

# 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 32 to the consolidated 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, 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 8 to 10 and "Management Discussion and Analysis" on pages 33 to 45. Description of the principal risks and uncertainties facing the Group are set out in the "Corporate Governance Report" under the paragraphs headed "Risk Management and Internal Control" on pages 27 to 30. 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 "Management Discussion and Analysis" on pages 40 and 41 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 2019 are set out in the consolidated financial statements on pages 66 to 137.

The Directors have resolved to recommend a final dividend of HK11.9 cents (2018: HK13.3 cents) per share for the Year to the shareholders whose names appear on the register of members of the Company on 16 December 2019. The proposed final dividend, if approved at the forthcoming annual general meeting of the Company, will be paid on or about 23 December 2019. Together with the interim dividend of HK10.1 cents (2018: HK7.8 cents) per share paid in March 2019, total distribution of dividends by the Company for the Year will thus be HK22.0 cents (2018: HK21.1 cents) per share, representing a dividend payout ratio of 40.0% (2018: 40.1%).

The dividend policy of the Company is to deliver regular returns to shareholders through distributing funds surplus to the operating needs of the Group as determined by the Directors with a target payout ratio of not less than 30 per cent of the profit attributable to shareholders of the year, after taking into account of the following factors:

- general business conditions and strategies;
- projected operating cash flows;
- projected capital expenditures and strategic investment opportunities; and
- statutory and regulatory restrictions and provisions in the Company's articles of association.

## RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in Notes 25 and 31 to the consolidated financial statements respectively.

# Report of the Directors

## DISTRIBUTABLE RESERVES

At 30 June 2019, the Company's reserves available for distribution amounted to HK\$421.7 million (30 June 2018: HK\$531.3 million).

## DONATIONS

During the Year, the Group made charitable and other donations amounting to HK\$2,298,000 (2018: HK\$3,314,000).

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in Note 15 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in Note 24 to the consolidated financial statements.

## 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 pages 138 and 139.

## MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group accounted for 54.4% of the Group's turnover and the percentage of turnover attributable to the Group's largest customer amounted to 22.3%. The percentage of purchases attributable to the Group's five largest suppliers accounted for 6.9% of the Group's total purchases and the percentage of purchases attributable to the Group's largest supplier amounted to 2.0%.

During the Year, the NWS Group (as defined in the paragraph headed "Connected Transactions" below) was the Group's largest customer while the NWD Group (as defined in the paragraphs headed "Connected Transactions" below) was one of the five largest customers of the Group. Both the NWS Group and the NWD 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 and 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.

# Report of the Directors

## DIRECTORS

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

### 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

### Independent Non-executive Directors

Mr. Kwong Che Keung, Gordon

Mr. Hui Chiu Chung, Stephen

Mr. Lee Kwan Hung, Eddie

Dr. Tong Yuk Lun, Paul

In accordance with article 105 of the Company's articles of association, Mr. Lam Wai Hon, Patrick, Mr. Doo William Junior Guilherme, Mr. Soon Kweong Wah and Dr. Tong Yuk Lun, Paul 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 Listing Rules. The Company considered all the Independent Non-executive Directors independent.

The Directors' biographical details are set out on pages 11 to 15.

## 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 53 to 60 and Note 30 to the consolidated 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.

# Report of the Directors

## 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.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2019, 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	Capacity/nature of interest	Number of shares	Percentage of Shareholding <sup>(6)</sup>
Dr. Cheng Kar Shun, Henry	Beneficial interest	90,000,000 <sup>(1)</sup>	18%
Mr. Lam Wai Hon, Patrick	Interest of controlled corporation	10,000,000 <sup>(2)</sup>	2%
Mr. Doo William Junior Guilherme	Interest of controlled corporations	45,000,000 <sup>(3)</sup>	9%
Mr. Lee Kwok Bong	Interest of controlled corporation	5,000,000 <sup>(4)</sup>	1%
Mr. Wong Kwok Kin, Andrew	Interest of controlled corporation	35,000,000 <sup>(5)</sup>	7%

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 Equal Merit Holdings Limited ("Equal Merit"), the entire issued share capital of which is solely and beneficially owned by Mr. Lam Wai Hon, Patrick.
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 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.
6. The percentage of shareholding is calculated on the basis of 500,000,000 shares in issue as at 30 June 2019.

Save as disclosed above, none of the Directors and 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 2019.

