

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 stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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

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FSE SERVICES GROUP LIMITED
豐盛服務集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 331)

**(1) REVISION OF ANNUAL CAPS FOR
CONTINUING CONNECTED TRANSACTIONS;
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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 5 to 15 of this Circular. A letter from the Independent Board Committee is set out on pages 16 to 17 of this Circular. A notice convening the EGM to be held at 17/F, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong on Friday, 6 December 2019 at 11:45 a.m. is set out on pages EGM-1 to EGM-2 in this Circular. A form of proxy for use at the EGM is enclosed with this Circular. Whether or not you are able to attend the EGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the EGM should you so wish.

8 November 2019

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DEFINITIONS

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

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| “2018 Circular” | the circular of the Company dated 20 March 2018 |
| “2018 CTFJ Master Facility Services Agreement” | the master services agreement in relation to the Cleaning and Laundry Services entered into between the Company and CTFJ on 11 April 2018 |
| “2018 NWD Master Facility Services Agreement” | the master services agreement in relation to the Cleaning and Laundry Services entered into between the Company and NWD on 11 April 2018 |
| “2018 Announcement” | the announcement dated 27 February 2018 issued by the Company regarding the Original Cleaning & Laundry Annual Caps |
| “Announcement” | the announcement dated 18 October 2019 issued by the Company regarding, among other matters, revision of the Original Cleaning & Laundry Annual Caps |
| “associate” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Cleaning and Laundry Services” | the cleaning and laundry services to be provided by members of the Group under the 2018 NWD Master Facility Services Agreement and 2018 CTFJ Master Facility Services Agreement, and such other types of services as the parties to the 2018 NWD Master Facility Services Agreement and 2018 CTFJ Master Facility Services Agreement may agree upon from time to time in writing |
| “Company” | FSE Services Group Limited (豐盛服務集團有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 331) |
| “connected person” | has the meaning ascribed to it under the Listing Rules |
| “Continuing Connected Transactions” | the transactions contemplated under the 2018 NWD Master Facility Services Agreement and the 2018 CTFJ Master Facility Services Agreement |
| “controlling shareholder” | has the meaning ascribed to it under the Listing Rules |
| “Convertible Preference Share” | has the meaning ascribed to it under the announcement dated 18 October 2019 issued by the Company |

DEFINITIONS

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| “CTFE” | Chow Tai Fook Enterprises Limited (周大福企業有限公司), a company incorporated in Hong Kong with limited liability |
| “CTFE Group” | CTFE and its subsidiaries from time to time |
| “CTFJ” | Chow Tai Fook Jewellery Group Limited (周大福珠寶集團有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 1929) |
| “CTFJ Group” | CTFJ and its subsidiaries from time to time |
| “Directors” | the directors of the Company |
| “Dr. Cheng” | Dr. Cheng Kar Shun, Henry, the chairman and a non-executive Director of the Company |
| “EGM” | an extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the EGM Matter |
| “EGM Matter” | the revision of the Original Cleaning & Laundry Annual Caps |
| “FSE Holdings” | FSE Holdings Limited (豐盛創建控股有限公司), a company incorporated in the Cayman Islands with limited liability and a controlling shareholder of the Company holding 75% of the Ordinary Shares in issue of the Company as at the Latest Practicable Date |
| “FY” or “financial year” | financial year of the Company ended or ending 30 June |
| “Group” | the Company and its subsidiaries from time to time |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of The People’s Republic of China |
| “Independent Board Committee” | an independent committee of the Board, which comprises all of the independent non-executive Directors, established to advise the Independent Shareholders on, among other matters, the fairness and reasonableness of the Revised Cleaning & Laundry Annual Caps |

DEFINITIONS

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| “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, among other matters, the Revised Cleaning & Laundry Annual Caps |
| “Independent Shareholders” | the Shareholders, other than FSE Holdings, who do not have any material interest in the Revised Cleaning & Laundry Annual Caps |
| “Latest Practicable Date” | means 4 November 2019, being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information contained herein |
| “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 |
| “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 |
| “NWDS” | New World Department Store China Limited (新世界百貨中國有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 825) |
| “NWDS Group” | NWDS and its subsidiaries from time to time |
| “NWS” | NWS Holdings Limited (新創建集團有限公司), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 659) |
| “NWS Group” | NWS and its subsidiaries from time to time |
| “Ordinary Share(s)” | ordinary share(s) of par value of HK\$0.10 per share in the share capital of the Company |

DEFINITIONS

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| “Original Cleaning & Laundry Annual Caps” | the annual cap amounts in respect of the provision of the Cleaning and Laundry Services by the Group to the NWD Group and the CTFJ Group as disclosed in the 2018 Announcement and approved at the extraordinary general meeting of the Company held on 10 April 2018 |
| “Percentage Ratios” | the applicable percentage ratios under Rule 14.07 of the Listing Rules |
| “Proposed Acquisition” | has the meaning ascribed to it under the announcement dated 18 October 2019 issued by the Company |
| “Revised Cleaning & Laundry Annual Caps” | Revised NWD Cleaning & Laundry Annual Cap and Revised CTFJ Cleaning & Laundry Annual Cap |
| “Revised CTFJ Cleaning & Laundry Annual Cap” | the revised annual cap amount in respect of the provision of the Cleaning and Laundry Services by the Group to the CTFJ Group under the 2018 CTFJ Master Facility Services Agreement for the financial year ending 30 June 2020, as stated in the section headed “THE HISTORICAL TRANSACTION AMOUNTS, ORIGINAL AND REVISED CLEANING & LAUNDRY ANNUAL CAPS” in this Circular |
| “Revised NWD Cleaning & Laundry Annual Cap” | the revised annual cap amount in respect of the provision of the Cleaning and Laundry Services by the Group to the NWD Group under the 2018 NWD Master Facility Services Agreement for the financial year ending 30 June 2020, as stated in the section headed “THE HISTORICAL TRANSACTION AMOUNTS, ORIGINAL AND REVISED CLEANING & LAUNDRY ANNUAL CAPS” in this Circular |
| “Sale and Purchase Agreement” | has the meaning ascribed to it under the announcement dated 18 October 2019 issued by the Company regarding the Proposed Acquisition |
| “Shareholder(s)” | the holder(s) of any Ordinary Share and Convertible Preference Share (if any) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “%” | per cent |

LETTER FROM THE BOARD



FSE SERVICES GROUP LIMITED

豐盛服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 331)

Non-executive Directors:

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

Mr. Wong Kwok Kin, Andrew

Executive Directors:

Mr. Lam Wai Hon, Patrick (*Vice-Chairman*)

Mr. Poon Lock Kee, Rocky (*Chief Executive Officer*)

Mr. Doo William Junior Guilherme

Mr. Lee Kwok Bong

Mr. Soon Kweong Wah

Mr. Wong Shu Hung

(Dr. Cheng Chun Fai as his alternate)

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

Independent Non-executive Directors:

Mr. Kwong Che Keung, Gordon

Mr. Hui Chiu Chung, Stephen

Mr. Lee Kwan Hung, Eddie

Dr. Tong Yuk Lun, Paul

8 November 2019

Dear Shareholders,

**(1) REVISION OF ANNUAL CAPS FOR
CONTINUING CONNECTED TRANSACTIONS;
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to:

- (1) 2018 Circular;
- (2) the 2018 Announcement; and
- (3) the Announcement.

