

Report of the Directors

The Directors have pleasure to submit their report together with the audited financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries of the Company are set out in note 29 to the financial statements.

BUSINESS REVIEW

A fair review of the business of the Group as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) comprising analysis of the Group's performance during the Year, description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the Year, as well as indication of likely future development in the business of the Group are set out in the sections headed "Chairman's Statement" on pages 7 to 8 and "Management Discussion and Analysis" on pages 33 to 46. Discussions on the environmental policies and performance, compliance by the Group with the relevant laws and regulations that have a significant impact on the Group and the account of the key relationships of the Group with its stakeholders are contained in the "Environmental, Social and Governance Report" on pages 24 to 32 of this annual report.

RESULTS AND APPROPRIATION

The results of the Group for the Year and the state of affairs of the Company and of the Group as at 30 June 2016 are set out in the financial statements on pages 66 to 122.

The Directors have resolved to recommend a final dividend of HK9.4 cents per share for the Year (2015: Nil) to the shareholders whose names appear on the register of members of the Company on 8 December 2016. The proposed final dividend, if approved at the forthcoming annual general meeting of the Company, will be paid on or about 15 December 2016. Together with the interim dividend of HK5.0 cents per share (2015: Nil) paid in April 2016, total distribution of dividend by the Company for the Year will thus be HK14.4 cents per share (2015: Nil), representing a dividend payout ratio of 40.2%.

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 23 to the financial statements.

DISTRIBUTABLE RESERVES

At 30 June 2016, the Company's reserves available for distribution amounted to HK\$694.4 million (2015: HK\$466.2 million).

DONATIONS

During the Year, the Group made charitable and other donations amounting to HK\$1,259,000 (2015: HK\$377,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the Year are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 22 to the financial statements.

Report of the Directors

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 123.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group accounted for 64.9% of the Group's turnover and the percentage of turnover attributable to the Group's largest customer amounted to 39.3%. The percentage of purchases attributable to the Group's five largest suppliers accounted for 9.9% of the Group's total purchases and the percentage of purchases attributable to the Group's largest supplier amounted to 2.2%.

During the Year, the NWS Group (as defined in the paragraph headed "Connected Transactions" below) was the Group's largest customer while the NWCL Group (as defined in the paragraph headed "Connected Transactions" below) was one of the five largest customers of the Group. Both the NWS Group and the NWCL Group are the family businesses of Dr. Cheng Kar Shun, Henry, the Chairman and Non-Executive Director of the Company. Save as disclosed above, none of the Directors, their associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the Company's issued Shares) has an interest in the share capital of any of those customers or suppliers disclosed in the above paragraph.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

DIRECTORS

The Directors who held office during the Year and up to the date of this report are:

Non-executive Director

Dr. Cheng Kar Shun, Henry (*Chairman*) (appointed on 28 August 2015)

Executive Directors

Mr. Wong Kwok Kin, Andrew (*Vice-Chairman*)

Mr. Poon Lock Kee, Rocky (*Chief Executive Officer*) (appointed on 18 August 2015)

Mr. Lam Wai Hon, Patrick (appointed on 1 April 2016)

Mr. Doo William Junior Guilherme

Mr. Lee Kwok Bong (appointed on 1 July 2015)

Mr. Soon Kweong Wah (appointed on 18 August 2015)

Independent Non-executive Directors

Mr. Kwong Che Keung, Gordon (appointed on 18 November 2015)

Mr. Hui Chiu Chung, Stephen (appointed on 18 November 2015)

Mr. Lee Kwan Hung (appointed on 18 November 2015)

Dr. Tong Yuk Lun, Paul (appointed on 1 April 2016)

In accordance with article 109 of the Company's articles of association, Mr. Lam Wai Hon, Patrick and Dr. Tong Yuk Lun, Paul shall retire at the forthcoming annual general meeting, and all being eligible, offer themselves for re-election as Directors.

Report of the Directors

DIRECTORS *(Continued)*

In accordance with article 105 of the Company's articles of association, Mr. Wong Kwok Kin, Andrew, Mr. Doo William Junior Guilherme and Mr. Lee Kwok Bong shall retire as Directors by rotation at the forthcoming annual general meeting, and all being eligible, offer themselves for re-election as Directors.

The Company has received an annual confirmation from each of the Independent Non-executive Directors of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considered all the Independent Non-executive Directors independent.

The Directors' biographical details are set out on pages 9 to 12.

