Environmental 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** : Contracting 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.

LETTER FROM THE BOARD

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 Agreement 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 Agreement is due to expire on 30 June 2017, 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.

For the purpose of effecting a termination of the Former NWDS Master Services Agreement upon expiry of its initial term, the Company, NWDS, Mr. Doo and FSE Management entered into a termination agreement on 10 April 2017 to terminate the Former NWDS Master Services Agreement with effect from the Effective Date.

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

Date : 10 April 2017

Parties : (1) NWDS; and
(2) the Company.

LETTER FROM THE BOARD

- Conditions Precedent** : The NWDS Master Services Agreement is conditional upon:
- (1) 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; and
 - (2) (where required) the obtaining of the approval of the independent shareholders of NWDS at an extraordinary general meeting of NWDS approving the NWDS Services Group Master Services Agreement, the 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 2020 (both days inclusive).
- Subject to re-compliance with the applicable requirements of the Listing Rules at the relevant time, the NWDS Master Services Agreement shall be automatically renewed at the end of its initial term for a successive period of three years (or such other period as required under the Listing Rules or by the Stock Exchange) upon expiration of its initial term or any subsequently renewed term.
- Services to be provided by the Group to the NWDS Group** : E&M engineering and Environmental 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** : Rental 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.

LETTER FROM THE BOARD

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

All definitive agreements entered into in respect of the transactions contemplated under the Former NWDS Master Services Agreement 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

The initial term of the Former CTFJ Master Services Agreement is due to expire on 30 June 2018. To tally the term of the Former CTFJ Master Services Agreement with the other New Master Services Agreements such that their initial term shall expire on the same date, i.e. on 30 June 2020, the Company and CTFJ entered into the CTFJ Master Services Agreement (1) to terminate the Former CTFJ Master Services Agreement with effect from the Effective Date and replace it with the CTFJ Master Services Agreement with a term of three years commencing on the Effective Date and ending on 30 June 2020 subject to fulfillment of the conditions precedent contained in the CTFJ Master Services Agreement; and (2) which serves to continue to provide the Company and CTFJ with a master framework of agreement upon which the Definitive Agreements to be made pursuant to the CTFJ Master Services Agreement 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 : 10 April 2017

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.

LETTER FROM THE BOARD

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 2020 (both days inclusive).

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

Services to be provided by the Group to the CTFJ Group : E&M engineering and Environmental 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 Agreement 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. Doo's Associates Group Master Services Agreement

The initial term of the Former Doo's Associates Group Master Services Agreement is due to expire on 30 June 2018. To tally the term of the Former Doo's Associates Group Master Services Agreement with the other New Master Services Agreements such that their initial term shall expire on the same date, i.e. on 30 June 2020, the Company and FSE Management entered into the Doo's Associates Group Master Services Agreement (1) to terminate the Former Doo's Associates Group Master Services Agreement with effect from the Effective Date and replace it with the Doo's Associates Group Master Services Agreement with a term of three years commencing on the Effective Date and ending on 30 June 2020 subject to the fulfillment of the conditions precedent contained in the Doo's Associates Group Master

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Services Agreement; and (2) which serves to continue to provide the Company and FSE Management with a master framework of agreement upon which the Definitive Agreements to be made pursuant to the Doo's Associates Group Master Services Agreement are to be entered into between the Group and the Doo's Associates Group.

Fung Seng Group are companies wholly-owned by Mr. Doo. For administrative ease to better administer the Group's leasing of premises from different landlords, the rental services provided by the Fung Seng Group to the Group was formerly entered into under the Former Property Leasing Master Services Agreement notwithstanding that Fung Seng Group, being companies wholly-owned by Mr. Doo, are also 30%-controlled companies of Mr. Doo and hence could be part of the Doo's Associates Group. As the Fung Seng Group has been and remained as part of the Doo's Associates Group and to better administer all continuing connected transactions between the Group and the Doo's Associates Group as a whole, the provision of the services as contemplated under the Former Property Leasing Master Services Agreement is now grouped as part of the Services Transactions as contemplated under the Doo's Associates Group Master Services Agreement.

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

- Date** : 10 April 2017
- 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 to the Effective Date and ending on 30 June 2020 (both days inclusive).
- Subject to re-compliance with the applicable requirements of the Listing Rules at the relevant time, the Doo's Associates Group Master Services Agreement shall be automatically renewed at the end of its initial term for a successive period of three years (or such other period as required under the Listing Rules or by the Stock Exchange) upon expiration of its initial term or any subsequently renewed term.

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- Services to be provided by the Group to the Doo's Associates Group** : E&M engineering and Environmental Services, and such other types of services as members of the Group and members of the Doo's Associates Group may agree upon from time to time in writing.
- Services to be provided by the Doo's Associates Group to the Group** : Rental Services and Sundry 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 Agreement and the Former Property Leasing Master Services Agreement 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 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 or the Doo's Associates Group (as the case may be) may relate; and

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- (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 or the Doo's Associates Group (as the case may be) has (have) been selected by the Group, the NWD Group, the NWS Group, the NWDS Group, the CTFJ Group or the Doo's Associates Group (as the case may be) as the service provider as a result of the relevant auction or tender or other similar process.

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

- (1) CTFJ and each member of the CTFJ Group shall have the sole and absolute right and discretion to decide whether to engage any member of the Group to provide the E&M engineering and Environmental Services, and neither CTFJ nor any member of the CTFJ Group shall be under any obligation or commitment to engage or procure the engagement of any member of the Group to provide the E&M engineering and Environmental Services; and
- (2) the Company shall have no claim or right whatsoever against CTFJ and/or any member of the CTFJ Group in the event that any member(s) of the CTFJ Group does/do not engage any member(s) of the Group to provide the E&M engineering and Environmental 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 in the ordinary and usual course of business of the Group and members of the relevant counterparty to the New Master Services Agreement, on normal commercial terms and negotiated on arm's length basis and at prices and on terms no less favourable to the Group or members of the relevant counterparty to the New Master Services Agreement (as the case may be) than those charged and provided to independent third party customers of the Group or members of the relevant counterparty to the New Master Services Agreements (as the case may be) (or than those available to and from independent third parties).

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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:

(1) 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 makes references to recent job quotations, such as tender record, major material and equipment costs and subcontractor's labour costs, quotations, resources availability of the Group's projects completed or in progress which are stored in the Group's data system. In addition, related market information, such as material price trend and potential contract opportunities are also retrieved for reference. Before submission, each tender has to be reviewed by the Group's contract managers and approved by the Group's project director in accordance with the Group's pricing policy and limits of authority. In the tender wrap up process as referred to above in the determination of the tender price as may be submitted by the Group, the project director and where the proposed tender sum is more than certain thresholds as set out in the Group's pricing policy from time to time, the top management committee, will review the reasonableness of the tender price which included a mark-up, by reference to the unit costs (such as cost per area, cost per volume, 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

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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

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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;

- (2) as regards the environmental engineering 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 engineering 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 engineering division of the Group; and

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- 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 engineering 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 engineering 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;
- (3) as regards the Rental Services to be provided by members of the NWD Group, the NWDS Group and the Doo's Associates Group pursuant to the relevant New Master Services Agreements:
- the existing rental paid by us 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 us under each new lease agreement, whether or not in relation to property currently leased by us 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 26 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 by the Chief Executive Officer of the Group; and

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- (4) as regards the Contracting Services to be provided by members of the NWS Group pursuant to the NWS Master Services Agreement:
- comparables of a sufficient number of fee quotations, a minimum of two comparables will be obtained 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 (who has over 33 years' experience in the E&M engineering business in Hong Kong) from other independent service providers 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 general manager of the tender 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 NWS Group as compared to independent service providers before approving the pricing of the Contracting Services. 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.
- (5) as regards the Sundry Services to be provided by members of the Doo's Associates Group pursuant to the Doo's Associates Group Master Services Agreement:
- comparables of a sufficient number of fee quotations, a minimum of two comparables will be obtained, assessed (including assessing whether the comparables obtained are appropriate ones after taking into account of the past experience of the independent service providers of similar scope of works) and reviewed by the human resources manager of the Group (who has over 26 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) from other independent service providers upon which the fairness and reasonableness of the prices and terms as may be offered by members of the Doo's Associates Group can be compared and assessed by the general manager of the human resources 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 Doo's Associates Group as compared to independent service providers before approving the pricing of the Sundry Services.

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HISTORICAL AGGREGATE TRANSACTION AMOUNTS

Historical aggregate transaction amounts in respect of the Services Transactions for the FY2015, FY2016 and the six months ended 31 December 2016 respectively are set out below:

Former NWD Master Services Agreement

Categories	Aggregate transaction amount		
	FY2015 <i>(HK\$'000)</i>	FY2016 <i>(HK\$'000)</i>	Six months ended 31 December 2016 <i>(HK\$'000)</i>
Services provided by the Group	78,882	239,690	134,649
Services provided by the NWD Group	Nil	117	62
Total	78,882	239,807	134,711

Note: NWCL has become a wholly-owned subsidiary of NWD and it and its subsidiaries have become part of the NWD Group since 3 August 2016. The above historical aggregate transaction amounts therefore included the historical aggregate transaction amounts attributable to the transactions contemplated under the Former NWCL Master Services Agreement.

Former NWS Master Services Agreement

Categories	Aggregate transaction amount		
	FY2015 <i>(HK\$'000)</i>	FY2016 <i>(HK\$'000)</i>	Six months ended 31 December 2016 <i>(HK\$'000)</i>
Services provided by the Group	599,915	1,365,411	734,367
Services provided by the NWS Group	2,060	Nil	Nil
Total	601,975	1,365,411	734,367

Note: In FY2016 and the six months ended 31 December 2016, the members of the Group did not engage the NWS Group in the provision of the Contracting Services as the works undertaken by the Group during these periods did not require any of these services.

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Former NWDS Master Services Agreement

Categories	Aggregate transaction amount		
	FY2015	FY2016	Six months ended 31 December 2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Services provided by the Group	26,233	15,140	6,436
Services provided by the NWDS Group	185	176	70
Total	26,418	15,316	6,506

Former CTFJ Master Services Agreement

Categories	Aggregate transaction amount		
	FY2015	FY2016	Six months ended 31 December 2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Services provided by the Group	6,996	44,829	21,131
Total	6,996	44,829	21,131

Former Doo's Associates Group Master Services Agreement

Categories	Aggregate transaction amount		
	FY2015	FY2016	Six months ended 31 December 2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Services provided by the Group	37,973	48,590	20,718
Services provided by the Doo's Associates Group	4,458	7,090	4,390
Total	42,431	55,680	25,108

Note: The above historical aggregate transaction amounts included the historical aggregate transaction amounts attributable to the transactions contemplated under the Former Property Leasing Master Services Agreement.