LETTER FROM THE BOARD

As disclosed in the 2018 Circular, the 2018 Announcement and the Announcement:

- (1) the Company and NWD entered into the 2018 NWD Master Facility Services Agreement on 11 April 2018, under which the Group agreed to provide the Cleaning and Laundry Services to the NWD Group on and subject to its terms and conditions;
- (2) the Company and CTFJ entered into the 2018 CTFJ Master Facility Services Agreement on 11 April 2018, under which the Group agreed to provide the Cleaning and Laundry Services to the CTFJ Group on and subject to its terms and conditions;
- (3) Dr. Cheng is a connected person of the Company. He is a member of the Cheng family which holds or controls each of the NWD Group and the CTFJ Group. As such, members of each of the NWD Group and CTFJ Group are treated as connected persons of the Company. The 2018 NWD Master Facility Services Agreement, the 2018 CTFJ Master Facility Services Agreement and all the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules;
- (4) the 2018 NWD Master Facility Services Agreement, the 2018 CTFJ Master Facility Services Agreement and the Original Cleaning & Laundry Annual Caps for the same were approved by the Independent Shareholders at the extraordinary general meeting of the Company held on 10 April 2018; and
- (5) in view of the expected increase in the amount of the Cleaning and Laundry Services provided and to be provided by the Group to the NWD Group and the CTFJ Group, the Board therefore proposes to revise and increase the Original Cleaning & Laundry Annual Caps for the financial year ending 30 June 2020 to the Revised Cleaning & Laundry Annual Caps and to seek approval from the Independent Shareholders at the EGM.

As the highest of the Percentage Ratios in respect of the Revised NWD Cleaning & Laundry Annual Cap for the financial year ending 30 June 2020 exceeds 5%, the Revised NWD Cleaning & Laundry Annual Cap is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest of the Percentage Ratios in respect of the Revised CTFJ Cleaning & Laundry Annual Cap for the financial year ending 30 June 2020 exceeds 0.1% but is below 5%, the Revised CTFJ Cleaning & Laundry Annual Cap is subject to the reporting, annual review and announcement requirements and exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Nonetheless, with a view of adhering to enhanced corporate governance practices, the Company is willing to follow the relevant requirements applicable to a non-exempt connected transaction under Chapter 14A of the Listing Rules and subject the Revised CTFJ Cleaning & Laundry Annual Cap to Independent Shareholders' approval.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Revised Cleaning & Laundry Annual Caps.

LETTER FROM THE BOARD

The Independent Board Committee has been established to consider, among other matters, the Revised Cleaning & Laundry Annual Caps, and to advise and provide recommendation to the Independent Shareholders as to whether the same are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Ballas Capital Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on, among other matters, the fairness and reasonableness of the Revised Cleaning & Laundry Annual Caps.

The purpose of this Circular is to:

- (1) provide you with further information relating to the revision to the Original Cleaning & Laundry Annual Caps and other information required by the Listing Rules;
- (2) set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and the recommendation and opinion of the Independent Board Committee after having considered the advice of the Independent Financial Adviser relating to the Revised Cleaning & Laundry Annual Caps; and
- (3) give you notice of the EGM to consider and, if thought fit, approve the Revised Cleaning & Laundry Annual Caps.

CONTINUING CONNECTED TRANSACTIONS UNDER THE 2018 NWD MASTER FACILITY SERVICES AGREEMENT AND THE 2018 CTFJ MASTER FACILITY SERVICES AGREEMENT

The terms of the Continuing Connected Transactions as contemplated under the 2018 NWD Master Facility Services Agreement and the 2018 CTFJ Master Facility Services Agreement have not been changed or modified in any way and reference to the major terms of which can be made to the paragraph headed “THE 2018 MASTER FACILITY SERVICES AGREEMENTS” in the section headed “Letter from the Board” of the 2018 Circular.

The Cleaning and Laundry Services provided by members of the Group to members of the NWD Group and the CTFJ Group primarily include (A) cleaning services including general cleaning, waste management and disposal, external wall and window cleaning, pest control and clinical waste management rendered at commercial buildings, residential buildings, public transportations facilities and other public institutions and facilities; and (B) laundry services including laundry, dry cleaning and linen management services to corporate customers and the operation of dry cleaning and laundry retail valet outlets.

As a general principle, the prices and terms of the Continuing Connected Transactions to be entered into pursuant to each of the 2018 NWD Master Facility Services Agreement and the 2018 CTFJ Master Facility Services Agreement shall be determined in the ordinary and usual course of business of the Group and the NWD Group and the CTFJ Group, on normal commercial terms and negotiated on an arm’s length basis. In addition, such prices and terms

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| LETTER FROM THE BOARD |
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shall be: (1) no less favourable to the Group than those charged to independent third party customers of the Group; and (2) no less favourable to the NWD Group and the CTFJ Group than those paid to their respective independent third party suppliers.

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 Continuing Connected Transactions with NWD and CTFJ (as the case may be) are that the fees payable by NWD and CTFJ (as applicable) will be determined by reference to comparables of the fee quotations provided by the Group to other independent customers, taking into account factors including the nature and type of services to be rendered.