DIRECTORS' SERVICE CONTRACTS

No Director has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Details of the connected transactions and material related party transactions are set out on pages 54 to 62 and note 27 to the financial statements respectively.

Save for the above and contracts amongst group companies, 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 at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year, no Director had been recorded as having interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or chief executives of the Company or their respective spouses or children under 18 years of age or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of associations and subject to the applicable laws, the Directors shall be indemnified out of the Company's assets from and against all actions, costs, charges, losses, damages and expenses which they may incur in the execution of their duties, except for those incurred through their own fraud or dishonesty. The above indemnity provision was in force during the course of the Year and remained in force as of the date of this report.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2016, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules were as follows:

Long position in ordinary shares of associated corporation — FSE Holdings Limited

Name	Number of shares		Percentage of shareholding ⁽⁵⁾
	Beneficial interests	Interest of a controlled corporation	
Dr. Cheng Kar Shun, Henry	90,000,000 ⁽¹⁾	–	18%
Mr. Wong Kwok Kin, Andrew	–	45,000,000 ⁽²⁾	9%
Mr. Doo William Junior Guilherme	–	45,000,000 ⁽³⁾	9%
Mr. Lee Kwok Bong	–	5,000,000 ⁽⁴⁾	1%

Notes:

1. The shares are held by Chow Tai Fook Nominee Limited ("CTF Nominee") for Dr. Cheng Kar Shun, Henry.
2. The shares are held by Frontier Star Limited ("Frontier Star"), the entire issued share capital of which is solely and beneficially owned by Mr. Wong Kwok Kin, Andrew.
3. The shares are held by Master Empire Group Limited ("Master Empire") as to 25,000,000 shares and Supreme Win Enterprises Limited ("Supreme Win Enterprises") as to 20,000,000 shares, the entire issued share capital of each of which is solely and beneficially owned by Mr. Doo William Junior Guilherme.
4. The shares are held by Lagoon Treasure Limited ("Lagoon Treasure"), the entire issued share capital of which is solely and beneficially owned by Mr. Lee Kwok Bong.
5. The percentage of shareholding is calculated on the basis of 500,000,000 shares in issue as at 30 June 2016.

Save as disclosed above, 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) as at 30 June 2016.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2016, the interests and short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long position in ordinary shares of the Company (the "Shares")

Name	Capacity/nature of interests	Number of Shares	Percentage of shareholding ⁽⁵⁾
FSE Holdings Limited	Beneficial interests	337,500,000 ⁽¹⁾	75.00%
Sino Spring Global Limited ("Sino Spring")	Interest of a controlled corporation	337,500,000 ^{(1)&(2)}	75.00%
Mr. Doo Wai Hoi, William ("Mr. Doo")	Interest of a controlled corporation	337,500,000 ^{(1)&(2)}	75.00%
Mrs. Doo Cheng Sau Ha, Amy ("Mrs. Doo")	Interest of spouse	337,500,000 ^{(1)&(2)&(3)}	75.00%
RAYS Capital Partners Limited ("RAYS Capital")	Investment manager	22,977,000 ⁽⁴⁾	5.11%
Mr. Ruan David Ching-chi ("Mr. Ruan")	Interest of a controlled corporation	22,977,000 ⁽⁴⁾	5.11%
Ms. Yip Yok Tak Amy ("Ms. Yip")	Interest of a controlled corporation	22,977,000 ⁽⁴⁾	5.11%

Notes:

1. FSE Holdings Limited is beneficially owned as to 63% by Sino Spring, 9% by Frontier Star, 5% by Master Empire, 4% by Supreme Win Enterprises, 18% by Dr. Cheng Kar Shun, Henry (through CTF Nominee) and 1% by Lagoon Treasure. By virtue of Part XV of the SFO, Sino Spring is deemed to be interested in all Shares held by FSE Holdings Limited.
2. Sino Spring is an investment holding company incorporated on 3 January 2014 in the BVI with limited liability and is wholly owned by Mr. Doo. By virtue of Part XV of the SFO, Mr. Doo is deemed to be interested in all Shares in which Sino Spring is interested.
3. Mrs. Doo is the spouse of Mr. Doo and is therefore taken to be interested in all Shares in which Mr. Doo is interested by virtue of Part XV of the SFO.
4. RAYS Capital is beneficially owned as to 50% by Mr. Ruan and 50% by Ms. Yip. By virtue of Part XV of the SFO, both Mr. Ruan and Ms. Yip are deemed to be interested in all Shares in which RAYS Capital is interested.
5. The percentage of shareholding is calculated on the basis of 450,000,000 Shares in issue as at 30 June 2016.