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ANNUAL CAPS

The expected Annual Caps in respect of the Services Transactions contemplated under each of the New Master Services Agreements for the FY2018, FY2019 and FY2020 respectively are as follows:

NWD Master Services Agreement

Categories	Annual Caps		
	FY2018 <i>(HK\$'000)</i>	FY2019 <i>(HK\$'000)</i>	FY2020 <i>(HK\$'000)</i>
Services to be provided by the Group <i>(note)</i>	660,833	693,393	847,079
Services to be provided by the NWD Group	1,591	1,750	1,925
Total	662,424	695,143	849,004

Note: approximately HK\$348.6 million (FY2018), HK\$33.3 million (FY2019) and HK\$34.0 million (FY2020) of the Annual Caps are from existing confirmed projects on hand.

A significant portion of the Annual Caps for the E&M engineering and Environmental Services to be provided by members of the Group to members of the NWD Group under the NWD Master Services Agreement is attributable to the provision of electrical & mechanical engineering services. The surge in the Annual Caps as compared with their relevant historical transaction amounts is mainly due to certain potential sizable upcoming and ongoing commercial development projects in various provinces in the People's Republic of China which include, among others:

- (i) the works relating to a hotel development project in Qingyuan and a commercial building in Beijing with estimated project completion date in FY2018, which the Group has been engaged as service provider by the NWD Group (which works contribute HK\$145.0 million to the above Annual Cap in FY2018); and
- (ii) the estimated future demand of the Group's services for certain potential projects of the NWD Group in Beijing, Ningbo, Wuhan, Yangzhou and Qianhai of the People's Republic of China which contribute HK\$177.8 million (FY2018), HK\$503.3 million (FY2019) and HK\$663.4 million (FY2020) to the above Annual Caps. There are only a handful few of foreign owned enterprises in the Peoples' Republic of China that are qualified to undertake the electrical & mechanical engineering services 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 like the Group does and justifies the inclusion of the estimated contract sums of these projects in the Annual Caps for Services to be provided by the Group under the NWD Master Services Agreement.

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The Annual Caps for the Services to be provided by members of the NWD Group to members of the Group under the NWD Master Services Agreement are attributable to the provision of the Rental Services. The increase in the Annual Caps as compared with their historical transaction amounts is mainly due to the expected surge in the Group's demand in floor spaces for office and site office premises and other business uses of the Group to cope with the Group's business development and growth in its electrical & engineering business.

NWS Master Services Agreement

Categories	Annual Caps		
	FY2018 <i>(HK\$'000)</i>	FY2019 <i>(HK\$'000)</i>	FY2020 <i>(HK\$'000)</i>
Services to be provided by the Group <i>(note)</i>	1,834,149	2,217,261	2,619,833
Services to be provided by the NWS Group	20,000	20,000	20,000
Total	1,854,149	2,237,261	2,639,833

Note: approximately HK\$1,220.1 million (FY2018), HK\$597.4 million (FY2019) and HK\$117.1 million (FY2020) of the Annual Caps are from existing confirmed projects on hand.

A significant portion of the Annual Caps for the E&M engineering and Environmental Services to be provided by members of the Group to members of the NWS Group under the NWS Master Services Agreement is attributable to the provision of electrical & mechanical engineering services. The surge in the Annual Caps as compared with their relevant historical transaction amounts is mainly due to certain potential sizable upcoming and ongoing projects which include, among others:

- (i) works relating to a construction project for a government building in Yau Ma Tei with estimated project completion date in FY2020 and a commercial redevelopment project of a complex comprising hotel serviced apartment, shopping arcade and offices in Tsim Sha Tsui, with estimated project completion date in FY2019, both 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\$910.9 million (FY2018), HK\$377.3 million (FY2019) and HK\$29.5 million (FY2020) to the above Annual Caps; and
- (ii) works relating to certain public sector development projects as well as various private sector development projects (including residential and commercial development projects). The estimated future demand of the Group's services for certain potential projects of the NWS Group in a private sector development projects in Tai Wai, Hong Kong which contributes HK\$127.0 million (FY2018), HK\$381.0 million (FY2019) and HK\$508.0 million (FY2020) to the above Annual Caps and in certain public sector development projects in Kai Tak, Hong Kong which contributes HK\$78.0 million (FY2019) and HK\$719.8 million (FY2020) to the above Annual Caps.

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The Annual Caps for the Services to be provided by members of the NWS Group to members of the Group under the NWS Master Services Agreement are largely attributable to the provision of the Contracting Services. The increase in the Annual Caps as compared with their historical transaction amounts is mainly due to the estimated future demand for Contracting Services from the NWS Group in respect of certain potential sizable upcoming projects, which include, but not limited to, certain public sector development projects in respect of which the Group has to engage sub-contractors in the provision of the Contracting Services and NWS Group is one of the reputable service providers among the Group's list of service providers. The contract sums for two of the potential public sector development projects in Kai Tak are estimated to be over HK\$2,700 million in aggregate. 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 expected to be launched in the third quarter of 2017. Members of the Group are amongst the handful few of qualified contractors for the public sector development projects on the List of Approved Contractors for Public Works which is with extensive experience and engineering design capability and coupled with the promising record of the Group in succeeding in obtaining tenders for the provision of electrical & mechanical engineering service for public sector development projects in the past, the Group has high chance in succeeding in obtaining the tender for the provision of electrical & mechanical engineering services for these public sector development projects and justify the inclusion in the Annual Caps of the estimated contract sums required for Contracting Services to be provided by the NWS Group under the NWS Master Services Agreement.

NWDS Master Services Agreement

Categories	Annual Caps		
	FY2018 <i>(HK\$'000)</i>	FY2019 <i>(HK\$'000)</i>	FY2020 <i>(HK\$'000)</i>
Services to be provided by the Group <i>(note)</i>	79,535	88,077	90,071
Services to be provided by the NWDS Group	334	368	405
Total	79,869	88,445	90,476

Note: The Annual Caps are not based on existing confirmed projects on hand.

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A significant portion of the Annual Caps for the E&M engineering and Environmental Services to be provided by members of the Group to members of the NWDS Group under the NWDS Master Services Agreement is attributable to the provision of electrical & mechanical engineering services.

The surge in the Annual Caps as compared with their relevant historical transaction amounts is mainly due to the estimated future demand of projects of the NWDS Group for the Group's electrical & mechanical engineering services, particularly for renovation, fitting out and decoration works of the existing department stores in Shanghai, Chongqing, Shenyang, and Ningbo of the People's Republic of China, which are under negotiation as at the Latest Practicable Date 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 People's Republic of China, and estimated to contribute HK\$79.5 million (FY2018), HK\$88.1 million (FY2019) and HK\$36.8 million (FY2020) 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 People's Republic of 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 Peoples Republic of China.

There is a decrease of approximately HK\$2.3 million in the annualised aggregate transaction amount for FY2017 from that of FY2016 but the Group expected that a project in progress in Zhengzhou, China shall contribute approximate HK\$9 million to the aggregate transaction amount for the six months ended 30 June 2017 that shall mitigate the decrease. 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 and Environmental Services to the NWDS Group based on its long standing business relationship with NWDS Group as well as the historical records of the Services Transactions provided by the Group to the NWDS Group under the Former NWDS Master Services Agreement, including those for the FY2015, FY2016 and the six months ended 31 December 2016, that the Annual Caps will remain stable and coupled with the factors as stated above, be on an upward trend in the coming three financial years.

The Annual Caps for the Services to be provided by members of the NWDS Group to members of the Group under the NWDS Master Services Agreement are attributable to the provision of the Rental Services. The increase in the Annual Caps as compared with their relevant historical transaction amounts is mainly due to the estimated future demand in floor spaces for office and site office premises, warehouse, car parking spaces and other business uses of the Group to cope with the Group's business growth.

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CTFJ Master Services Agreement

Categories	Annual Caps		
	FY2018 <i>(HK\$'000)</i>	FY2019 <i>(HK\$'000)</i>	FY2020 <i>(HK\$'000)</i>
Services to be provided by the Group	157,351	302,561	299,995
Total	157,351	302,561	299,995

Note: approximately HK\$41.9 million (FY2018), HK\$1.6 million (FY2019) and HK\$1.7 million (FY2020) of the Annual Caps are from existing confirmed projects on hand.

A significant portion of the Annual Caps for the E&M engineering and Environmental Services to be provided by members of the Group to members of the CTFJ Group under the CTFJ Master Services Agreement is attributable to the provision of electrical & mechanical engineering services.

The surge in the Annual Caps as compared with their relevant historical transaction amounts is mainly due to the estimated future demand for the Group's electrical & mechanical engineering services by the CTFJ Group for two potential commercial construction projects in the People's Republic of China which are under negotiation as at the Latest Practicable Date and expected to be implemented during and beyond the next three financial years. One of them is a new large size development project of commercial and retail buildings in Wuhan City which would require the provision of electrical & mechanical engineering services, project management and building information modelling services. The other one is a new large size development projects of a commercial plaza in Ningbo City, which would require the provision of electrical & mechanical engineering services. Both of these projects are for multi-purposes buildings as opposed to single purpose buildings which the Group did for the CTFJ Group in the past. The estimated contract sum for the provision of the Group's services in respect of these multi-purposes buildings would be far more than that in the case of single purpose buildings in view of the volume of works, complexity and technical requirements required. These two projects are estimated to contribute HK\$104.4 million (FY2018), HK\$279.9 million (FY2019) and HK\$276.0 million (FY2020) to the above Annual Caps. Members of the Group are amongst the handful few of foreign owned enterprises in the People's Republic of 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 People's Republic of China.

Despite a decrease of approximately HK\$2.6 million in the annualised aggregate transaction amount for FY2017 from that of FY2016 mainly due to contribution of HK\$18.8 million in FY2016 for completion of a chiller plant replacement project at World Peace Centre in Hong Kong with the potential projects kicked-in during FY2018 as mentioned above, 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 and Environmental Services to the CTFJ Group based on its long standing business relationship

LETTER FROM THE BOARD

with CTFJ Group as well as the historical records of the Services Transactions provided by the Group to the CTFJ Group under the Former CTFJ Master Services Agreement, including those for the FY2015, FY2016 and the six months ended 31 December 2016, that the Annual Caps will remain stable and coupled with the factors as stated above, be on an upward trend in the coming three financial years.