THE HISTORICAL TRANSACTION AMOUNTS, ORIGINAL AND REVISED CLEANING & LAUNDRY ANNUAL CAPS

Set out below are the historical transaction amounts for FY2019, the Original Cleaning & Laundry Annual Caps for FY2020 and the Revised Cleaning & Laundry Annual Caps for FY2020:

| Categories | Historical transaction amounts for FY2019 (HK\$'000) | Original Cleaning & Laundry Annual Caps for FY2020 (HK\$'000) | Revised Cleaning & Laundry Annual Caps for FY2020 (HK\$'000) |
|--|---|--|---|
| 2018 NWD Master Facility Services Agreement | | | |
| Cleaning and Laundry Services provided and to be provided by the Group to the NWD Group | 79,916 | 107,471 | 150,484 |
| 2018 CTFJ Master Facility Services Agreement | | | |
| Cleaning and Laundry Services provided and to be provided by the Group to the CTFJ Group | 248 | 262 | 3,711 |

The Revised Cleaning & Laundry Annual Caps are determined with reference to:

- (1) the historical annual or annualised amounts in respect of the Cleaning and Laundry Services provided by the Group to the NWD Group and the CTFJ Group during the FY2019; and
- (2) the projected annual or annualised amounts in respect of the Cleaning and Laundry Services to be provided by the Group to the NWD Group and the CTFJ Group in the financial year ending 30 June 2020, having taken into account the following major factors:
 - a. the business growth and need of the Group; and

LETTER FROM THE BOARD

- b. 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 Revised Cleaning & Laundry Annual Caps should not be construed as an assurance or forecast by the Company of the future revenues of the Group under the terms of the 2018 NWD Master Facility Services Agreement and the 2018 CTFJ Master Facility Services Agreement.

Business growth and need of the Group

The surge in the Revised NWD Cleaning & Laundry Annual Cap as compared with the relevant Original Cleaning & Laundry Annual Cap is mainly due to:

- (1) some new cleaning services contracts which commenced during the latter part of the financial year ended 30 June 2019, including contracts for a luxury hotel in Tsim Sha Tsui and for a private residential development in North Point; and
- (2) several new cleaning services contracts for shopping malls, commercial properties and private residential developments in Tsim Sha Tsui, North Point, Sai Kung and Yuen Long, which the Group, being one of the leading reputable contractors for providing cleaning and laundry services in the market, is reasonably optimistic to successfully tender for, and would have to prepare to commence providing services during the financial year ending 30 June 2020.

The surge in the Revised CTFJ Cleaning & Laundry Annual Cap as compared with the relevant Original Cleaning & Laundry Annual Cap is mainly due to the estimated future demand for cleaning services by the CTFJ Group, including those in respect of additional jewellery shops of their group in Hong Kong, the contracts for which the Group has tendered for, intends to continue to tender for and/or is expected to be successfully in being awarded, and will have to prepare to commence providing services during the financial year ending 30 June 2020.

Estimated market prices for the Cleaning & Laundry Services

In considering the estimated market prices of the Cleaning & Laundry Services, the Group bases upon the estimated costs under each Cleaning & Laundry Services contract, including (i) the estimated manpower required according to the services scope; (ii) the estimated materials and consumables required; and (iii) the equipment required. A profit margin is also taken into account by the Group.

In addition to the above, when estimating the Revised Cleaning & Laundry Annual Caps, the Group has applied an increment on the service charges for the estimated renewal of the existing Cleaning and Laundry Services contracts under each of the 2018 NWD Master Facility Services Agreement and the 2018 CTFJ Master Facility Services Agreement, taking into account the historical percentage of increase (including increase in operation costs which is attributable to labour shortage), the historical and expected future increase in minimum wage and general inflation.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE REVISED ANNUAL CAPS AND THE CONTINUING CONNECTED TRANSACTIONS

The Board has been carefully monitoring the historical transacted amounts of the Continuing Connected Transactions. Taken into account the various bases as set out above, and in view of the expected increase in the amount of the Cleaning and Laundry Services provided and to be provided by the Group to the NWD Group and the CTFJ Group, the Board therefore proposes to revise and increase the Original Cleaning & Laundry Annual Caps for the financial year ending 30 June 2020 to the Revised Cleaning & Laundry Annual Caps and to seek approval from the Independent Shareholders of the Revised Cleaning & Laundry Annual Caps at the EGM.

The Continuing Connected Transactions are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of businesses of the Group and the NWD Group and the CTFJ Group.

The 2018 NWD Master Facility Services Agreement and the 2018 CTFJ Master Facility Services Agreement serve to streamline the Continuing Connected Transactions between members of the Group and members of the NWD Group and the CTFJ Group by providing a single basis upon which the Company could comply with the applicable reporting, announcement and (where applicable) Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules and thereby reducing the administrative burden and costs of the Company in complying with these requirements.

The Directors (excluding members of the Independent Board Committee whose views will be given after taking into account the advice from the Independent Financial Adviser) consider that the Revised Cleaning & Laundry Annual Caps are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

INFORMATION REGARDING THE GROUP, THE NWD GROUP AND THE CTFJ GROUP

The Group

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

NWD Group

NWD is a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 17). As at the Latest Practicable Date and based on publicly available information, the CTFE Group was interested in approximately 44.37% of the total issued share capital of NWD.

LETTER FROM THE BOARD

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

CTFJ Group

CTFJ is a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 1929). As at the Latest Practicable Date and based on publicly available information, Chow Tai Fook (Holding) Limited was interested in approximately 89.34% of the total issued share capital of CTFJ.

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

INTERNAL CONTROL MEASURES

The Group has established internal control measures for reporting and monitoring the Continuing Connected Transactions to ensure the compliance with Chapter 14A of the Listing Rules.

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

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

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

- (1) the independent non-executive Directors of the Company shall, on an annual basis, review the transactions contemplated under the 2018 NWD Master Facility Services Agreement and the 2018 CTFJ Master Facility Services Agreement and confirm, among other matters, such transactions have been entered into according to the agreement governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole; and

LETTER FROM THE BOARD

- (2) the external auditors of the Group shall, on an annual basis, report on the transactions contemplated under the 2018 NWD Master Facility Services Agreement and the 2018 CTFJ Master Facility Services Agreement and confirm, among other matters, whether anything has come to their attention that causes them to believe such transactions were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions.

LISTING RULES IMPLICATIONS

Dr. Cheng is a connected person of the Company. He is a member of the Cheng family which holds or controls each of the NWD Group and the CTFJ Group. As such, members of each of the NWD Group and the CTFJ Group are treated as connected persons of the Company under the Listing Rules. Accordingly, the 2018 NWD Master Facility Services Agreement, the 2018 CTFJ Master Facility Services Agreement and all the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

As the highest of the applicable Percentage Ratios in respect of the Revised NWD Cleaning & Laundry Annual Cap for the financial year ending 30 June 2020 exceeds 5%, the Revised NWD Cleaning & Laundry Annual Cap is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest of the applicable Percentage Ratios in respect of the Revised CTFJ Cleaning & Laundry Annual Cap for the financial year ending 30 June 2020 exceeds 0.1% but is below 5%, the Revised CTFJ Cleaning & Laundry Annual Cap is subject to the reporting, annual review and announcement requirements and exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Nonetheless, with a view of adhering to enhanced corporate governance practices, the Company is willing to follow the relevant requirements applicable to a non-exempt connected transaction under Chapter 14A of the Listing Rules and subject the Revised CTFJ Cleaning & Laundry Annual Cap to Independent Shareholders' approval.