Save as disclosed above, no other person was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position in the shares or underlying shares of the Company as at 30 June 2016.

Report of the Directors

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 20 November 2015. Summary of the Scheme disclosed in accordance with the Listing Rules is as follows:

(i) Purposes of the Scheme

The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group.

(ii) Who may join

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company or any of its subsidiaries or any entity ("Invested Entity") in which any member of the Group holds an equity interest;
- (b) any non-executive directors (including independent non-executive directors) of the Company or any of its subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to any member of the Group or any Invested Entity;
- (d) any customer of any member of the Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity;
- (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group;

and, for the purposes of the Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

(iii) Maximum number of Shares available for issue

The total number of Shares available for issue under the Scheme is 45,000,000 Shares, representing 10.00% of the Company's issued share capital at the date of this report.

Report of the Directors

SHARE OPTION SCHEME *(Continued)*

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Scheme and any other share option scheme of the Company (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being ("Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the shareholders in general meeting of the Company with such grantee and his close associates abstaining from voting.

(v) Time of acceptance

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

(vi) Minimum period for which an option must be held before it can be exercised

There is no minimum period required under the Scheme for the holding of an option before it can be exercised unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee.

(vii) Consideration for the option

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(viii) Subscription price for the Shares

The subscription price for the Shares under the Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

(ix) Period of the Scheme

The Scheme will remain in force for a period of 10 years commencing from 20 November 2015 being the date of its adoption.

No options had been granted under the Scheme since its adoption.

Report of the Directors

CONNECTED TRANSACTIONS

Connected persons of the Company

Dr. Cheng Kar Shun, Henry, the Chairman and Non-executive Director of the Company, is our connected person. The NWD Group, the NWS Group, the NWDS Group, the NWCL Group and the CTF Jewellery Group (as respectively defined below), our long standing customers, are the family businesses of Dr. Cheng Kar Shun, Henry. To echo the policy of the Stock Exchange to enhance minority shareholders' protection, we have treated members of each of these groups of companies as our connected persons under Chapter 14A of the Listing Rules.

In the above paragraph and as appeared in this section:

"NWD Group"	means New World Development Company Limited ("NWD"), the issued shares of which are listed on the Stock Exchange (stock code: 17), together with its subsidiaries and associates from time to time but excluding the NWCL Group, the NWDS Group and the NWS Group;
"NWS Group"	means NWS Holdings Limited ("NWS"), the issued shares of which are listed on the Stock Exchange (stock code: 659), together with its subsidiaries and associates from time to time but excluding the NWCL Group, the NWD Group and the NWDS Group;
"NWDS Group"	means New World Department Store China Limited ("NWDS"), the issued shares of which are listed on the Stock Exchange (stock code: 825), together with its subsidiaries and associates from time to time but excluding the NWCL Group, the NWD Group and the NWS Group;
"NWCL Group"	means New World China Land Limited ("NWCL"), together with its subsidiaries and associates from time to time but excluding the NWD Group, the NWDS Group and the NWS Group; and
"CTF Jewellery Group"	means Chow Tai Fook Jewellery Group Limited ("CTF Jewellery"), the issued shares of which are listed on the Stock Exchange (stock code: 1929), together with its subsidiaries and associates from time to time but excluding the NWCL Group, the NWD Group, the NWDS Group and the NWS Group.

Mr. Doo is a controlling shareholder of the Company holding 75% of the total issued share capital of the Company. Fung Seng Enterprises Limited is a company wholly-owned by Mr. Doo. Fung Seng Enterprises Limited and its subsidiaries from time to time (the "Fung Seng Group") are therefore our connected persons under Chapter 14A of the Listing Rules.

The Doo's Associates Group are companies, other than members of the Group and the Fung Seng 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. Members of the Doo's Associates Group are therefore our connected persons under Chapter 14A of the Listing Rules.

Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions ("CCTs")

The Company has entered into the following connected transactions during the Year and up to the date of this report with the above connected persons:

(1) CCTs between the Group and the NWD Group (the "NWD CCTs")

The NWD Group, which is principally engaged in property development, infrastructure operations, hotel operations and telecommunication services, has been one of the Group's long standing clients to which the Group has provided its E&M engineering services mainly as sub-contractors as well as the Group's environmental services.