Doo's Associates Group Master Services Agreement

Categories	Annual Caps		
	FY2018 <i>(HK\$'000)</i>	FY2019 <i>(HK\$'000)</i>	FY2020 <i>(HK\$'000)</i>
Services to be provided by the Group <i>(note)</i>	188,440	165,527	289,108
Services to be provided by the Doo's Associates Group	<u>13,034</u>	<u>8,044</u>	<u>8,371</u>
Total	<u><u>201,474</u></u>	<u><u>173,571</u></u>	<u><u>297,479</u></u>

Note: approximately HK\$86.1 million (FY2018), HK\$25.7 million (FY2019) and HK\$25.4 million (FY2020) of the Annual Caps are from existing confirmed projects on hand.

A significant portion of the Annual Caps for the E&M engineering and Environmental Services to be provided by members of the Group to members of the Doo's Associates Group under the Doo's Associates Group Master Services Agreement is attributable to the provision of electrical & mechanical engineering services.

The surge in the Annual Caps as compared with their relevant historical transaction amounts is mainly due to:

- (i) the increase in projects to which the Group's engagement has been confirmed and which are ongoing or will commence in the coming three financial years mainly including electrical and mechanical systems' replacement and upgrading works arising from various commercial and residential buildings and shopping centres in Hong Kong which are estimated to contribute HK\$76.1 million (FY2018), HK\$24.6 million (FY2019) and HK\$25.4 million (FY2020) to the above Annual Caps; and
- (ii) the estimated future demand of the projects of the Doo's Associates Group particularly for the electrical & mechanical engineering services for various prospective commercial development projects for multi-purposes commercial buildings in Shanghai City in the People's Republic of China which may contribute HK\$48.4 million (FY2018), HK\$77.9 million (FY2019) and HK\$192.2 million (FY2020) to the above Annual Caps. These projects are for multi-purposes buildings as opposed to single purpose buildings which the Group did mainly for the Doo's Associates Group in the past. The estimated contract sum for the provision of the Group's services in respect of these multi-purposes buildings would be far more than that in the case of single purpose buildings in view of the volume of works, complexity and technical requirements required.

LETTER FROM THE BOARD

There is a decrease of approximately HK\$7.2 million in the annualised aggregate transaction amount for FY2017 from that of FY2016 but the Group estimated that several confirmed projects of electrical and mechanical system's replacement in progress in Shanghai, China would contribute approximate HK\$7 million to the aggregate transaction amount for the six months ended 30 June 2017 that shall mitigate the decrease. 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 and Environmental Services to the Doo's Associates Group based on its long standing business relationship with the Doo's Associates Group as well as the historical records of the Services Transactions provided by the Group to the Doo's Associates Group under the Former Doo's Associates Group Master Services Agreement, including those for the FY2015, FY2016 and the six months ended 31 December 2016, that the Annual Caps will remain stable and coupled with the factors as stated above, be on an upward trend in the coming three financial years.

The Annual Caps for the Services to be provided by members of the Doo's Associates Group to members of the Group under the Doo's Associates Group Master Services Agreement are attributable to the provision of the Rental Services and the Sundry Services. To cope with the Group's business growth and to facilitate centralisation of the Group's major operations and management in the Group's head office in Kowloon Bay, the future demand for floor spaces of office premises of the Group will increase and cause the increase in the Annual Caps for the Rental Services and the Sundry Services to be provided by the Doo's Associates Group.

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 E&M engineering and Environmental 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 E&M engineering and Environmental Services provided by members of the Group to members of the relevant counterparty to the New Master Services Agreement during the FY2015, FY2016 and the six months ended 31 December 2016;
 - (b) the existing projects in progress;
 - (c) the potential projects that may be undertaken by the Group; and
 - (d) the projected annual or annualised amounts in respect of the E&M engineering and Environmental Services to be provided by the members of the Group to members of the relevant counterparty to the New Master Services Agreement in

LETTER FROM THE BOARD

the next three FY2018, FY2019 and FY2020, having taken into account the following major factors:

- the estimated future demand for the E&M engineering and Environmental Services of the Group by members of the relevant counterparty to the New Master Services Agreement; and
 - the expected increase in the Group's costs in providing the E&M engineering and Environmental Services taking into account various factors like inflation rate of about 2% to 3% on average.
- (2) in relation to the Rental Services to be provided by members of the NWD Group, the NWDS Group and the Doo's Associates Group pursuant to the NWD Master Services Agreement, the NWDS Master Services Agreement and the Doo's Associates Group Master Services Agreement respectively:
- (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
 - (c) the Group's demand in floor spaces for office and site office premises, warehouse, car parking spaces and other business uses of the Group to cope with the Group's business growth.
- (3) in relation to the Sundry Services to be provided 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 Sundry Services provided to the Group by members of the Doo's Associates Group during the FY2015, FY2016 and the six months ended 31 December 2016; and
 - (b) the projected annual or annualised amounts in respect of the Sundry Services to be provided to the Group by members of the Doo's Associates Group in the next three FY2018, FY2019 and FY2020, having taken into account the following major factors:
 - the business growth and need of the Group and members of the Doo's Associates 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.

LETTER FROM THE BOARD

- (4) in relation to the Contracting Services to be provided by members of the NWS Group pursuant to the NWS Master Services Agreement:
- (a) the historical annual or annualised amounts in respect of the Contracting Services provided to the Group by members of the NWS Group during the FY2015, FY2016 and the six months ended 31 December 2016;
 - (b) the potential projects 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 Contracting Services to be provided to the Group by members of the NWS Group in the next three FY2018, FY2019 and FY2020, having taken into account the following major factors:
 - the business growth and need of the Group and members of the NWS 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.

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.

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 of the Listing Rules 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 William Junior Guilherme (an executive Director) and is also the cousin of the spouse of Mr. Poon Lock Kee, Rocky (an executive Director and Chief Executive Officer). Each of the NWD Group, the NWS Group, the NWDS Group and the CTFJ Group is the family business of Dr. Cheng and is therefore 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 therefore connected persons of the Company.

REQUIREMENTS OF THE LISTING RULES

As the highest of the applicable Percentage Ratios in respect of Annual Caps of (1) each of the New Master Services Agreements (other than the NWDS Master Services Agreement) is more than 25%; and (2) the NWDS Master Services Agreement is more than 5% and exceeds HK\$10,000,000, each New Master Services Agreement and the Services Transactions contemplated thereunder and their Annual Caps are subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules for the Company.

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 and Dr. Tong Yuk Lun, Paul, all of them are independent non-executive Directors) has been established to advise and provide recommendation to the Independent Shareholders as to whether the New Master Services Agreements and the Services Transactions contemplated

LETTER FROM THE BOARD

thereunder respectively and their Annual Caps 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.

Ballas 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.

Services Transactions contemplated under:	Director who is regarded as having a material interest or potential conflict of interest in the relevant New Master Services Agreement	Basis upon which the Director is regarded as having a material interest or potential conflict of interest
NWD Master Services Agreement	Dr. Cheng	<ul style="list-style-type: none"> ● He is a director of NWD ● NWD Group is his family business
NWDS Master Services Agreement	Dr. Cheng	<ul style="list-style-type: none"> ● He is a director of NWDS ● NWDS Group is his family business
NWS Master Services Agreement	Dr. Cheng	<ul style="list-style-type: none"> ● He is a director of NWS ● NWS Group is his family business
	Mr. Doo Jr.	<ul style="list-style-type: none"> ● He is a director of NWS
	Mr. Lam	<ul style="list-style-type: none"> ● He is a director of NWS
	Mr. Kwong	<ul style="list-style-type: none"> ● He is an independent non-executive director of NWS
CTFJ Master Services Agreement	Dr. Cheng	<ul style="list-style-type: none"> ● He is a director of CTFJ ● CTFJ Group is his family business
	Mr. Kwong	<ul style="list-style-type: none"> ● He is an independent non-executive director of CTFJ
Doo's Associates Group Master Services Agreement	Dr. Cheng	<ul style="list-style-type: none"> ● He has interest in some members of the Doo's Associates Group
	Mr. Doo Jr.	<ul style="list-style-type: none"> ● He has interest in some members of the Doo's Associates Group ● He is a director of some members of the Doo's Associates Group

LETTER FROM THE BOARD

Services Transactions contemplated under:	Director who is regarded as having a material interest or potential conflict of interest in the relevant New Master Services Agreement	Basis upon which the Director is regarded as having a material interest or potential conflict of interest
	Mr. Lam	<ul style="list-style-type: none"> ● He has interest in some members of the Doo's Associates Group ● He is a director of some members of the Doo's Associates Group
	Mr. Wong Kwok Kin, Andrew	<ul style="list-style-type: none"> ● He has interest in some members of the Doo's Associates Group ● He is a director of some members of the Doo's Associates Group
	Mr. Lee Kwok Bong	<ul style="list-style-type: none"> ● He has interest in some members of the Doo's Associates Group ● He is a director of some members of the Doo's Associates Group

Dr. Cheng and Mr. Kwong did not vote on the resolutions approving the New Master Services Agreements, the Services Transactions contemplated thereunder respectively and their Annual Caps as they were not present at the Board meeting approving the New Master Services Agreements.

Each of Mr. Lam, Mr. Doo Jr., 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 New Master Services Agreements, the Services Transactions contemplated thereunder respectively and their Annual Caps in respect of which he is regarded as having a material interest (or as the case may be, a potential conflict of interest) as indicated in the table above.

For good corporate governance:

- Mr. Doo Jr. had voluntarily abstained from voting at the Board meeting approving the New Master Services Agreements on the resolutions approving the NWD New Master Services Agreements, the NWDS New Master Services Agreement and the CTFJ Master Services Agreement, the Services Transactions contemplated thereunder respectively and their 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) Interest in Contract or Arrangement” in the Appendix to this Circular, none of 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.

LETTER FROM THE BOARD

ADDITIONAL 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 21 April 2017, approximately 44.20% of the total issued share capital of NWD was held by Chow Tai Fook Enterprises Limited and its subsidiaries.

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

NWS Group

NWS is a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 659). As at 21 April 2017, approximately 61.32% of the total issued share capital of NWS was held by NWD and its subsidiaries and approximately 2.52% of the total issued share capital of NWS was held by Chow Tai Fook Enterprises Limited.

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

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 21 April 2017, approximately 72.29% of the total issued share capital of NWDS was held by NWD.

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 People's Republic of 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 21 April 2017, approximately 89.34% of the total issued share capital of CTFJ was held by Chow Tai Fook (Holding) Limited.

LETTER FROM THE BOARD

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

Doo's Associates Group

FSE Management 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, 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, the provision of property leasing, cleaning and laundry, landscaping, property and facility management, project management, insurance consultancy and brokerage, and security and guarding services.

The Group

The principal businesses of the Group include the provision of electrical and mechanical engineering and environmental engineering services.