The Company will seek the Independent Shareholders' approval for the Revised Cleaning & Laundry Annual Caps at the EGM.

LETTER FROM THE BOARD

Approval by the Board

A Director whose name is set out below is regarded as having a material interest or potential conflict of interest in the Revised Cleaning & Laundry Annual Caps:

| Continuing Connected Transactions contemplated under: | Director who is regarded as having a material interest or potential conflict of interest in the 2018 NWD Master Facility Services Agreement and/or the 2018 CTFJ Master Facility Services Agreement | Basis upon which the Director is regarded as having a material interest or potential conflict of interest |
|--|--|--|
| 2018 NWD Master Facility Services Agreement | Dr. Cheng | <ul style="list-style-type: none">● He is a director of NWD● He is a member of the Cheng family which holds or controls each of the NWD Group and the CTFJ Group |
| 2018 CTFJ Master Facility Services Agreement | Dr. Cheng | <ul style="list-style-type: none">● He is a director of CTFJ● He is a member of the Cheng family which holds or controls each of the NWD Group and the CTFJ Group |
| | Mr. Kwong Che Keung, Gordon | <ul style="list-style-type: none">● He is an independent non-executive director of CTFJ |

Each of the Directors named above who was present at the Board meeting approving the Revised Cleaning & Laundry Annual Caps had abstained from voting on the resolution approving such Revised Cleaning & Laundry Annual Caps.

For good corporate governance, Mr. Doo William Junior Guilherme had voluntarily abstained from voting at the Board meeting approving the Revised Cleaning & Laundry Annual Caps though he does not have (nor his associate has) a material interest in the Revised Cleaning & Laundry Annual Caps.

RECOMMENDATION

Your attention is drawn to (i) the advice of the Independent Board Committee set out in its letter on pages 16 to 17 of this Circular, and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 18 to 27 of this Circular in respect of the Revised Cleaning & Laundry Annual Caps.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Revised Cleaning & Laundry Annual Caps are fair and reasonable 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 resolution to be proposed at the EGM to approve the Revised Cleaning & Laundry Annual Caps.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

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

EGM

The EGM will be convened and held at 17/F, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong on Friday, 6 December 2019 at 11:45 a.m., for the Independent Shareholders to consider and, if thought fit, to approve the EGM Matter. A notice of the EGM is set out on pages EGM-1 to EGM-2 of this Circular.

The voting at the EGM will be taken by poll.

At the EGM, any Shareholders with a material interest in the Revised Cleaning & Laundry Annual Caps are required to abstain from voting on the resolution approving the same at the EGM.

To the best of knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders are materially interested in the Revised Cleaning & Laundry Annual Caps who are required to abstain from voting on the resolution approving the same at the EGM as aforesaid. Nevertheless, FSE Holdings, which holds 75% of Ordinary Shares in issue in the Company as at the Latest Practicable Date, will voluntarily abstain from voting at the EGM.

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 Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM or any adjournment thereof if you so wish.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

Yours faithfully
By order of the Board
FSE Services Group Limited
Dr. Cheng Kar Shun, Henry
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



FSE SERVICES GROUP LIMITED

豐盛服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 331)

8 November 2019

To the Independent Shareholders

Dear Sir or Madam,

**(1) REVISION OF ANNUAL CAPS FOR
CONTINUING CONNECTED TRANSACTIONS;
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular dated 8 November 2019 (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 Revised Cleaning & Laundry Annual Caps and to advise the Independent Shareholders as to whether, in our opinion, the Revised Cleaning & Laundry Annual Caps are on normal commercial terms and in the ordinary and usual course of business of the Group, 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 Limited 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 Matter and whether the same is on normal commercial terms and in the ordinary and usual course of business of the Group, 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 5 to 15 of the Circular as well as the letter from the Independent Financial Adviser as set out on pages 18 to 27 of the Circular.

Mr. Kwong Che Keung, Gordon, Mr. Hui Chiu Chung, Stephen, Mr. Lee Kwan Hung, Eddie and Dr. Tong Yuk Lun, Paul, being the independent non-executive Directors who do not have a material interest in the Revised NWD Cleaning & Laundry Annual Cap consider that:

- (1) the Revised NWD Cleaning & Laundry Annual Cap is in the ordinary and usual course of business of the Group;

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

- (2) having taken into account the advice of the Independent Financial Adviser, the Revised NWD Cleaning & Laundry Annual Cap is:
- i. on normal and commercial terms;
 - ii. fair and reasonable so far as the Company and the Independent Shareholders are concerned; and
 - iii. in the interests of the Company and the Shareholders as a whole; and
- (3) accordingly, it is recommended that the Independent Shareholders should vote in favour of the ordinary resolution to be proposed at the EGM in relation to the Revised NWD Cleaning & Laundry Annual Cap.

Mr. Hui Chiu Chung, Stephen, Mr. Lee Kwan Hung, Eddie and Dr. Tong Yuk Lun, Paul, being the independent non-executive Directors who do not have a material interest in the Revised CTFJ Cleaning & Laundry Annual Cap consider that:

- (1) the Revised CTFJ Cleaning & Laundry Annual Cap is in the ordinary and usual course of business of the Group;
- (2) having taken into account the advice of the Independent Financial Adviser, the Revised CTFJ Cleaning & Laundry Annual Cap is:
- i. on normal and commercial terms;
 - ii. fair and reasonable so far as the Company and the Independent Shareholders are concerned; and
 - iii. in the interests of the Company and the Shareholders as a whole; and
- (3) accordingly, it is recommended that the Independent Shareholders should vote in favour of the ordinary resolution to be proposed at the EGM in relation to the Revised CTFJ Cleaning & Laundry Annual Cap.