# Report of the Directors

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2019, 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 interest	Number of shares	Percentage of Shareholding <sup>(4)</sup>
FSE Holdings Limited	Beneficial interest	337,500,000 <sup>(1)</sup>	75%
Sino Spring Global Limited ("Sino Spring")	Interest of controlled corporation	337,500,000 <sup>(1&amp;2)</sup>	75%
Mr. Doo Wai Hoi, William ("Mr. Doo")	Interest of controlled corporation	337,500,000 <sup>(1&amp;2)</sup>	75%
Mrs. Doo Cheng Sau Ha, Amy ("Mrs. Doo")	Interest of spouse	337,500,000 <sup>(1,2&amp;3)</sup>	75%

Notes:

1. FSE Holdings Limited is beneficially owned as to 63% by Sino Spring, 18% by Dr. Cheng Kar Shun, Henry (through CTF Nominee), 7% by Frontier Star, 5% by Master Empire, 4% by Supreme Win Enterprises, 2% by Equal Merit 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 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. The percentage of shareholding is calculated on the basis of 450,000,000 Shares in issue as at 30 June 2019.

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 2019.

# 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 CTFE Group and the CTFJ 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.

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 from time to time but excluding 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 from time to time but excluding 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 from time to time but excluding the NWD Group and the NWS Group;
"CTFE Group"	means Chow Tai Fook Enterprises Limited ("CTFE") and its subsidiaries from time to time;
"CTFJ Group"	means Chow Tai Fook Jewellery Group Limited ("CTFJ"), the issued shares of which are listed on the Stock Exchange (stock code: 1929), together with its subsidiaries from time to time. For the purpose of paragraph (1)(d) below, the CTFJ Group means CTFJ, together with its subsidiaries and associates from time to time but excluding the NWD Group, the NWDS Group and the NWS Group.

Mr. Doo is one of the controlling shareholders of the Company holding 63% of the total issued share capital of FSE Holdings Limited, also a controlling shareholder of the Company, which in turn holds 75% of the total issued share capital of the Company. Both Mr. Doo and FSE Holdings Limited are therefore connected persons of the Company.

The Doo's Associates Group are companies, other than members of the Group, in which Mr. Doo, his "immediate family members" and "family members" (as defined in the Listing Rules), individually or together, are entitled to exercise or control the exercise of 30% or more of the voting power at their respective general meetings or to control the composition of a majority of their respective boards of directors and the subsidiaries of such companies. 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 transactions during the Year and up to the date of this report with one or more the above connected persons which constituted CCTs of the Company.

#### (1) The 2017 master services agreements

On 10 April 2017, five master services agreements were entered into by the Company with details as follows:

- (a) a master services agreement entered into between NWD and the Company (the "2017 NWD Master Services Agreement") which serves to continue to provide them with a master framework of agreement upon and to which the individual agreement for each CCT between the NWD Group and the Group (the "NWD CCT") is to be entered into and subject.

The NWD CCTs under the 2017 NWD Master Services Agreement include various transactions between the NWD Group and the Group in relation to:

- the provision of, by the Group to the NWD Group, E&M engineering and environmental services, and such other types of services as the NWD Group and the Group may agree upon from time to time in writing; and
- the provision of, by the NWD Group to the Group, rental services and such other types of services as the NWD Group and the Group may agree upon from time to time in writing.

- (b) a master services agreement entered into between NWS and the Company (the "2017 NWS Master Services Agreement") which serves to continue to provide them with a master framework of agreement upon and to which the individual agreement for each CCT between the NWS Group and the Group (the "NWS CCT") is to be entered into and subject.

The NWS CCTs under the 2017 NWS Master Services Agreement include various transactions between the NWS Group and the Group in relation to:

- the provision of, by the Group to the NWS Group, E&M engineering and environmental services, and such other types of services as the NWS Group and the Group may agree upon from time to time in writing; and
- the provision of, by the NWS Group to the Group, contracting services and such other types of services as the NWS Group and the Group may agree upon from time to time in writing.

- (c) a master services agreement entered into between NWDS and the Company (the "2017 NWDS Master Services Agreement") which serves to continue to provide them with a master framework of agreement upon and to which the individual agreement for each CCT between the NWDS Group and the Group (the "NWDS CCT") is to be entered into and subject.

The NWDS CCTs under the 2017 NWDS Master Services Agreement include various transactions between the NWDS Group and the Group in relation to:

- the provision of, by the Group to the NWDS Group, E&M engineering and environmental services, and such other types of services as the NWDS Group and the Group may agree upon from time to time in writing; and
- the provision of, by the NWDS Group to the Group, rental services and such other types of services as the NWDS Group and the Group may agree upon from time to time in writing.

# Report of the Directors

## CONNECTED TRANSACTIONS *(Continued)*

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

#### (1) The 2017 master services agreements *(Continued)*

- (d) a master services agreement entered into between CTFJ and the Company (the "2017 CTFJ Master Services Agreement") which serves to continue to provide them with a master framework of agreement upon and to which the individual agreement for each CCT between the CTFJ Group and the Group (the "CTFJ CCT") is to be entered into and subject.