RECOMMENDATIONS

Your attention is drawn to (i) the advice of the Independent Board Committee set out in its letter set out on pages 44 to 45 of this Circular; and (ii) the letter from Ballas Capital to the Independent Board Committee and the Independent Shareholders set out on pages 46 to 72 of this Circular in respect of the EGM Matters and the principal factors considered by Ballas Capital in formulating its advice.

The Independent Board Committee, having taken into account the advice of Ballas 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 members will be closed from Monday, 22 May 2017 to Thursday, 25 May 2017 (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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 19 May 2017.

LETTER FROM THE BOARD

EGM

The EGM will be held at Meeting Rooms N211–N212 (Expo Drive Entrance), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Thursday, 25 May 2017 at 10:45 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-4 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 CTFJ, NWD, NWDS, NWS and Mr. Doo in 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 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 controlling shareholders of the Company, is holding 75% of the issued Shares. FSE Holdings will therefore abstain from voting at the EGM as aforesaid. To the best of knowledge, information and belief of the Directors, having made all reasonable enquiries, apart from FSE Holdings, no other Shareholders are materially interested in all or any of the EGM Matters who are required to abstain from voting at the EGM as aforesaid.

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 22, 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 Engineering Holdings Limited
Lam Wai Hon, Patrick
Vice-Chairman and Executive Director

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 ENGINEERING HOLDINGS LIMITED

豐盛機電控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 331)

9 May 2017

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) DOO'S ASSOCIATES GROUP MASTER SERVICES AGREEMENT**

We refer to the circular dated 9 May 2017 (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.

Ballas 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 10 to 43 of the Circular which contains, among others, information on the EGM Matters as well as the letter from Ballas Capital as set out on pages 46 to 72 of the Circular which contains its advice in respect of the EGM Matters.

Having taken into account the advice of Ballas Capital, we consider that the EGM Matters are 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.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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
Dr. Tong Yuk Lun, Paul

BALLAS
C A P I T A L

Unit 1802, 18/F
1 Duddell Street
Central
Hong Kong

9 May 2017

*To the Independent Board Committee and the Independent Shareholders of
FSE Engineering Holdings Limited*

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) DOO'S ASSOCIATES GROUP MASTER SERVICES AGREEMENT**

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the terms of the New Master Services Agreements and the transactions contemplated thereunder; and (ii) the Annual Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) as contained in the circular of the Company to the Shareholders dated 9 May 2017 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

The initial term of each of the Former Master Services Agreements, which regulates the Services between the Group and each of the NWD Group, the NWS Group, the NWDS Group, the CTFJ Group and the Doo's Associates Group (collectively, the “**Connected Counterparties**”) in the ordinary course of business of the Group, will expire on 30 June 2017 or 30 June 2018 (as the case may be). On 10 April 2017, the Group and the Connected Counterparties entered into the New Master Services Agreements to (i) continue the continuing connected transactions upon expiry of the initial term of some of the Former Master Services Agreements on 30 June 2017; and (ii) to replace the rest of the Former Master Services Agreements with their initial terms expiring on 30 June 2018 such that they have the same expiry date as the other New Master Services Agreements. Subject to the compliance of the Listing Rules by the Company, the New Master Services Agreements will be automatically renewed for three years upon expiry of the initial term of three years up to 30 June 2020.

LETTER FROM BALLAS CAPITAL

The NWD Group, the NWS Group, the NWDS Group and the CTFJ Group, are the family businesses of Dr. Cheng, the Chairman and Non-executive Director of the Company. The Company has treated members of each of these groups of companies as its connected persons under Chapter 14A of the Listing Rules.

Mr. Doo is a controlling shareholder of the Company. The Doo's Associates Group are companies, other than members of the Group, in which Mr. Doo, his "immediate family members" and "family members" (as defined in the Listing Rules), individually or together, are entitled to exercise or control the exercise of 30% or more of the voting power at their respective general meetings or to control the composition of a majority of their respective boards of directors and the subsidiaries of such companies. Therefore, members of the Doo's Associates Group are the Company's connected persons under Chapter 14A of the Listing Rules.

Since certain applicable Percentage Ratios of the maximum aggregate annual value in respect of the continuing connected transactions are more than 5% and exceeds HK\$10,000,000, the entering into of each of the New Master Services Agreements is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising the independent non-executive Directors, namely Mr. Hui Chiu Chung, Stephen, Mr. Lee Kwan Hung and Dr. Tong Yuk Lun, Paul has been formed to advise the Independent Shareholders in relation to the New Master Services Agreements, the continuing connected transactions contemplated thereunder and the Annual Caps.

As at the Latest Practicable Date, we, Ballas Capital Limited, were not aware of any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Ballas Capital. We have not, in the past two years prior to the date of this Circular, provided any services to the Company or had any financial or other connection with the Company.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company.

The Directors have declared in a responsibility statement set out in the Appendix to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular and that there are no other matters the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

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We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, the Connected Counterparties or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in relation to the New Master Services Agreements, the continuing connected transactions and the Annual Caps, we have considered the following principal factors and reasons:

(I) Background, reasons for and benefits of the New Master Services Agreements

The Group is principally engaged in the provision of electrical and mechanical engineering and environmental engineering services.

In the ordinary course of business, members of the Group regularly enter into continuing connected transactions with members of each of the Connected Counterparties. In order to streamline these continuing connected transactions, the Company entered into the Former NWCL Master Services Agreement, Former NWD Master Services Agreement, the Former NWS Master Services Agreement, the Former NWDS Master Services Agreement, the Former CTFJ Master Services Agreement, the Former Property Leasing Master Services Agreement and the Former Doo's Associates Group Master Services Agreement on 20 November 2015 (each of which was disclosed in the Company's prospectus dated 26 November 2015).

On 10 April 2017, the Group and the Connected Counterparties entered into the New Master Services Agreements to (i) continue the continuing connected transactions upon expiry of some of the Former Master Services Agreements on 30 June 2017; and (ii) to replace the rest of the Former Master Services Agreements which will expire on 30 June 2018 such that they have the same expiry date as the other New Master Services Agreements. In particular, the provision of the services as contemplated under the Former NWCL Master Services Agreement now form part of the continuing connected transactions as contemplated under the NWD Master Services Agreement given that NWCL has become a wholly-owned subsidiary of NWD since 3 August 2016. Furthermore, as the Fung Seng Group has been and remained as part of the Doo's Associates Group, the provision of the services as contemplated under the Former Property Leasing Master Services Agreement is now grouped as part of the transactions as contemplated under the Doo's Associates Group Master Services Agreement. Subject to the compliance of the Listing Rules by the Company, the New Master Services Agreements will be automatically renewed for three years upon expiry of the initial term of three years up to 30 June 2020.

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Pursuant to the New Master Services Agreements, the Company agrees to (i) provide E&M engineering and Environmental Services (the “**Engineering Services**”) to the relevant members of the Connected Counterparties; and (ii) engage the relevant members of the Connected Counterparties to provide the Rental Services, the Sundry Services and the Contracting Services to relevant members of the Group. Details of the Services are set out in the Letter from the Board.

Given the above and our analysis on major terms of the New Master Services Agreements (as elaborated below), we are of the view that the entering into of the New Master Services Agreements falls within the ordinary and usual course of business of the Group and is in the interests of the Group and the Shareholders as a whole.

(II) Major terms of the New Master Services Agreements

The scope of the Services stipulated under the New Master Services Agreements is summarized in the table below. Please refer to the “Letter from the Board” for details of the Services.

Agreement	Counterparty	Services to be provided to the counterparty	Services to be provided by the counterparty
NWD Master Services Agreement	NWD	Engineering Services	Rental Services
NWS Master Services Agreement	NWS	Engineering Services	Contracting Services
NWDS Master Services Agreement	NWDS	Engineering Services	Rental Services
CTFJ Master Services Agreement	CTFJ	Engineering Services	Nil
Doo’s Associates Group Master Services Agreement	FSE Management	Engineering Services	Rental Services and Sundry Services

The term of the New Master Services Agreements shall commence on 1 July 2017 and shall continue in full force for an initial term of three years up to 30 June 2020 and shall be automatically renewed for a further term of three years, subject to re-compliance with the applicable requirements under the Listing Rules at the relevant time. Members of the Group and members of the Connected Counterparties shall, from time to time during the term of the New Master Services Agreements, enter into separate Definitive Agreements in respect of the Services. As stated in the Letter from the Board, as a general principle: (i) the prices and terms of the Definitive Agreements with respect to the continuing connected transactions to be entered into pursuant to each New Master Services Agreement shall be determined in the ordinary course of business of the Group

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and the Connected Counterparties, on normal commercial terms and negotiated on arm's length basis; (ii) in relation to the Engineering Services to be provided by the Group to the Connected Counterparties, the continuing connected transactions shall be at prices and on terms no less favourable to the Group than those offered by the Group to independent third parties; and (iii) in relation to the Rental Services, the Sundry Services and the Contracting Services to be provided to the Group by relevant members of the Connected Counterparties, the continuing connected transactions shall be fair and reasonable and comparable to those offered to the Group by independent third parties.

Our analysis in respect of the pricing policy and payment terms of the Services is set out below.

Provision of Services from the NWD Group, the NWDS Group, the NWS Group and the Doo's Associates Group to the Group

Rental Services

As stated in the Letter from the Board, the existing rental paid by the Group to the NWD Group, the NWDS Group and the Doo's Associates 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 relevant members of the Connected Counterparties, 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 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 26 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 by the Chief Executive Officer of the Group. We consider that the human resources manager of the Group has the relevant experience in and is capable in reviewing the rentals comparables of similar properties.

Furthermore, we understand from the Company that for lease agreements concerning properties in Hong Kong, the Company will obtain an opinion from an independent property valuer on the market rental value of the subject property and the rent payable by the Group shall be no more than such prevailing market rent. In respect of lease agreements concerning properties in the People's Republic of China ("PRC") (excluding Hong Kong for the purpose of this letter), the Company will collect market information on the rentals for similar properties in proximity from public domain and from verbal discussions with independent property agencies.

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We have discussed with the management of the Company to understand the pricing basis as described above and reviewed seven sample leasing agreements entered into by the Group with the relevant Connected Counterparties regarding properties in Hong Kong and the PRC during the financial year ended 30 June 2016 and the six months ended 31 December 2016 (the “**Review Period**”). For the sample leasing agreements regarding properties in Hong Kong, we note that the rentals payable by the Group under these lease agreements are equal to or less than the market rental of the relevant properties as set out in the report issued by an independent property valuer. For the sample leasing agreements regarding properties in PRC, we note that the rentals payable under these lease agreements are no less favourable to the rentals for similar properties in proximity based on the then market information collected by the Company from property websites. We have obtained and reviewed the record of such market information. In respect of the payment terms of the Rental Services, we understand from the Company and note from the supporting document reviewed that the rentals are payable on a monthly basis and based on our knowledge of the market practice, we concur with the view of the management of the Company that such payment terms are consistent with market practice.