Yours faithfully

Independent Board Committee

Mr. Kwong Che Keung, Mr. Hui Chiu Chung, Mr. Lee Kwan Hung, Dr. Tong Yuk Lun,
Gordon Stephen Eddie Paul

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BALLAS
C A P I T A L

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

8 November 2019

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sir or Madam,

**REVISION OF ANNUAL CAPS FOR
CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Revised Cleaning & Laundry Annual Caps for the continuing connected transactions in relation to Cleaning and Laundry Services provided and to be provided by the Group to each of the NWD Group and the CTFJ Group as contemplated under the 2018 NWD Master Facility Services Agreement and the 2018 CTFJ Master Facility Services Agreement, respectively, for the financial year ending 30 June 2020, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 8 November 2019, 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.

As stated in the Letter from the Board, in view of the expected increase in the amount of the continuing connected transactions in relation to Cleaning and Laundry Services provided and to be provided by the Group to the NWD Group and the CTFJ Group as contemplated under the 2018 NWD Master Facility Services Agreement and the 2018 CTFJ Master Facility Services Agreement, the Board therefore proposes to revise and increase the Original Cleaning & Laundry Annual Caps for the financial year ending 30 June 2020 to the Revised Cleaning & Laundry Annual Caps.

Dr. Cheng is a connected person of the Company. He is a member of the Cheng family which holds or controls each of the NWD Group and the CTFJ Group. As such, members of each of the NWD Group and the CTFJ Group are treated as connected persons of the Company under the Listing Rules. Accordingly, the 2018 NWD Master Facility Services Agreement, the 2018 CTFJ Master Facility Services Agreement and all the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the highest of the applicable Percentage Ratios in respect of the Revised NWD Cleaning & Laundry Annual Cap for the financial year ending 30 June 2020 exceeds 5%, the Revised NWD Cleaning & Laundry Annual Cap is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest of the applicable Percentage Ratios in respect of the Revised CTFJ Cleaning & Laundry Annual Cap for the financial year ending 30 June 2020 exceeds 0.1% but is below 5%, the Revised CTFJ Cleaning & Laundry Annual Cap is subject to the reporting, annual review and announcement requirements and exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Nonetheless, with a view of adhering to enhanced corporate governance practices, the Company is willing to follow the relevant requirements applicable to a non-exempt connected transaction under Chapter 14A of the Listing Rules and subject the Revised CTFJ Cleaning & Laundry Annual Cap to Independent Shareholders' approval.

At the EGM, any Shareholders with a material interest in the Revised Cleaning & Laundry Annual Caps are required to abstain from voting on the resolution approving the same at the EGM. To the best of knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders are materially interested in the Revised Cleaning & Laundry Annual Caps who are required to abstain from voting on the resolution approving the same at the EGM as aforesaid. Nevertheless, FSE Holdings, which held 75% of Ordinary Shares in issue in the Company as at the Latest Practicable Date, will voluntarily abstain from voting at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors, being Mr. Kwong Che Keung, Gordon, Mr. Hui Chiu Chung, Stephen, Mr. Lee Kwan Hung, Eddie and Dr. Tong Yuk Lun, Paul, has been established to advise the Independent Shareholders in relation to the Revised Cleaning & Laundry Annual Caps.

INDEPENDENCE DECLARATION

We are not associated or connected with the Company, the counter parties of each of the 2018 NWD Master Facility Services Agreement and the 2018 CTFJ Master Facility Services Agreement or their respective core connected persons or associates. As at the Latest Practicable Date, save for this appointment as the Independent Financial Adviser in relation to the Revised Cleaning & Laundry Annual Caps (the "**Transactions**") and our roles as the independent financial adviser in relation to (i) the Company's proposed acquisition of the entire issued share capital of the target entities carrying out property management services as disclosed in the Company's announcement dated 18 October 2019; (ii) the Company's acquisition of the entire issued share capital of the target entities carrying out facility services and the continuing connected transactions regarding rental and related services, IT support services and cleaning and laundry services as disclosed in the Company's circular dated 20 March 2018; and (iii) the continuing connected transactions relating to the building services in June 2019 (which transactions were exempt from the independent shareholders' approval requirement under the Listing Rules), we did not have any other relationship with or interests in the Company, the counter parties of each of the 2018 NWD Master Facility Services

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Agreement and the 2018 CTFJ Master Facility Services Agreement or their respective core connected persons or associates in the last two years. We consider that the aforesaid services we provided to the Company would not affect our independence. Accordingly, we consider we are eligible to give independent advice on the Transactions.

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 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.

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 NWD Group, the CTFJ Group or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

A. Reasons for the revision to the Original Cleaning & Laundry Annual Caps

In anticipation of the business growth and need of the Group and the expected increase in service costs as well as inflation, the Board considers that the amount of the continuing connected transactions in relation to Cleaning and Laundry Services provided and to be provided by the Group to each of the NWD Group and the CTFJ Group as contemplated under the 2018 NWD Master Facility Services Agreement and the 2018 CTFJ Master Facility Services Agreement would exceed the Original Cleaning & Laundry Annual Caps for the financial year ending 30 June 2020, which were previously approved by the Independent Shareholders of the Company in the extraordinary general meeting of the Company held on 10 April 2018, and accordingly proposes to revise and increase the Original Cleaning & Laundry Annual Caps for the financial year ending 30 June 2020 to the Revised Cleaning & Laundry Annual Caps. Details of the revision to the Original Cleaning & Laundry Annual Caps are set out in the Letter from the Board.

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| LETTER FROM THE INDEPENDENT FINANCIAL ADVISER |
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B. Revised Cleaning & Laundry Annual Caps

(i) Background on the annual caps and historical transaction amounts

With respect to each of the 2018 NWD Master Facility Services Agreement and the 2018 CTFJ Master Facility Services Agreement, the following table sets out (i) the Original Cleaning & Laundry Annual Caps for the financial year ending 30 June 2020 (“FY2020”); and (ii) the Revised Cleaning & Laundry Annual Caps in respect of the Cleaning & Laundry Services for FY2020:

| | Annual Caps | |
|--|--|---|
| | Original Cleaning & Laundry Annual Caps for FY2020 HK\$'000 | Revised Cleaning & Laundry Annual Caps for FY2020 HK\$'000 |
| 2018 NWD Master Facility Services Agreement | | |
| Cleaning and Laundry Services provided and to be provided by the Group to the NWD Group | 107,471 | 150,484 |
| 2018 CTFJ Master Facility Services Agreement | | |
| Cleaning and Laundry Services provided and to be provided by the Group to the CTFJ Group | 262 | 3,711 |

With respect to the 2018 NWD Master Facility Services Agreement and the 2018 CTFJ Master Facility Services Agreement, as set out in the Letter from the Board, the respective Revised Cleaning & Laundry Annual Caps have been determined based on the following factors:

- (1) the historical annual or annualised amounts in respect of the Cleaning & Laundry Services provided by the Group to the NWD Group and the CTFJ Group during FY2019; and
- (2) the projected annual or annualised amounts in respect of the Cleaning and Laundry Services to be provided by the Group to the NWD Group and the CTFJ Group in the financial year ending 30 June 2020, having taken into account the following major factors:
 - a. the business growth and need of the Group; and
 - b. 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 INDEPENDENT FINANCIAL ADVISER

(ii) Our analysis on the Revised Cleaning & Laundry Annual Caps

In assessing the reasonableness of the Revised Cleaning & Laundry Annual Caps, we have reviewed and discussed with the Company with regards to the underlying calculations. We understand from the underlying calculations that the Company's projections of the Revised Cleaning & Laundry Annual Caps are mainly based on existing/secured contracts. Other than the existing/secured contracts, the Company has also taken into account contracts which the Group may successfully tender for and commence providing services during FY2020. As the Group is one of the leading reputable contractors for providing cleaning and laundry services in the market and has long term business relationships with the respective counter parties of each of the 2018 NWD Master Facility Services Agreement and the 2018 CTFJ Master Facility Services Agreement, we concur with management of the Company that the Group will have a good chance in successfully renewing a majority of its existing contracts and obtaining certain new contracts with the respective counter parties of the 2018 NWD Master Facility Services Agreement and the 2018 CTFJ Master Facility Services Agreement in FY2020.

Set out below is our analysis on the respective Revised Cleaning & Laundry Annual Caps for each of 2018 NWD Master Facility Services Agreement and the 2018 CTFJ Master Facility Services Agreement based on the underlying calculations we reviewed.

2018 NWD Master Facility Services Agreement

The Revised NWD Cleaning & Laundry Annual Cap of approximately HK\$150.5 million represents an increase of approximately HK\$43.0 million, or 40.0%, from the Original Cleaning & Laundry Annual Caps in respect of the Cleaning and Laundry Services provided and to be provided by the Group to the NWD Group for FY2020 of approximately HK\$107.5 million. We understand that such forecasted increase is mainly attributable to (i) the full-year effect of some new cleaning services contracts which commenced during the latter part of the financial year ended 30 June 2019 (“FY2019”), in particular the new cleaning services contracts for a luxury hotel in Tsim Sha Tsui and for a private residential development in North Point, (ii) several new cleaning services contracts for shopping malls, commercial properties and private residential developments in Tsim Sha Tsui, North Point, Sai Kung and Yuen Long, which the Group is expected to successfully tender for and commence providing services during FY2020, and (iii) the expected growth in fees for contracts which are expected to be renewed. From the underlying calculations we reviewed, we note that the total transaction amount of the aforementioned new contracts under item (i) and potential contracts under item (ii) is expected to be approximately HK\$39.6 million for FY2020, which contributes to a significant portion of approximately 92.1% of the growth in Revised NWD Cleaning & Laundry Annual Cap.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2018 CTFJ Master Facility Services Agreement

The Revised CTFJ Cleaning & Laundry Annual Cap of approximately HK\$3.7 million represents an increase of approximately HK\$3.4 million, or 1,316.4%, from the Original Cleaning & Laundry Annual Caps in respect of the Cleaning and Laundry Services provided and to be provided by the Group to the CTFJ Group for FY2020 of approximately HK\$0.3 million. We understand that such increase is attributable to the cleaning services contracts for the additional jewellery shops of the CTFJ Group in Hong Kong which the Group has tendered for, intends to continue to tender for and/or is expected to successfully tender for and commence providing services during FY2020. From the underlying calculations we reviewed, we note that the total transaction amount for the shops the Group has identified and has tendered for/intends to continue to tender for contributes to approximately HK\$1.7 million of the growth in Revised CTFJ Cleaning & Laundry Annual Cap. Regarding the remaining HK\$1.7 million of the growth in Revised CTFJ Cleaning & Laundry Annual Cap, we discussed and understand from the management of the Group that it is likely that the CTFJ Group will continue to invite the Group to tender for cleaning services contracts for its jewellery shops. As such, the Revised CTFJ Cleaning & Laundry Annual Cap provides the flexibility for contingencies when more cleaning services contracts are entered into with the CTFJ Group for FY2020. We consider such flexibility is fair and reasonable and beneficial to the Group as it allows the Group to increase facility services income by providing cleaning services to additional jewellery shops under the CTFJ Group when opportunity arises.

In assessing the fairness and reasonableness of the Revised Cleaning & Laundry Annual Caps, we have also considered the following factors:

- (1) Business growth of the facilities service business segment of the Group

According to the Company's annual report for the year ended 30 June 2019 (the "**Annual Report**"), the revenue from facility services business segment of the Group increased by approximately HK\$23.1 million or 2.0% from approximately HK\$1,170.5 million for the financial year ended 30 June 2018 ("**FY2018**") to approximately HK\$1,193.6 million for FY2019. The growth is attributable to the revenue contribution from a number of new cleaning services contracts, encompassing a wide range of buildings and facilities, including a heritage centre, a large-scale public transportation facility, shopping malls, a luxury hotel, academic institutions, a government department, residential and commercial properties.

From the underlying calculations we reviewed, we understand that part of the forecasted increase in the Revised Cleaning & Laundry Annual Caps comes from the full-year effect of some new cleaning services

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

contracts which commenced during the latter part of FY2019. As such, we consider it fair and reasonable that the Group has considered the business growth brought by the secured new contracts from last financial year and reflect the full-year effect of these new cleaning services contracts in the Revised Cleaning & Laundry Annual Caps.

(2) Expected new and potential Cleaning and Laundry Services contracts

The forecasted increase in the Revised Cleaning & Laundry Annual Caps is mostly due to a number of new and potential cleaning services contracts which are expected to commence during FY2020. As noted from the Annual Report, during FY2019, in respect of cleaning services, the Group was awarded new service contracts with a total value of HK\$861 million, which included 99 service contracts (with a net contract sum equal to or exceeding HK\$1 million for each service contract) with a total contract sum of HK\$692 million. In respect of laundry services, the Group was awarded new service contracts with a total value of HK\$113 million, which included 6 service contracts (with a contract sum equal to or exceeding HK\$5 million for each service contract) with a total contract sum of HK\$90 million, including 6 hotels and service apartment complexes. As at 30 June 2019, the facility services business segment has a total gross value of contract sum of HK\$3,144 million with a total outstanding contract sum of HK\$1,165 million for the cleaning services business.