The CTFJ CCTs under the 2017 CTFJ Master Services Agreement include various transactions between the CTFJ Group and the Group in relation to:

- the provision of, by the Group to the CTFJ Group, E&M engineering and environmental services, and such other types of services as the CTFJ Group and the Group may agree upon from time to time in writing.
- (e) a master services agreement entered into between FSE Management Company Limited ("FMC"), a direct wholly-owned subsidiary of FSE Holdings Limited, and the Company (the "2017 Doo's Associates Master Services Agreement") which serves to continue to provide them with a master framework of agreement upon and to which the individual agreement for each CCT between the Doo's Associates Group and the Group (the "Doo's Associates CCT") is to be entered into and subject.

The Doo's Associates CCTs under the 2017 Doo's Associates Master Services Agreement include various transactions between the Doo's Associates Group and the Group in relation to:

- the provision of, by the Group to the Doo's Associates Group, E&M engineering and environmental services, and such other types of services as the Doo's Associates Group and the Group may agree upon from time to time in writing; and
- the provision of, by the Doo's Associates Group to the Group, rental services and sundry services, and such other types of services as the Doo's Associates Group and the Group may agree upon from time to time in writing.

(the 2017 NWD Master Services Agreement, the 2017 NWS Master Services Agreement, the 2017 NWDS Master Services Agreement, the 2017 CTFJ Master Services Agreement and the 2017 Doo's Associates Master Services Agreement, collectively, the "2017 Master Services Agreements").

The 2017 Master Services Agreements and the transactions contemplated thereunder were approved by the independent shareholders at the extraordinary general meeting of the Company held on 25 May 2017. Each of the 2017 Master Services Agreements has an initial term of three years commenced from 1 July 2017 and ending on 30 June 2020. Subject to re-compliance with the applicable Listing Rules at the relevant time, each of these agreements shall be automatically renewed at the end of each of its initial term for a successive period of three years (or such other period as required under the Listing Rules or by the Stock Exchange) upon expiration of such initial term or any subsequently renewed term.

# Report of the Directors

## CONNECTED TRANSACTIONS *(Continued)*

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

#### (1) The 2017 master services agreements *(Continued)*

During the Year, the transaction amounts under the 2017 Master Services Agreements are summarized as follows:

##### The 2017 NWD Master Services Agreement

Categories	Approximate total transaction amounts	Annual cap
	HK\$'000	HK\$'000
Paid/payable to the Group	577,701	693,393
Paid/payable by the Group	42	1,750

##### The 2017 NWS Master Services Agreement

Categories	Approximate total transaction amounts	Annual cap
	HK\$'000	HK\$'000
Paid/payable to the Group	1,072,404	2,217,261
Paid/payable by the Group	–	20,000

##### The 2017 NWDS Master Services Agreement

Categories	Approximate total transaction amounts	Annual cap
	HK\$'000	HK\$'000
Paid/payable to the Group	–	88,077
Paid/payable by the Group	132	368

##### The 2017 CTFJ Master Services Agreement

Category	Approximate total transaction amount	Annual cap
	HK\$'000	HK\$'000
Paid/payable to the Group	64,704	302,561

##### The 2017 Doo's Associates Master Services Agreement

Categories	Approximate total transaction amounts	Annual cap
	HK\$'000	HK\$'000
Paid/payable to the Group	72,702	165,527
Paid/payable by the Group	6,294	8,044

# Report of the Directors

## CONNECTED TRANSACTIONS *(Continued)*

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

#### (2) The 2018 master facility services agreements

On 11 April 2018, six master facility services agreements were entered into by the Company in relation to the provision and/or receipt of services as defined here below:

"Services" mean Rental and Related Services, IT Support Services and the Cleaning and Laundry Services;

"Rental and Related Services" mean leasing of properties, including without limitation, spare spaces, office spaces and car parking spaces, licences for the use of wall signages, lighting boxes and the use of common areas, management services and related services;

"IT Support Services" mean the maintenance and support of computer software-related matters, such as solving software and hardware conflicts and usability problems and supplying updates and patches for bugs, security holes in the programme and other services as required by in-house IT staff as and when necessary; and

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

Details of the six master facility services agreements are as follows:

- (a) a master facility services agreement entered into between NWD and the Company (the "2018 NWD Master Facility Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each NWD CCT in relation to the following services is to be entered into and subject.
  - the provision of, by the Group to the NWD Group, Cleaning and Laundry Services and such other types of services as the NWD Group and the Group may agree upon from time to time in writing.
- (b) a master facility services agreement entered into between NWS and the Company (the "2018 NWS Master Facility Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each NWS CCT in relation to the following services is to be entered into and subject.
  - the provision of, by the Group to the NWS Group, Cleaning and Laundry Services and such other types of services as the NWS Group and the Group may agree upon from time to time in writing; and
  - the provision of, by the NWS Group to the Group, IT Support Services and such other types of services as the NWS Group and the Group may agree upon from time to time in writing.
- (c) a master facility services agreement entered into between NWDS and the Company (the "2018 NWDS Master Facility Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each NWDS CCT in relation to the following services is to be entered into and subject.
  - the provision of, by the Group to the NWDS Group, Cleaning and Laundry Services and such other types of services as the NWDS Group and the Group may agree upon from time to time in writing.