Sundry Services

In respect of the Sundry Services to be provided by the Doo’s Associates Group, such as cleaning and landscaping, property and facility management and project management services, a minimum of two fee quotations from other independent service providers will be obtained, assessed (including assessing whether the comparables obtained are appropriate ones after taking into account of the past experience of the independent service providers of similar scope of works) and reviewed by the human resources manager of the Group (who has over 26 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) upon which the fairness and reasonableness of the price and terms as may be offered by the relevant Connected Counterparties, taking into account factors such as reputation, quality and reliability of the Doo’s Associates Group as compared to independent service providers can be compared and assessed by the general manager of the human resources department of the Group before approving the pricing of the Sundry Services. We consider that the human resources manager of the Group has the relevant experience in and is capable in accessing and comparing the prices and terms offered by the Doo’s Associates Group and independent third parties. We have reviewed two sample agreements entered into by the Group with the Doo’s Associates Group and relevant quotations from independent service providers during the Review Period and note that the pricing terms in the sample agreements are no less favourable than those offered from independent third parties to the Group. In respect of the payment terms of the Sundry Services, we understand from the Company and note from the supporting documents reviewed that the services fees are

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typically be payable to the service providers on a monthly basis, regardless of whether the services providers are the Connected Counterparties or independent third parties.

Contracting Services

As disclosed in the Letter from the Board, in respect of the Contracting Services to be provided by the NWS Group, a minimum of two fee quotations will be obtained 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 (who has over 33 years' experience in the E&M engineering business in Hong Kong) from other independent service providers upon which the fairness and reasonableness of the prices and terms as may be offered by the relevant Connected Counterparties can be compared and assessed by the general manager of the tender 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 NWS Group as compared to independent service providers before approving the pricing of the Contracting Services. As advised by the Company, there has been no transactions with the NWS Group in respect of the Contracting Services during the Review Period but there will be demand for the Contracting Services in the coming three financial years arising from the prospective sizable public sector development projects which the Group currently intend to participate in. Although there has been no transaction with the NWS Group in respect of the Contracting Services during the Review Period, the Group has maintained a list of suppliers which the Group had previously engaged or can potentially engage for Contracting Services and the Group can seek fee quotations from those suppliers as necessary. We have reviewed the suppliers list and concur with the view of the management of the Company that the aforementioned pricing policy is feasible. Based on the above and the internal control measures in place as discussed below, we consider that the Company has adequate measures in place to ensure that the continuing connected transactions in respect of the Contracting Services will be conducted on normal commercial terms.

Based on the above, we concur with the view of the management of the Company that there are adequate measures in place to ensure that the pricing and payment terms for the Rental Services, the Sundry Services and the Contracting Services to be provided by the NWD Group, the NWDS Group, the NWS Group and the Doo's Associates Group to the Group are determined on normal commercial terms, negotiated on arm's length basis and at prices and on terms no less favourable than those offered to the Group by independent third parties.

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Provision of Services from the Group to the Connected Counterparties

Engineering Services

We understand from the Company that they would follow a standard tender procedure for determining the quotation (whether by tender or not) in respect of E&M engineering services to be provided by the Group. We have reviewed the internal tender manual of the Company and note that the Company adopt and follow the same pricing policy and procedures for its transactions with independent customers as well as connected persons.

The tender prices and terms of the E&M engineering services are project specific and will be at a fixed monetary amount. For each potential project, the tender information is submitted to the Company's tender department for review. The tender preparation process includes tender wrap-up meetings 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. According to the internal tender manual, the Company's engineers will summarize all potential costs and discuss with the general managers or contract managers and the tender department for the mark-up on the potential costs. The final price to be included in the tender is assessed by its contract managers, reviewed and approved by its project director in charge of the project. In the tender wrap up process as referred to above in the determination of the tender price as may be submitted by the Group, the project director and where the proposed tender sum is more than certain thresholds as set out in the Group's pricing policy from time to time, the top management committee, will review the reasonableness of the tender price which included a mark-up, by reference to the unit costs (such as cost per area, cost per volume, 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. In case the Company undertake any non-tendering contracts of the E&M engineering services, the contract sum and terms will be assessed and determined by adopting the same pricing policy and procedures as in the determination of tender prices and terms.

For other E&M 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

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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 in which the Group supplies E&M engineering equipment and building materials are to be provided) 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 material 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. Given that the same pricing policy and procedures will be applied to both independent third party and connected persons of the Company, we are of the view that the aforesaid pricing policy is fair and reasonable.

In respect of Environmental Services, as stated in the relevant internal operation flow chart of the Company, the Company will adopt and follow the same pricing policy and procedures for its transactions with independent customers as well as connected persons. As stated in the Letter form the Board, the 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 engineering 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

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services are reviewed and approved by the general manager of the environmental engineering division of the Group. The general manager of the environmental engineering 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 engineering 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.

We have reviewed 26 sample transactions of the Engineering Services, including E&M engineering and Environmental Services, provided by the Group to the relevant Connected Counterparties and independent third parties during the Review Period. The whole pricing process involves summarizing of all potential costs and applying a mark-up on the total potential cost. We reviewed the calculations of contract sums which sets out all potential costs and the mark-up applied to the total potential costs and note that the mark-up on the potential costs applied to the relevant Connected Counterparties are no less favourable to those applied to independent third parties. In respect of the payment terms of the Engineering Services, we understand from the Company and note from the supporting documents reviewed that, the Group usually receives payments from its customers on a monthly basis based on the project progress of the previous month, regardless of whether the customers are the Connected Counterparties or independent third parties.

Based on the above, we concur with the view of the management of the Company that there are adequate measures in place to ensure that the pricing and payment terms for the Engineering Services to be provided by the Group to the Connected Counterparties are determined on normal commercial terms, negotiated on arm's length basis and at prices and on terms which are comparable to those offered by the Group to independent third parties.

Internal control measures for continuing connected transactions

We have reviewed the audit plan and audit report of the internal audit department of the Company and note that the internal audit department of the Company will carry out an 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 gross profit margins are comparable to those projects of independent third parties. Furthermore, we note that, pursuant to Chapter 14A of the Listing Rules, (i) the independent non-executive Directors shall, on an annual basis, review the transactions contemplated under the New Master Services Agreements and confirm, among other matter, such transactions are according to the agreement governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole; (ii) the auditors of the Company shall, on an annual basis, report on the transactions contemplated under

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the New Master Services Agreements and confirm, among other matter, 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. As disclosed in the sections headed “Provision of Services from the NWD Group, the NWDS Group, the NWS Group and the Doo’s Associates Group to the Group” and “Provision of Services from the Group to the Connected Counterparties” above, in relation to the pricing policy and procedures for the continuing connected transactions contemplated under the New Master Services Agreements, we have discussed with the management of the Company and reviewed relevant internal policies and sample transactions. Based on our review, we note that the sample transactions were conducted in manner consistent with the relevant pricing policies and procedures and at terms not less favorable to the Company than those offered by or to independent third parties (as the case may be) for each of the Services under the New Master Services Agreements.

Given the above, we are of the view that the Company has effective measures in place to govern the conduct of the continuing connected transactions, including that the prices and terms of the continuing connected transactions are on normal commercial terms and not less favorable to the Company than those offered by or to independent third parties (as the case may be). Based on our review of sample transactions as mentioned above, we note that the Company has adhered to those measures in conducting the continuing connected transactions.

Our view

Having considered the above, we are of the view that the major terms of the New Master Services Agreements are on normal commercial terms and fair and reasonable so far as the Company and the Shareholder are concerned and in the interests of the Group and the Shareholders as a whole.

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(III) Annual Caps

Set out below are the details of (i) the historical aggregate transaction amounts in relation to the continuing connected transactions for each of the two financial years ended 30 June 2016 and the six months ended 31 December 2016; and (ii) the proposed Annual Caps for each of the three financial years ending 30 June 2020:

	Historical aggregate transaction amounts			Annual Caps		
	For the financial year ended 30 June		For the six months ended 31 December	For the financial year ending 30 June		
	2015	2016	2016	2018	2019	2020
	("FY2015") <i>HK\$'000</i>	("FY2016") <i>HK\$'000</i>	("1H2017") <i>HK\$'000</i>	("FY2018") <i>HK\$'000</i>	("FY2019") <i>HK\$'000</i>	("FY2020") <i>HK\$'000</i>
Services provided by the Group to the NWD Group ⁽¹⁾	78,882	239,690	134,649	660,833	693,393	847,079
Services provided by the NWD Group to the Group ⁽¹⁾	Nil	117	62	1,591	1,750	1,925
Services provided by the Group to the NWS Group	599,915	1,365,411	734,367	1,834,149	2,217,261	2,619,833
Services provided by the NWS Group to the Group	2,060	Nil	Nil	20,000	20,000	20,000
Services provided by the Group to the NWDS Group	26,233	15,140	6,436	79,535	88,077	90,071
Services provided by the NWDS Group to the Group	185	176	70	334	368	405
Services provided by the Group to the CTFJ Group	6,996	44,829	21,131	157,351	302,561	299,995
Services provided by the Group to the Doo's Associates Group ⁽²⁾	37,973	48,590	20,718	188,440	165,527	289,108
Services provided by the Doo's Associates Group to the Group ⁽²⁾	4,458	7,090	4,390	13,034	8,044	8,371

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Notes:

- (1) The above historical aggregate transaction amounts for transactions between the Group and the NWD Group included the historical aggregate transaction amounts attributable to the transactions contemplated under the Former NWCL Master Services Agreement as NWCL has become a wholly-owned subsidiary of NWD since 3 August 2016.
- (2) The above historical aggregate transaction amounts for transactions between the Group and the Doo's Associates Group included the historical aggregate transaction amounts attributable to the transactions contemplated under the Former Property Leasing Master Services Agreement as the Fung Seng Group has been and remained as part of the Doo's Associates Group.

As stated in the Letter from the Board, each of the Annual Caps under each of the New Master Services Agreements has been determined on the bases as set out below.