To streamline the NWD CCTs between the two groups, the Company entered into an agreement (the "NWD Master Services Agreement") with NWD on 20 November 2015 to supplement a previous master services agreement entered into between Mr. Doo and NWD on 11 April 2014 in relation to the NWD CCTs on the one hand and other transactions between the NWD Group and companies, which are not members of the Group but of which Mr. Doo is the controlling shareholder on the other hand.

The NWD CCTs are various transactions between the NWD Group and the Group in relation to:

- the provision of the Group's E&M engineering services (including building materials trading services) and environmental services to the NWD Group; and
- the provision of property leasing services by the NWD Group to the Group for the leasing of office premises, car parking spaces or other business purposes to the Group.

The NWD Master Services Agreement provides a master framework agreement to streamline the NWD CCTs by providing a master framework of terms upon and to which the individual agreement for each NWD CCT is to be entered into and subject. In essence, the NWD CCTs have to be conducted in the usual and ordinary course of business of both groups, on normal commercial terms and in compliance with the applicable provisions of the Listing Rules.

The NWD Master Services Agreement is for a fixed term commencing from the date of the NWD Master Services Agreement and up to 30 June 2017.

During the Year, the transaction amounts under the NWD Master Services Agreement are summarised as follows:

Categories	Approximate total transaction amounts HK\$'000	Annual cap HK\$'000
Paid/payable to the Group	46,543	57,000
Paid/payable by the Group	117	600

Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions ("CCTs") *(Continued)*

(2) CCTs between the Group and the NWS Group (the "NWS CCTs")

The NWS Group, which is principally engaged in (i) the investment in and/or operation of facilities, construction, transport and strategic investments; and (ii) the development, investment, operation and/or management of power plants, water treatment and waste management plants, roads as well as ports and logistics facilities, has been one of the Group's long standing clients to which the Group has provided its E&M engineering services mainly as sub-contractors as well as the Group's environmental services.

To streamline the NWS CCTs between the two groups, the Company entered into an agreement (the "NWS Master Services Agreement") with NWS on 20 November 2015 to supplement a previous master services agreement entered into between Mr. Doo and NWS on 11 April 2014 in relation to the NWS CCTs on the one hand and other transactions between the NWS Group and companies, which are not members of the Group but of which Mr. Doo is the controlling shareholder on the other hand.

The NWS CCTs are various transactions between the NWS Group and the Group in relation to:

- the provision of the Group's E&M engineering services (including building materials trading services) and environmental services to the NWS Group; and
- the provision of builder's work services by the NWS Group to the Group.

The NWS Master Services Agreement provides a master framework agreement to streamline the NWS CCTs by providing a master framework of terms upon and to which the individual agreement for each NWS CCT is to be entered into and subject. In essence, the NWS CCTs have to be conducted in the usual and ordinary course of business of both groups, on normal commercial terms and in compliance with the applicable provisions of the Listing Rules.

The NWS Master Services Agreement is for a fixed term commencing from the date of the NWS Master Services Agreement and up to 30 June 2017.

During the Year, the transaction amounts under the NWS Master Services Agreement are summarised as follows:

Category	Approximate total transaction amounts	Annual cap
	HK\$'000	HK\$'000
Paid/payable to the Group	1,365,411	1,400,000

Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions ("CCTs") *(Continued)*

(3) CCTs between the Group and the NWDS Group (the "NWDS CCTs")

The NWDS Group, which is principally engaged in department store operations, has been one of the Group's long standing clients to which the Group has provided its E&M engineering services mainly as sub-contractors as well as the Group's environmental services.

To streamline the NWDS CCTs between the two groups, the Company entered into an agreement (the "NWDS Master Services Agreement") with NWDS on 20 November 2015 to supplement a previous master services agreement entered into between Mr. Doo and NWDS on 11 April 2014 in relation to the NWDS CCTs on the one hand and other transactions between the NWDS Group and companies, which are not members of the Group but of which Mr. Doo is the controlling shareholder on the other hand.

The NWDS CCTs are various transactions between the NWDS Group and the Group in relation to:

- the provision of the Group's E&M engineering services (including building materials trading services) to the NWDS Group; and
- the provision of property leasing services by the NWDS Group to the Group for the leasing of office premises to the Group.