# Report of the Directors

## CONNECTED TRANSACTIONS *(Continued)*

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

#### (2) The 2018 master facility services agreements *(Continued)*

- (d) a master facility services agreement entered into between CTFE and the Company (the "2018 CTFE Master Facility Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each CTFE CCT in relation to the following services is to be entered into and subject.
- the provision of, by the Group to the CTFE Group, Cleaning and Laundry Services and such other types of services as the CTFE Group and the Group may agree upon from time to time in writing.
- (e) a master facility services agreement entered into between CTFJ and the Company (the "2018 CTFJ Master Facility Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each CTFJ CCT in relation to the following services is to be entered into and subject.
- the provision of, by the Group to the CTFJ Group, Cleaning and Laundry Services and such other types of services as the CTFJ Group and the Group may agree upon from time to time in writing.
- (f) a master facility services agreement entered into between FMC and the Company (the "2018 Doo's Associates Master Facility Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each Doo's Associates CCT in relation to the following services is to be entered into and subject.
- the provision of, by the Group to the Doo's Associates Group, Cleaning and Laundry Services and such other types of services as the Doo's Associates Group and the Group may agree upon from time to time in writing; and
  - the provision of, by the Doo's Associates Group to the Group, Rental and Related Services and such other types of services as the Doo's Associates Group and the Group may agree upon from time to time in writing.

(the 2018 NWD Master Facility Services Agreement, the 2018 NWS Master Facility Services Agreement, the 2018 NWDS Master Facility Services Agreement, the 2018 CTFE Master Facility Services Agreement, the 2018 CTFJ Master Facility Services Agreement and the 2018 Doo's Associates Master Facility Services Agreement, collectively, the "2018 Master Facility Services Agreements").

The 2018 Master Facility Services Agreements and the transactions contemplated thereunder were approved by the independent shareholders at the extraordinary general meeting of the Company held on 10 April 2018. Each of the 2018 Master Facility Services Agreements has an initial term commenced on 11 April 2018 and ending on 30 June 2020. Subject to re-compliance with the applicable Listing Rules at the relevant time, each of these agreements shall be automatically renewed at the end of each of its initial term for a successive period of three years (or such other period as required under the Listing Rules or by the Stock Exchange) upon expiration of such initial term or any subsequently renewed term.

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## CONNECTED TRANSACTIONS *(Continued)*

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

#### (2) The 2018 master facility services agreements *(Continued)*

During the Year, the transaction amounts under the 2018 Master Facility Services Agreements are summarised as follows:

##### The 2018 NWD Master Facility Services Agreement

Category	Approximate total transaction amount HK\$'000	Annual cap HK\$'000
Paid/payable to the Group	79,916	98,384

##### The 2018 NWS Master Facility Services Agreement

Categories	Approximate total transaction amounts HK\$'000	Annual cap HK\$'000
Paid/payable to the Group	18,081	21,385
Paid/payable by the Group	120	122

##### The 2018 NWDS Master Facility Services Agreement

Category	Approximate total transaction amount HK\$'000	Annual cap HK\$'000
Paid/payable to the Group	–	2,286

##### The 2018 CTFE Master Facility Services Agreement

Category	Approximate total transaction amount HK\$'000	Annual cap HK\$'000
Paid/payable to the Group	400	20,006

##### The 2018 CTFJ Master Facility Services Agreement

Category	Approximate total transaction amount HK\$'000	Annual cap HK\$'000
Paid/payable to the Group	248	260

##### The 2018 Doo's Associates Master Facility Services Agreement

Categories	Approximate total transaction amounts HK\$'000	Annual cap HK\$'000
Paid/payable to the Group	169,300	184,889
Paid/payable by the Group	13,223	18,199

# Report of the Directors

## CONNECTED TRANSACTIONS *(Continued)*

### Annual review of CCTs

All the CCTs mentioned 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 relevant circulars.

The Company's auditor was engaged to report on the Group's CCTs 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 CCTs 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 30 to the consolidated 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.

The Controlling Shareholders have provided to the Company a written confirmation confirming that, since the date of listing of the Company's shares on the Stock Exchange (that is, 10 December 2015), 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 the 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 the 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.

# Report of the Directors

## **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 Year.

## **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 consolidated 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, 26 September 2019