In respect of the Engineering Services to be provided by the Group to the Connected Counterparties:

- (a) the historical annual or annualised amounts in respect of the Engineering Services provided by the relevant members of the Group to the relevant members of the Connected Counterparties during FY2015, FY2016 and 1H2017;
- (b) the potential projects that may be undertaken by the Group;
- (c) the existing projects in progress;
- (d) the projected annual or annualised amounts in respect of the Engineering Services to be provided by the relevant members of the Group to the relevant members of the Connected Counterparties, in the next three financial years, having taken into account the following major factors:
 - (i) the estimated future demand of the Connected Counterparties;
 - (ii) the expected increase in the Group's costs in providing the Engineering Services taking into account various factors including inflation at a rate of about 2% to 3% on average.

In respect of the Rental Services to be provided by the NWD Group, the NWDS Group and the Doo's Associates Group to the Group:

- (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
- (c) the Group's demand in floor spaces for office and site office premises, warehouse, car parking spaces and other business uses of the Group to cope with the Group's business growth.

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In relation to the Sundry Services to be provided by the Doo's Associates Group to the Group:

- (a) the historical annual or annualised amounts in respect of the Sundry Services provided by the relevant members of the Doo's Associates Group to the relevant members of the Group during FY2015, FY2016 and 1H2017;
- (b) the projected annual or annualised amounts in respect of the Sundry Services to be provided by the relevant members of the Doo's Associates Group to the relevant members of the Group, in the next three financial years, having taken into account the following major factors:
 - (i) the business growth and need of the Group and the Doo's Associates Group; and
 - (ii) 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.

In relation to the Contracting Services to be provided by the NWS Group to the Group:

- (a) the historical annual or annualised amounts in respect of the Contracting Services provided to the Group by the relevant members of the NWS Group during the FY2015, FY2016 and 1H2017;
- (b) the potential projects that may be undertaken by the Group assuming the Group is able to secure them;
- (c) the projected annual or annualised amounts in respect of the Contracting Services to be provided to the Group by members of the relevant members of the NWS Group in the next three financial years, having taken into account the following major factors:
 - (i) the business growth and need of the Group and the NWS Group; and
 - (ii) 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.

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Our analysis on the proposed Annual Caps is set out below.

(a) *Proposed annual caps in relation to the Services to be provided by the Group to the NWD Group (the “Proposed Outgoing NWD Services Caps”)*

To assess the fairness and reasonableness of the Proposed Outgoing NWD Services Caps, we have discussed with the management of the Company and reviewed the calculation in relation thereto, including the projected transaction amounts under each relevant existing agreement and the projected transaction amounts for each potential project for each of FY2018, FY2019 and FY2020. As advised by the Company, an inflation rate of around 2% to 3% on average, which we consider reasonable, was embedded in the projected transaction amounts under each project for each of FY2018, FY2019 and FY2020. Apart from the discussion with the Company and the review of the detailed calculation of the Proposed Outgoing NWD Services Caps, we have also reviewed a sample of the relevant existing agreement for the projected transaction amounts of secured projects and note that it is consistent with the relevant calculation of the corresponding annual cap.

As stated in the Letter from the Board, a significant portion of the Proposed Outgoing NWD Services Caps is attributable to the provision of electrical & mechanical engineering services. We have discussed with the Company and understand that the projected transaction amounts for the Engineering Services are determined by the Company based on the following principal factors including:

- (i) in respect of the existing agreements entered into by the Group with the NWD Group, the total contract value of such relevant agreements and the Company’s estimation on the fee schedule based on the expected project progress over the renewed duration of the Former NWD Master Services Agreement; and
- (ii) in respect of the prospective agreements expected to be entered into by the Group with the NWD Group in the coming three financial years, the projected total contract value and the projected project progress.

We note that the Proposed Outgoing NWD Services Caps for each of FY2018, FY2019 and FY2020 represent a significant increase as compared to the historical transaction amounts for each of FY2015, FY2016 and 1H2017 on an annualised basis. We have discussed with the management of the Company and are advised that the significant increase of the Proposed Outgoing NWD Services Caps as compared to the historical transaction amounts is mainly attributable to (i) the estimated fees receivable from NWD Group of approximately HK\$348.6 million, HK\$33.3 million and HK\$34.0 million for FY2018, FY2019 and FY2020 respectively, for secured projects to which the Group’s engagement has been confirmed and which are ongoing or will commence during the coming three financial years, mainly including works in relation to a hotel development project in Qingyuan and the renovation, fitting-out and decoration work for a commercial centre in Beijing, the aggregate estimated transaction amount of which was approximately HK\$145.0 million for FY2018; and (ii) the increase in the NWD Group’s demand for the Engineering

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Services arising from various prospective sizeable commercial development projects in different cities of the PRC, mainly including Beijing, Ningbo, Wuhan, Yangzhou and Qianhai, that are currently expected to be undertaken by the NWD Group in the coming three financial years. The aggregate estimated transaction amount arising from these projects was approximately HK\$177.8 million, HK\$503.3 million and HK\$663.4 million for FY2018, FY2019 and FY2020, respectively. As disclosed in the Letter from the Board, there are only a handful few of foreign owned enterprises in the PRC that are qualified to undertake the electrical & mechanical engineering services 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 (the “**Relevant Qualifications**”) like the Group does and that justifies the inclusion of the estimated contract sums of these projects in the Proposed Outgoing NWD Services Caps.

Given the above, we are of the view that the basis for determination of the Proposed Outgoing NWD Services Caps are fair and reasonable.

*(b) Proposed annual caps in relation to the Services to be provided by the Group to the NWS Group (the “**Proposed Outgoing NWS Services Caps**”)*

To assess the fairness and reasonableness of the Proposed Outgoing NWS Services Caps, we have discussed with the management of the Company and reviewed the calculation in relation thereto, including the projected transaction amounts under each relevant existing agreement and the projected transaction amounts for each potential project for each of FY2018, FY2019 and FY2020. As advised by the Company, an inflation rate of around 2% to 3% on average, which we consider reasonable, was embedded in the projected transaction amounts under each project for each of FY2018, FY2019 and FY2020. Apart from the discussion with the Company and the review of the detailed calculation of the Proposed Outgoing NWS Services Caps, we have also reviewed a sample of the relevant existing agreement for the projected transaction amounts of secured projects and note that it is consistent with the relevant calculation of the corresponding annual cap.

As stated in the Letter from the Board, a significant portion of the Proposed Outgoing NWS Services Caps is attributable to the provision of electrical & mechanical engineering services. We have discussed with the Company and understand that the projected transaction amounts for the Engineering Services are determined by the Company based on the following principal factors including:

- (i) in respect of the existing agreements entered into by the Group with the NWS Group, the total contract value of such relevant agreements and the Company’s estimation on the fee schedule based on the expected project progress over the renewed duration of the Former NWS Master Services Agreement; and

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- (ii) in respect of the prospective agreements expected to be entered into by the Group with the NWS Group in the coming three financial years, the projected total contract value and the projected project progress.

We note that the Proposed Outgoing NWS Services Caps for each of FY2018, FY2019 and FY2020 represent a moderate increase as compared to the historical transaction amounts for each of FY2015, FY2016 and 1H2017 on an annualised basis. We have discussed with the management of the Company and are advised that the increase is mainly attributable to (i) the estimated fees receivable from NWS Group of approximately HK\$1,220.1 million, HK\$597.4 million and HK\$117.1 million for FY2018, FY2019 and FY2020, respectively, for secured projects to which the Group's engagement has been confirmed and which are ongoing or will commence in the coming three financial years, mainly including the construction project for a government building in Yau Ma Tei with estimated project completion date in FY2020 and a commercial redevelopment project of a complex comprising hotel serviced apartment, shopping arcade and offices in Tsim Sha Tsui with estimated project completion date in FY2019, contributing in aggregate approximately HK\$910.9 million, HK\$377.3 million and HK\$29.5 million of the Proposed Outgoing NWS Services Caps for FY2018, FY2019 and FY2020, respectively; and (ii) the increase in the NWS Group's demand for the Engineering Services arising from various prospective refurbishment and development projects of the NWS Group in Hong Kong that are currently expected to be undertaken by the NWS Group in the coming three financial years, including a private sector development project in Tai Wai, Hong Kong which accounted for approximately HK\$127.0 million, HK\$381.0 million and HK\$508.0 million of the Proposed Outgoing NWS Services Caps for FY2018, FY2019 and FY2020, respectively; and certain public sector development projects in Kai Tak, Hong Kong, which accounted for approximately HK\$78.0 million and HK\$719.8 million of the Proposed Outgoing NWS Services Caps for FY2019 and FY2020, respectively.

Given the above, we are of the view that the basis for determination of the Proposed Outgoing NWS Services Caps are fair and reasonable.

- (c) *Proposed annual caps in relation to the Services to be provided by the Group to the NWDS Group (the "Proposed Outgoing NWDS Services Caps")*

To assess the fairness and reasonableness of the Proposed Outgoing NWDS Services Caps, we have discussed with the management of the Company and reviewed the calculation and the projected transaction amounts for each potential project for each of FY2018, FY2019 and FY2020. As advised by the Company, an inflation rate of around 2% to 3% on average, which we consider reasonable, was embedded in the projected transaction amounts under each project for each of FY2018, FY2019 and FY2020.

As stated in the Letter from the Board, a significant portion of the Proposed Outgoing NWDS Services Caps is attributable to the provision of electrical & mechanical engineering services. We have discussed with the Company and

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understand that the projected transaction amounts for the Engineering Services are determined by the Company based on the prospective agreements expected to be entered into by the Group with the NWS Group in the coming three financial years, the projected total contract value and the projected project progress.

We note that (i) the Proposed Outgoing NWDS Services Caps for each of FY2018, FY2019 and FY2020 represent a significant increase as compared to the historical transaction amounts for each of FY2015, FY2016 and 1H2017 on an annualised basis and (ii) the historical transaction amounts for 1H2017 on an annualised basis was lower than that for FY2016 by approximately 15.0%. We have discussed with the management of the Company and are advised that the increase is mainly attributable to the increase in the NWDS Group's demand for the Engineering Services arising from seven prospective department store refurbishment projects in Shanghai, Chongqing, Shenyang, Changsha, Chengdu and Ningbo which are currently under negotiation and expected to commence in the coming three financial years based on the Group's understanding of the usual refurbishment cycle of the department stores of the NWDS Group in the PRC. As disclosed in the Letter from the Board, the Group is amongst the handful few of foreign owned enterprises in the PRC that has the necessary qualification to undertake the electrical & mechanical engineering works for these projects in holding the Relevant Qualifications. As disclosed in the letter from the Board, there is a decrease of approximately HK\$2.3 million in the annualised aggregate transaction amount for FY2017 from that of FY2016 but the Group expected that a project in progress in Zhengzhou shall contribute approximately HK\$9 million to the aggregate transaction amount for the six months ended 30 June 2017 which shall mitigate the decrease. Furthermore, given that the nature of the Engineering Services is project-based and the fees receivable under the Engineering Services are based on the progress of each individual project, we consider that the decline in historical transaction amounts for 1H2017 on an annualised basis as compared to that for FY2016, was not a direct indicator of the trend of future transaction amounts.