The NWDS Master Services Agreement provides a master framework agreement to streamline the NWDS CCTs by providing a master framework of terms upon and to which the individual agreement for each NWDS CCT is to be entered into and subject. In essence, the NWDS CCTs have to be conducted in the usual and ordinary course of business of both groups, on normal commercial terms and in compliance with the applicable provisions of the Listing Rules.

The NWDS Master Services Agreement is for a fixed term commencing from the date of the NWDS Master Services Agreement and up to 30 June 2017.

During the Year, the transaction amounts under the NWDS Master Services Agreement are summarised as follows:

Categories	Approximate total transaction amounts	Annual cap
	HK\$'000	HK\$'000
Paid/payable to the Group	15,140	30,000
Paid/payable by the Group	176	200

Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions ("CCTs") *(Continued)*

(4) CCTs between the Group and the NWCL Group (the "NWCL CCTs")

The NWCL Group, which is principally engaged in property development, property related investment as well as rental and hotel operations, has been one of the Group's long standing clients to which the Group has provided its E&M engineering services mainly as sub-contractors.

To streamline the NWCL CCTs between the two groups, the Company entered into an agreement (the "NWCL Master Services Agreement") with NWCL on 20 November 2015 to supplement a previous master services agreement entered into between Mr. Doo and NWCL on 30 June 2014 in relation to the NWCL CCTs on the one hand and other transactions between the NWCL Group and companies, which are not members of the Group but of which Mr. Doo is the controlling shareholder on the other hand.

The NWCL CCTs are various transactions between the NWCL Group and the Group in relation to:

- the provision of the Group's E&M engineering services (including building materials trading services) to the NWCL Group; and
- the provision of property leasing services by the NWCL Group to the Group for the leasing of office premises to the Group.

The NWCL Master Services Agreement provides a master framework agreement to streamline the NWCL CCTs by providing a master framework of terms upon and to which the individual agreement for each NWCL CCT is to be entered into and subject. In essence, the NWCL CCTs have to be conducted in the usual and ordinary course of business of both groups, on normal commercial terms and in compliance with the applicable provisions of the Listing Rules.

The NWCL Master Services Agreement is for a fixed term commencing from the date of the NWCL Master Services Agreement and up to 30 June 2017.

During the Year, the transaction amounts under the NWCL Master Services Agreement are summarised as follows:

Categories	Approximate total transaction amounts	Annual cap
	HK\$'000	HK\$'000
Paid/payable to the Group	193,147	210,000
Paid/payable by the Group	–	800

Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions ("CCTs") *(Continued)*

(5) CCTs between the Group and the CTF Jewellery Group (the "CTF Jewellery CCTs")

The CTF Jewellery Group, which is principally engaged in the design, production and marketing to sale of luxury and high-end luxury jewellery products, has been one of the Group's long standing clients to which the Group has provided its E&M engineering services mainly as its subcontractors.

To streamline the CTF Jewellery CCTs between the two groups, the Company entered into an agreement (the "CTF Jewellery Master Services Agreement") with CTF Jewellery on 20 November 2015.

The CTF Jewellery CCTs are various transactions between the CTF Jewellery Group and the Group in relation to the provision of the Group's E&M engineering services (including building materials trading services) to the CTF Jewellery Group.

The CTF Jewellery Master Services Agreement provides a master framework agreement to streamline the CTF Jewellery CCTs by providing a master framework of terms upon and to which the individual agreement for each CTF Jewellery CCT is to be entered into and subject. In essence, the CTF Jewellery CCTs have to be conducted in the usual and ordinary course of business of both groups, on normal commercial terms and in compliance with the applicable provisions of the Listing Rules.

The CTF Jewellery Master Services Agreement is for a fixed term commencing from the date of the CTF Jewellery Master Services Agreement and up to 30 June 2018.

During the Year, the transaction amounts under the CTF Jewellery Master Services Agreement are summarised as follows:

Category	Approximate total transaction amounts HK\$'000	Annual cap HK\$'000
Paid/payable to the Group	44,829	75,000

Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions ("CCTs") *(Continued)*

(6) CCTs between the Group and the Doo's Associates Group (the "Doo's Associates CCTs")

The Doo's Associates Group, which is principally engaged in cleaning, insurance consultancy and brokerage, landscaping, laundry, property and facility management, security and guarding, has been one of the Group's long standing clients to which the Group has provided its E&M engineering services mainly as sub-contractors as well as the Group's environmental services.

To streamline the Doo's Associates CCTs between the two groups, the Company entered into an agreement (the "Doo's Associates Master Services Agreement") with FSE Management Company Limited on 20 November 2015.