As the Group is one of the leading reputable contractors for providing cleaning and laundry services in the market with a good track record in securing new contracts and contract renewal, we concur with management of the Company that the Group will have a good chance in successfully obtaining certain new contracts with the respective counter parties of the 2018 NWD Master Facility Services Agreement and the 2018 CTFJ Master Facility Services Agreement in FY2020. As such, to cater for the probability of securing new services contracts, we consider it fair and reasonable that the Group has taken into account the expected new and potential Cleaning and Laundry Services contracts when determining the Revised Cleaning & Laundry Annual Caps for FY2020.

(3) Expected increment on the service charges for Cleaning and Laundry Services

When estimating the Revised Cleaning & Laundry Annual Caps, the Company has applied an increment on the service charges for estimated renewal of the existing cleaning contracts of the Cleaning and Laundry Services under each of the 2018 NWD Master Facility Services Agreement and the 2018 CTFJ Master Facility Services Agreement, based on historical percentage of increase, the historical and expected future increase in minimum wage and general inflation. According to the Annual

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Report, the facilities service business segment of the Group recorded a decline in its gross profit margin from approximately 12.9% for FY2018 to approximately 11.5% for FY2019, resulted from the increase in operation costs which in turn was attributable to labour shortage.

We have reviewed statistics from the Census and Statistics Department of Hong Kong. In relation to the inflation rate in Hong Kong, we noted that during the last 5 years from 2014 to 2018, the average annual inflation rate (as measured by the composite consumer price index) is approximately 2.7%. In addition, with effect from 1 May 2019, the Statutory Minimum Wage is raised from HK\$34.5 per hour to HK\$37.5 per hour. Thus, we consider an increment factor applied by the management of the Company on the Revised Cleaning & Laundry Annual Caps is reasonable.

Our view

Based on our review of the underlying calculations from the Company and the factors described above, we concur with the view of the Company that the respective Revised Cleaning & Laundry Services Annual Caps under each of the 2018 NWD Master Facility Services Agreement and 2018 CTFJ Master Facility Services Agreement are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

We would, however, like to highlight that as the Revised Cleaning & Laundry Services Annual Caps relate to future events and are based upon assumptions that may or may not remain valid for the whole period up to 30 June 2020, we express no opinion as to how closely the actual value of the Cleaning and Laundry Services provided by the Group pursuant to each of the 2018 NWD Master Facility Services Agreement and the 2018 CTFJ Master Facility Services Agreement shall correspond to the respective Revised Cleaning & Laundry Annual Caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

C. Requirements by the Listing Rules regarding the continuing connected transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the continuing connected transactions are subject to the following annual review requirements:

- (i) Each year the independent non-executive Directors must review the continuing connected transactions and confirm in the annual report and accounts that they have been entered into:
 - in the ordinary and usual course of business of the Group;
 - 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 Group and the Shareholders as a whole.
- (ii) 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 the continuing connected transactions:
 - has 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 respective Revised Cleaning & Laundry Services Annual Caps.
- (iii) 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.
- (iv) 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 (i) and/or (ii) above, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of the reporting requirements attached to the continuing connected transactions, in particular, (i) the restriction of transaction value by way of the respective Revised Cleaning & Laundry Services Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company on the terms of the continuing connected transactions and the respective Revised Cleaning & Laundry Services 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 under the 2018 NWD Master Facility Services Agreement and the 2018 CTFJ Master Facility Services Agreement and safeguard the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the above principal factors and reasons regarding the Revised Cleaning & Laundry Services Annual Caps, we are of the opinion that the Revised Cleaning & Laundry Services Annual Caps under each of the 2018 NWD Master Facility Services Agreement and the 2018 CTFJ Master Facility Services Agreement are fair and reasonable so far as the Group and the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM to approve the Revised Cleaning & Laundry Annual Caps.

Yours faithfully,
For and on behalf of
Ballas Capital Limited
Heidi Cheng **Angel Lai**
Managing Director *Vice President*

Note: Ms. Heidi Cheng of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activity since 2003 and Ms. Angel Lai of Ballas Capital Limited has been a licensed representative of Type 6 (advising on corporate finance) regulated activity since 2017.

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 Securities and Futures Ordinance (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. Lam Wai Hon, Patrick | FSE Holdings (Note 3) | Interest of controlled corporation (Note 5) | 10,000,000 shares of HK\$0.10 each (L) | 2% |
| Mr. Doo William Junior Guilherme | FSE Holdings (Note 3) | Interest of controlled corporation (Note 6) | 25,000,000 shares of HK\$0.10 each (L) | 5% |
| | FSE Holdings (Note 3) | Interest of controlled corporation (Note 7) | 20,000,000 shares of HK\$0.10 each (L) | 4% |
| Mr. Lee Kwok Bong | FSE Holdings (Note 3) | Interest of controlled corporation (Note 8) | 5,000,000 shares of HK\$0.10 each (L) | 1% |
| Mr. Wong Kwok Kin, Andrew | FSE Holdings (Note 3) | Interest of controlled corporation (Note 9) | 35,000,000 shares of HK\$0.10 each (L) | 7% |

Notes:

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

3 DISCLOSURE OF OTHER INTERESTS

Interests in contract or arrangement

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

- (1) Dr. Cheng, a non-executive Director, is interested in the following agreements and transactions contemplated thereunder respectively:
 - a. The master services agreements dated 10 April 2017 made between Mr. Doo and:
 - i. NWD in relation to the provision of services as contemplated thereunder by Mr. Doo, his 30%-controlled companies and their subsidiaries to the NWD Group and vice versa;
 - ii. NWDS in relation to the provision of services as contemplated thereunder by Mr. Doo, his 30%-controlled companies and their subsidiaries to the NWDS Group and vice versa; and
 - iii. NWS in relation to the provision of services as contemplated thereunder by Mr. Doo, his 30%-controlled companies and their subsidiaries to the NWS Group and vice versa;