Given the above, we are of the view that the basis for determination of the Proposed Outgoing NWDS Services Caps are fair and reasonable.

(d) Proposed annual caps in relation to the Services to be provided by the Group to the CTFJ Group (the "Proposed Outgoing CTFJ Services Caps")

To assess the fairness and reasonableness of the Proposed Outgoing CTFJ Services Caps, we have discussed with the management of the Company and reviewed the calculation in relation thereto, including the projected transaction amounts under each relevant existing agreement and the projected transaction amounts for each potential project for each of FY2018, FY2019 and FY2020. As advised by the Company, an inflation rate of around 2% to 3% on average, which we consider reasonable, was embedded in the projected transaction amounts under each project for each of FY2018, FY2019 and FY2020. Apart from discussion with the Company and the review of the detailed calculation of the Proposed Outgoing CTFJ

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Services Caps, we have also reviewed a sample of the relevant existing agreement for the projected transaction amounts of secured projects and note that it is consistent with the relevant calculation of the corresponding annual cap.

As stated in the Letter from the Board, a significant portion of the Proposed Outgoing CTFJ Services Caps is attributable to the provision of electrical & mechanical engineering services.

We have discussed with the Company and understand that the projected transaction amounts for the Engineering Services are determined by the Company based on the following principal factors including:

- (i) in respect of the existing agreements entered into by the Group with the CTFJ Group, the total contract value of such relevant agreements and the Company's estimation on the fee schedule based on the expected project progress over the renewed duration of the Former CTFJ Master Services Agreement; and
- (ii) in respect of the prospective agreements expected to be entered into by the Group with the CTFJ Group in the coming three financial years, the projected total contract value and the projected project progress.

We note that (i) the Proposed Outgoing CTFJ Services Caps for each of FY2018, FY2019 and FY2020 represent a significant increase as compared to the historical transaction amounts for each of FY2015, FY2016 and 1H2017 on an annualised basis and (ii) historical transaction amounts for 1H2017 on an annualised basis was slightly lower than that for FY2016 by approximately 5.7%. We have discussed with the management of the Company and are advised that the increase is mainly attributable to (i) the substantial increase in the estimated fees receivable from CTFJ Group for an on-going project in Tianjin which is scheduled be completed in FY2018; (ii) the estimated fees receivable from the CTFJ Group of HK\$41.9 million, HK\$1.6 million and HK\$1.7 million for FY2018, FY2019 and FY2020, respectively, for secured projects to which the Group's engagement has been confirmed and which will commence in Hong Kong and Macau in the coming three financial years; and (iii) the increase in the CTFJ Group's demand for the Engineering Services arising from various prospective commercial development projects of the CTFJ Group in the PRC that are currently expected to be undertaken by the CTFJ Group in the coming three financial years, in particular a new large size development project of commercial and retail buildings in Wuhan and a new large size development project of a commercial plaza in Ningbo. Both projects involves development of multi-purposes buildings which would involve higher volume of works, complexity and technical requirements, as compared to single purpose buildings in respect of which the Group had provided Engineering Services to the CTFJ Group in the past. The estimated transaction amounts for these two projects are, in aggregate, approximately HK\$104.4 million, HK\$279.9 million and HK\$276.0 million for FY2018, FY2019 and FY2020, respectively. As disclosed in the Letter from the Board, the Group is amongst the handful few of foreign owned

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enterprises in the PRC that has the necessary qualification to undertake the electrical & mechanical engineering works for these projects in holding the Relevant Qualifications. Furthermore, given that the nature of the Engineering Services is project-based and the fees receivable under the Engineering Services are based on the progress of each individual project, we consider that the decline in historical transaction amounts for 1H2017 on an annualised basis as compared to that for FY2016, was not a direct indicator of the trend of future transaction amounts.

Given the above, we are of the view that the basis for determination of the Proposed Outgoing CTFJ Services Caps are fair and reasonable.

(e) *Proposed annual caps in relation to the Services to be provided by the Group to the Doo's Associates Group (the "Proposed Outgoing Doo's Associates Services Caps")*

To assess the fairness and reasonableness of the Proposed Outgoing Doo's Associates Services Caps, we have discussed with the management of the Company and reviewed the calculation in relation thereto, including the projected transaction amounts under each relevant existing agreement and the projected transaction amounts for each potential project for each of FY2018, FY2019 and FY2020. As advised by the Company, an inflation rate of around 2% to 3% on average, which we consider reasonable, was embedded in the projected transaction amounts under each project for each of FY2018, FY2019 and FY2020. Apart from the discussion with the Company and the review of the detailed calculation of the Proposed Outgoing Doo's Associates Services Caps, we have also reviewed a sample of the relevant existing agreement for the projected transaction amounts of secured projects and note that it is consistent with the relevant calculation of the corresponding annual cap.

As stated in the Letter from the Board, a significant portion of the Proposed Outgoing Doo's Associates Services Caps is expected to be largely attributable to the provision of electrical & mechanical engineering services. We have discussed with the Company and understand that the projected transaction amounts for the Engineering Services are determined by the Company based on the following principal factors including:

- (i) in respect of the existing agreements entered into by the Group with the Doo's Associates Group, the total contract value of such relevant agreements and the Company's estimation on the fee schedule based on the expected project progress over the renewed duration of the Former Doo's Associates Group Master Services Agreement; and
- (ii) in respect of the prospective agreements expected to be entered into by the Group with the Doo's Associates Group in the coming three financial years, the projected total contract value and the projected project progress.

We note that (i) the Proposed Outgoing Doo's Associates Services Caps for each of FY2018, FY2019 and FY2020 represent a significant increase as compared to the historical transaction amounts for each of FY2015, FY2016 and 1H2017 on an

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annualised basis; and (ii) historical transaction amounts for 1H2017 on an annualised basis was lower than that for FY2016 by approximately 14.7%. We have discussed with the management of the Company and are advised that the increase is mainly attributable to (i) the estimated fees receivable from the Doo's Associates Group of approximately HK\$86.1 million, HK\$25.7 million and HK\$25.4 million for FY2018, FY2019 and FY2020, respectively, for secured projects to which the Group's engagement has been confirmed and which are ongoing or will commence in the coming three financial years, mainly including electrical and mechanical system replacement and upgrading works arising from various commercial and residential buildings and shopping centres in Hong Kong, the estimated transaction amount of which is approximately HK\$76.1 million, HK\$24.6 million and HK\$25.4 million for FY2018, FY2019 and FY2020, respectively; and (ii) the increase in the Doo's Associates Group's demand for the Engineering Services arising from various prospective commercial development projects of the Doo's Associates Group in the PRC that are currently expected to be undertaken by the Doo's Associates Group in the coming three financial years, mainly including a sizeable commercial development project in Shanghai which include the development of multi-purposes commercial buildings and which would involve higher volume of works, complexity and technical requirements, as compared to single purpose buildings in respect of which the Group had provided Engineering Services to the Doo's Associates Group in the past. The estimated transaction amount of the Shanghai projects is approximately HK\$48.4 million, HK\$77.9 million and HK\$192.2 million for FY2018, FY2019 and FY2020, respectively. As disclosed in the Letter form the Board, there is a decrease of approximately HK\$7.2 million in the annualised aggregate transaction amount for FY2017 from that of FY2016 but the Group estimated that several confirmed projects of electrical and mechanical system's replacement in progress in Shanghai would contribute approximately HK\$7 million to the aggregate transaction amount for the six months ended 30 June 2017 that shall mitigate the decrease. Futhermore, given that the nature of the Engineering Services is project-based and the fees receivable under the Engineering Services are based on the progress of each individual project, we consider that the decline in historical transaction amounts for 1H2017 on an annualised basis as compared to that for FY2016, was not a direct indicator of the trend of future transaction amounts.

Given the above, we are of the view that the basis for determination of the Proposed Outgoing Doo's Associates Services Caps are fair and reasonable.

(f) *Proposed annual caps in relation to the Services to be provided by the NWD Group to the Group (the "Proposed Incoming NWD Services Caps")*

In respect of the Proposed Incoming NWD Services Caps, we have discussed with the Company and reviewed the calculation in relation thereto and understand that the projected transaction amounts for each of FY2018, FY2019 and FY2020 are determined by the Company primarily based on (i) the expected commencement of leasing of premises from NWD for operation purpose in Shenzhen, Guangzhou and

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Wuhan to cater its estimated expanding operation needs from FY2018; and (ii) an annual increment of 10% upon expiry of the term of the relevant leases to be entered into from FY2018.

As stated in the interim report of the Company for the six months ended 31 December 2016, the Group is one of the few Hong Kong-based electrical and mechanical engineering and general engineering contractors with Class I Qualification in the PRC. Leveraging on its profuse electrical and mechanical engineering installation experience in the PRC, the Group plan to extend its electrical and mechanical engineering project management services to cover also high-end projects in the PRC so as to generate an additional stable source of income for the Group. We consider that the leasing of additional floor spaces in the PRC is in line of the Group's strategies in expanding its business in the PRC.

Given the above, we are of the view that the basis for determination of the Proposed Incoming NWD Services Caps are fair and reasonable.

(g) *Proposed annual caps in relation to the Services to be provided by the NWDS Group to the Group (the “Proposed Incoming NWDS Services Caps”)*

In respect of the Proposed Incoming NWDS Services Caps, we have discussed with the Company and reviewed the calculation in relation thereto and understand that the projected transaction amounts for each of FY2018, FY2019 and FY2020 are the sum of (i) the expected annual increment of 10% upon expiry of the 12-month term of the existing lease agreement in respect of the Group's office in Tianjin; and (ii) the estimated rental payable upon the expected commencement of leasing of premises from NWDS for operation purpose to cater for its expanding operation needs from FY2018; and (ii) an annual increment of 10% upon expiry of the 12-month term of the relevant leases to be entered into from FY2018. Apart from the discussion with the Company and the review of the detailed calculation of the Proposed Incoming NWDS Services Caps, we have also reviewed a sample of the relevant existing leases agreement for the projected transaction amounts of lease agreements and note that it is consistent with the relevant calculation of the corresponding annual cap. We note that the entire historical transaction amounts for FY2015 and FY2016, 1H2017 represented the rent payable by the Group for leasing a premises from the NWDS Group in Tianjin. As advised by the Company, the decline in the historical transaction amounts for 1H2017 on an annualized basis as compared to that of FY2016 was due to the effect of changes on rules on input value added tax in 2016. Nonetheless, the Group expects that the transaction amounts will increase in the coming three financial years due to the factors as aforementioned.