The Doo's Associates CCTs are various transactions between the Doo's Associates Group and the Group in relation to:

- the provision of the Group's E&M engineering services (including building materials trading services) and environmental services to the Doo's Associates Group; and
- the provision of property leasing services and sundry services including cleaning and landscaping, laundry, property and facility management, security and guarding services by the Doo's Associates Group to the Group.

The Doo's Associates Master Services Agreement provides a master framework agreement to streamline the Doo's Associates CCTs by providing a master framework of terms upon and to which the individual agreement for each Doo's Associates CCT is to be entered into and subject. In essence, the Doo's Associates CCTs have to be conducted in the usual and ordinary course of business of both groups, on normal commercial terms and in compliance with the applicable provisions of the Listing Rules.

The Doo's Associates Master Services Agreement is for a fixed term commencing from the date of the Doo's Associates Master Services Agreement and up to 30 June 2018.

During the Year, the transaction amounts under the Doo's Associates Master Services Agreement are summarised as follows:

Categories	Approximate total transaction amounts	Annual cap
	HK\$'000	HK\$'000
Paid/payable to the Group	48,590	50,000
Paid/payable by the Group	2,655	3,000

Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions ("CCTs") *(Continued)*

(7) CCTs between the Group and the Fung Seng Group (the "Fung Seng CCTs")

To streamline the Fung Seng CCTs provided to the Group, the Company entered into an agreement (the "Fung Seng Master Services Agreement") with Fung Seng on 20 November 2015.

The Fung Seng CCTs are various transactions in relation to the provision of property leasing services by the Fung Seng Group to the Group for the leasing of warehouses and ancillary offices and car parking spaces to the Group.

The Fung Seng Master Services Agreement provides a master framework agreement to streamline the Fung Seng CCTs by providing a master framework of terms upon and to which the individual agreement for each Fung Seng CCT is to be entered into and subject. In essence, the Fung Seng CCTs have to be conducted in the usual and ordinary course of business of both groups, on normal commercial terms and in compliance with the applicable provisions of the Listing Rules.

The Fung Seng Master Services Agreement is for a fixed term commencing from the date of the Fung Seng Master Services Agreement and up to 30 June 2018.

During the Year, the transaction amounts under the Fung Seng Master Services Agreement are summarised as follows:

Category	Approximate total transaction amounts HK\$'000	Annual cap HK\$'000
Paid/payable by the Group	4,435	4,438

Annual Review of CCTs

The CCTs mentioned in (1) to (7) above have been reviewed by the Independent Non-executive Directors who have confirmed that the transactions have been entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms;
- (c) according to the relevant agreement governing the respective transactions on the terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and
- (d) within the caps as set out in the Company's prospectus dated 26 November 2015.

Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

Annual Review of CCTs *(Continued)*

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Company in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, a summary of significant related party transactions made during the Year is disclosed in note 27 to the financial statements. To the extent that the Group's related party transactions constituted connected transactions or continuing connected transactions as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the Year.

NON-COMPETE UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

FSE Holdings Limited, Sino Spring and Mr. Doo, each a controlling shareholder of the Company (collectively, the "Controlling Shareholders"), have entered into a deed of non-compete undertaking (the "Deed"), under which they have given non-compete undertakings (the "Non-compete Undertakings") in favour of the Company (for itself and as trustee for and on behalf of each of our subsidiaries), pursuant to which they have, among other matters, irrevocably undertaken not to engage in any business (other than those of the Group) which, directly or indirectly, compete or may compete with the businesses of the Group.

Our Controlling Shareholders have provided to the Company a written confirmation confirming that, since the Listing Date, they have complied with the undertakings contained in the Deed and there is no matter in relation to their compliance with or enforcement of the Deed that needs to be brought to the attention of the Stock Exchange, the Company and/or the shareholders of the Company. Our Independent Non-executive Directors have also confirmed to the Company that, having made such reasonable enquiries with our Controlling Shareholders and reviewed the written confirmation from the Controlling Shareholders and/or such documents as they considered appropriate, nothing has come to their attention that causes them to believe that the terms of the Deed had not been complied with by our Controlling Shareholders during the Year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITOR

The financial statements for the Year have been audited by PricewaterhouseCoopers, who will retire at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-appointment.

On behalf of the Board

Dr. Cheng Kar Shun, Henry

Chairman

Hong Kong, 22 September 2016