- b. the master services agreement dated 10 April 2017 entered into between the Company and NWD in relation to (i) the provision of the E&M engineering and environmental services by the Group to the NWD Group; and (ii) the provision of rental services by the NWD Group to the Group;
- c. the master services agreement dated 10 April 2017 entered into between the Company and NWS in relation to (i) the provision of the E&M engineering and environmental services by the Group to the NWS Group; and (ii) the provision of contracting services by the NWS Group to the Group;
- d. the master services agreement dated 10 April 2017 entered into between the Company and NWDS in relation to (i) the provision of the E&M engineering and environmental services by the Group to the NWDS Group; and (ii) the provision of rental services by the NWDS Group to the Group;
- e. the master services agreement dated 10 April 2017 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;
- f. the master services agreement dated 10 April 2017 entered into between the Company and FSE Management Company Limited in relation to (i) the provision of the E&M engineering and environmental services by the Group to the Doo's Associates Group; and (ii) the provision of rental services and sundry services by the Doo's Associates Group to the Group (the "**2017 Doo's Associates Group Master Services Agreement**");
- g. the master facility services agreements dated 11 April 2018 between the Company and:
 - i. FSE Management Company Limited in relation to (a) the provision of cleaning and laundry services by the Group to the Doo's Associates Group; and (b) the provision of rental and related services by the Doo's Associates Group to the Group (the "**2018 FSE Master Facility Services Agreement**");
 - ii. the 2018 NWD Master Facility Services Agreement;
 - iii. NWS in relation to the provision of (a) cleaning and laundry services by the Group to the NWS Group; and (b) IT support services by the NWS Group to the Group (the "**2018 NWS Master Facility Services Agreement**");
 - iv. NWDS in relation to the provision of cleaning and laundry services by the Group to the NWDS Group;
 - v. CTFE in relation to the provision of cleaning and laundry services by the Group to the CTFE Group; and

- vi. the 2018 CTFJ Master Facility Services Agreement;
 - h. the 2019 Master Property Services Agreements to be entered into; and
 - i. the Sale and Purchase Agreement.
- (2) Mr. Wong Kwok Kin, Andrew and Mr. Lee Kwok Bong are interested in the following agreements and transactions contemplated thereunder respectively:
- a. the 2017 Doo's Associates Group Master Services Agreement;
 - b. the 2018 FSE Master Facility Services Agreement;
 - c. the 2019 FSE Master Property Services Agreement to be entered into; and
 - d. the Sale and Purchase Agreement.
- (3) Mr. Kwong Che Keung, Gordon, is interested in the following agreements and transactions contemplated thereunder respectively:
- a. the 2018 NWS Master Facility Services Agreement;
 - b. the 2018 CTFJ Master Facility Services Agreement;
 - c. the 2019 NWS Master Property Services Agreement to be entered into; and
 - d. the 2019 CTFJ Master Property Services Agreement to be entered into.
- (4) Mr. Doo William Junior Guilherme and Mr. Lam Wai Hon, Patrick, are interested in the following agreements and transactions contemplated thereunder respectively:
- a. the 2017 Doo's Associates Group Master Services Agreement;
 - b. the 2018 FSE Master Facility Services Agreement;
 - c. the 2018 NWS Master Facility Services Agreement;
 - d. the 2019 FSE Master Property Services Agreement to be entered into;
 - e. the 2019 NWS Master Property Services Agreement to be entered into; and
 - f. the Sale and Purchase Agreement.

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

Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which, since 30 June 2019, being the date to which the latest published audited consolidated financial statements 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.

Interests in competing business

As at Latest Practicable Date, none of the Directors nor any of their respective 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 DIRECTORS' 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 relevant member of the Group within one year without payment of compensation other than statutory compensation.

5 MATERIAL CONTRACTS

Save for the following, there are no contracts (not being contracts entered into in the ordinary course of business) which were entered into by members of the Group within the two years immediately preceding the Latest Practicable Date:

- (1) the conditional agreement for sale and purchase of the entire issued share capital of Crystal Brilliant Limited for an initial consideration of HK\$502 million (subject to post-completion adjustment) by FSE Management Company Limited as vendor and FSE Facility Services Group Limited (a wholly-owned subsidiary of the Company) as purchaser on 27 February 2018, details of which were disclosed in the Company's circular dated 20 March 2018; and
- (2) the Sale and Purchase Agreement.

6 LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge information and belief, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group that would have a material adverse effect on the results of operations or financial conditions of the Group.

7 MATERIAL ADVERSE CHANGE

The Board is not aware of any material adverse change in the financial or trading position of the Group since 30 June 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

8 QUALIFICATIONS AND CONSENT OF EXPERT

The following are the qualifications of the expert 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, the above expert:

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

The above expert has given and has not withdrawn its written consent to the issue of this Circular with the inclusion therein of its letter, report or opinion and reference to its name in the form and context in which they respectively appear.

9 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) for a period of 14 days from the date of this Circular:

- (1) the 2018 NWD Master Facility Services Agreement;
- (2) the 2018 CTFJ Master Facility Services Agreement;
- (3) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 16 to 17 of this Circular;
- (4) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 18 to 27 of this Circular;
- (5) the material contracts referred to in the section headed "Material Contracts" in this appendix;

- (6) the written consent referred to in the section headed “Qualifications and Consent of Expert” in this appendix; and
- (7) this Circular.

10 GENERAL

- (1) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong is at Units 801–810, 8th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong.
- (2) The Company’s principal share registrar and transfer office in the Cayman Islands is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (3) The Company’s Hong Kong branch share registrar and transfer office is Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (4) The company secretary of the Company is Mr. Chan Ju Wai. Mr. Chan Ju Wai is a member of the Institute of Public Accountants in Australia, the Institute of Certified Management Accountants in Australia and the Institute of Financial Accountants in the United Kingdom.
- (5) The English text of this Circular shall prevail over the Chinese text.

NOTICE OF EGM



FSE SERVICES GROUP LIMITED

豐盛服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 331)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of **FSE SERVICES GROUP LIMITED** (the “**Company**”) will be held at 17/F, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong on Friday, 6 December 2019 at 11:45 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution:

ORDINARY RESOLUTION

1. “**THAT** the Revised Cleaning & Laundry Annual Caps in respect of the provision of Cleaning and Laundry Services under the 2018 NWD Master Facility Services Agreement and the 2018 CTFJ Master Facility Services Agreement as more particularly set out in the “Letter from the Board” in the circular to the shareholders of the Company dated 20 March 2018 be and are hereby approved and the Directors acting together or by committee, or any Director acting individually, be and is/are hereby authorized 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 to the shareholders of the Company dated 8 November 2019 have the same meanings when used in this resolution).”

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

Hong Kong, 8 November 2019

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

NOTICE OF EGM

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 need 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting (or any adjournment thereof).
5. The record date for determining the entitlement of the holders of Shares to attend and vote at the Meeting will be 6 December 2019. The Company’s branch register of members will be closed from 3 December 2019 to 6 December 2019 (both days inclusive) during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. on 2 December 2019.
6. Voting on the above resolution will be taken by poll.

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