As explained above, we consider that the leasing of additional floor spaces in the PRC is in line with the Group's strategies in expanding its business in the PRC.

Given the above, we are of the view that the basis for determination of the Proposed Incoming NWDS Services Caps are fair and reasonable.

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(h) Proposed annual caps in relation to the Services to be provided by the Doo's Associates Group to the Group (the "Proposed Incoming Doo's Associates Services Caps")

To assess the fairness and reasonableness of the Proposed Incoming Doo's Associates Services Caps, we have discussed with the management of the Company and reviewed the calculation in relation thereto, including the projected transaction amounts under each relevant existing agreement and the projected transaction amounts for each potential project and lease for each of FY2018, FY2019 and FY2020. Apart from the discussion with the Company and the review of the detailed calculation of the Proposed Incoming Doo's Associates Services Caps, we have also reviewed a sample of the relevant existing leases agreement for the projected transaction amounts of agreements and note that it is consistent with the relevant calculation of the corresponding annual cap.

Based on our review and discussion, we note that the projected transaction amounts for the Rental Services account for a significant portion of the Proposed Incoming Doo's Associates Services Caps for FY2018, FY2019 and FY2020, respectively. We have discussed with the Company and understand that the projected transaction amounts for the Rental Services are determined by the Company mainly based on (i) the rental payable by the Group to Doo's Associates Group for the remaining term of the exiting lease agreements; and (ii) the estimated rental payable for leasing additional premises in the Chevalier Commercial Center in Kowloon Bay from the Doo's Associates Group in coming three financial years. We note that the Group's head office and principal place of business is located in Chevalier Commercial Center and understand from the Company that the additional space is needed for office purposes.

In respect of the Sundry Services (the proposed annual caps of which account for approximately 23.0%, 17.1% and 18.0% of the Proposed Incoming Doo's Associates Services Caps for FY2018, FY2019 and FY2020, respectively), we understand that the relevant projected transaction amounts are determined based on the following principal factors including:

- (i) in respect of the existing agreements entered into by the Group with the Doo's Associates Group, the total contract value of such relevant agreements and the Company's estimation on the fee schedule based on the expected project progress over the renewed duration of the Former Doo's Associates Group Master Services Agreement; and
- (ii) in respect of the prospective agreements expected to be entered into by the Group with the Doo's Associates Group in the coming three financial years, the projected total contract value and the projected project progress.

We have discussed with the Company and understand that the projected transaction amounts for the Sundry Services are determined by the Company mainly based on (i) the fee payable by the Group to Doo's Associates Group for project management services in respect of the head office of the Group and to which Doo's

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Associates Group's engagement has been confirmed and will commence in FY2018; and (ii) the estimated fee payable for the Group's potential demand of various type of the Sundry Services such as carpet cleaning and security services for the Group's leased premises in Hong Kong in coming three financial years.

Given the above, we are of the view that the basis for determination of the Proposed Incoming Doo's Associates Services Caps are fair and reasonable.

(i) *Proposed annual caps in relation to the Services to be provided by the NWS Group to the Group (the "Proposed Incoming NWS Services Caps")*

To assess the fairness and reasonableness of the Proposed Incoming NWS Services Caps, we have discussed with the management of the Company and reviewed the calculation and the projected transaction amounts for each potential project.

As stated in the Letter From the Board, 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. We have discussed with the Company and understand that the projected transaction amounts for the Contracting Services are determined by the Company based on the prospective agreements expected to be entered into by the Group with the NWS Group in the coming three financial years, the projected total contract value and the projected project progress.

We note that the Proposed Incoming NWS Services Caps for each of FY2018, FY2019 and FY2020 represent a significant increase as compared to the historical transaction amounts for each of FY2015 and there had been no transaction for FY2016 and 1H2017. We have discussed with the management of the Company and are advised that the increase is mainly attributable to the increase in the Group's demand for the Contracting Services arising from several sizable prospective public sector projects in Hong Kong that the Group currently intend to participate in for the coming three financial years. The estimated fees payable to the NWS Group in the coming three financial years under each prospective project are determined based on the work scope of such project as publicly announced. These projects include the development of government buildings and the redevelopment of public hospital and are scheduled to commence in 2018. As disclosed in the Letter from the Board, in respect of the sizeable prospective public sector projects, the Group has to engage sub-contractors for the Contracting Services and the NWS Group is one of the reputable service providers among the Group's list of service providers. The contract sums for two of the potential public sector development projects in Kai Tak are estimated to be over HK\$2,700 million in aggregate. In view of the significant size of these potential public sector development projects and the expected volume and variety of the 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

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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, the tenders for these upcoming projects are either on-going or to be launched in the third quarter of 2017. 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 of the estimated contract sums required for Contracting Services to be provided by the NWS Group in the Proposed Incoming NWS Services Caps.

Given the above, we are of the view that the basis for determination of the Proposed Incoming NWS Services Caps are fair and reasonable.

The Shareholders should note that the Annual Caps relate to future events and do not represent a forecast of the transaction amounts payable or receivable by the Group as a result of the continuing connected transactions. Consequently, we express no opinion as to how closely the actual transaction amounts of the continuing connected transactions correspond with the Annual Caps as discussed above.

(IV) Requirements of the Listing Rules in relation to the continuing connected transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the transactions contemplated under the New Master Services Agreements (the renewal of which is subject to the Independent Shareholders' approval) are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the continuing connected transactions and confirm in the annual report and accounts that the continuing connected transactions have been entered into:
 - in the ordinary and usual course of business of the Company;
 - on normal commercial terms or better; and
 - according to the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that that the continuing connected transactions:
- have not been approved by the Board;
 - were not, in all material respects, in accordance with the pricing policies of the Group if the continuing connected transactions involve the provision of goods or services by the Group;
 - were not entered into, in all material respects, in accordance with the terms of the relevant agreement(s) governing the continuing connected transactions; and
 - have exceeded the Annual Caps.
- (c) the Company must allow, and ensure that the relevant counter-parties to the continuing connected transactions allow, the Company's auditors sufficient access to their records for the purpose of reporting on the continuing connected transactions; and
- (d) the Company must promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if the independent non-executive Directors and/or the auditors of the Company cannot confirm the matters set out in paragraphs (a) and/or (b) above, respectively. The Stock Exchange may require the Company to re-comply with the announcement and Shareholders' approval requirements and may impose additional conditions.

In light of the reporting requirements relating to the continuing connected transactions, in particular, (i) the restriction of transaction value by way of the Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company on the terms of the New Master Services Agreements and the Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the continuing connected transactions and safeguard the interests of the Company and the Independent Shareholders as a whole.

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RECOMMENDATION

Having considered the principal factors above, we are of the opinion that (i) the entering into of the New Master Services Agreements is in the interests of the Group and the Shareholders as a whole and the continuing connected transactions contemplated thereunder fall within the ordinary and usual course of business of the Group; (ii) the terms of the New Master Services Agreements are on normal commercial terms and fair and reasonable so far as the Company and the Shareholders are concerned; and (iii) the Annual Caps are fair and reasonable so far as the Company and the Shareholders are concerned.

Therefore, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the New Master Services Agreements, the continuing connected transactions contemplated thereunder and the Annual Caps.

Yours faithfully,
For and on behalf of
Ballas Capital Limited
Heidi Cheng **Cathy Leung**
Managing Director *Assistant Director*

Note: Ms. Heidi Cheng of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activity since 2004 and Ms. Cathy Leung of Ballas Capital Limited has been a licensed representative of Type 6 (advising on corporate finance) regulated activity since 2008. Ms. Heidi Cheng and Ms. Cathy Leung of Ballas Capital Limited have participated in and completed various advisory transactions involving continuing connected transactions.

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%
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%

Note(s):

- (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) These 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) These 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 date of this Circular, the following Directors had a material interest in the following contracts which were significant in relation to the business of the Group:

- (a) Dr. Cheng, had a material interest in the Former Master Services Agreements and the New Master Services Agreements and the transactions contemplated thereunder respectively; and
- (b) Dr. Cheng, Mr. Doo Jr., Mr. Lam, Mr. Wong Kwok Kin, Andrew and Mr. Lee Kwok Bong had a material interest in the Former Doo’s Associates Group Master Services Agreement, the Former Property Leasing Master Services Agreement and the Doo’s Associates Group Master Services and the transactions contemplated thereunder respectively.

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 2016, 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, none of the Directors nor any of his close associates had any interest in any business apart from the Group's business which competed or would likely to compete, either directly or indirectly, with the business 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:

Name	Qualifications
Ballas 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, Ballas 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 2016 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.

Ballas Capital has given and has not withdrawn its written consent to the issue of this Circular with the inclusion therein of its letter dated 9 May 2017 in the form set out in the Letter from Ballas 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 2016, 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 following documents 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 25 May 2017:

- (1) NWD Master Services Agreement;
- (2) NWS Master Services Agreement;
- (3) NWDS Master Services Agreement;
- (4) CTFJ Master Services Agreement;
- (5) Doo's Associates Group Master Services Agreement;
- (6) the Former NWCL Master Services Agreement;
- (7) the Former NWD Master Services Agreement;
- (8) the Former NWDS Master Services Agreement;
- (9) the Former NWS Master Services Agreement;
- (10) the Former CTFJ Master Services Agreement;
- (11) the Former Doo's Associates Group Master Services Agreement; and
- (12) the Former Property Leasing Master Services Agreement.

NOTICE OF EGM



FSE ENGINEERING HOLDINGS LIMITED

豐盛機電控股有限公司

(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 ENGINEERING HOLDINGS LIMITED** (the “**Company**”) will be held at Meeting Rooms N211–N212 (Expo Drive Entrance), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Thursday, 25 May 2017 at 10:45 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 10 April 2017 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 9 May 2017 (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 2020 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 10 April 2017 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 2020 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)”.

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3. **“THAT** (a) the NWDS Master Services Agreement dated 10 April 2017 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 2020 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 10 April 2017 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 2020 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 Doo’s Associates Group Master Services Agreement dated 10 April 2017 entered into between FSE Management 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 Doo’s Associates Group Master Services Agreement for each of the three financial years ending 30 June 2020 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,

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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 Engineering Holdings Limited
Lee Kwok Bong
Executive Director & Joint Company Secretary

Hong Kong, 9 May 2017

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 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 members in respect of such Share shall alone be entitled to vote in respect thereof.
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 notarially 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 22, 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 members will be closed from Monday, 22 May 2017 to Thursday, 25 May 2017 (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 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 19 May 2017.
6. Voting on the above resolution will be taken by poll.

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