

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 37 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 31 to 50. 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 25 to 28. 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 and Discussion and Analysis" on pages 41 and 42 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 2020 are set out in the consolidated financial statements on pages 79 to 177.

The Directors have resolved to recommend a final dividend of HK14.4 cents (2019: HK11.9 cents) per share for the Year to the shareholders whose names appear on the register of ordinary shareholders of the Company on 27 November 2020. The proposed final dividend, if approved at the forthcoming annual general meeting of the Company, will be paid on or about 7 December 2020. Together with the interim dividend of HK12.8 cents (2019: HK10.1 cents) per share paid in March 2020, total distribution of dividends by the Company for the Year will thus be HK27.2 cents (2019: HK22.0 cents) per share, representing an increase of 23.6% compared with last year's and a dividend payout ratio of 45.7%⁽ⁱ⁾ (2019: 40.0%⁽ⁱⁱ⁾).

Note (i) Based on the Group's adjusted profit for the year ended 30 June 2020 attributable to ordinary shareholders of HK\$267.7M (i.e. after excluding the profit of HK\$37.3M made by the property and facility management services business during the period from 1 July 2019 to 16 December 2019, the day of completion of the Group's acquisition of the property and facility management services business as described in Note 2.1(iv) to the consolidated financial statements, and preferred distribution to the holder of convertible preference shares of HK\$4.6M for the year ended 30 June 2020 from profit attributable to shareholders of the Company of HK\$309.6M).

Note (ii) Based on the Group's profit for the year ended 30 June 2019 attributable to shareholders of the Company of HK\$247.5M as previously reported in the Group's consolidated financial statements for the year ended 30 June 2019 which does not include the profit of HK\$59.9M made by the property and facility management services business during the year ended 30 June 2019 accounted for pursuant to its application of merger accounting for business combinations under common control as described in Note 2.1(iv) to the consolidated financial statements.

Report of the Directors

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 29 and 36 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

At 30 June 2020, the Company's reserves available for distribution amounted to HK\$292.9 million (30 June 2019: HK\$421.7 million).

DONATIONS

During the Year, the Group made charitable and other donations amounting to HK\$2.2 million (2019: HK\$5.0 million (restated)).

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 ISSUED

During the Year, the Company issued and allotted 43,676,379 non-voting redeemable convertible preference shares of HK\$0.10 each ("CPS") to FSE Management Company Limited ("FMC"), a wholly-owned subsidiary FSE Holdings Limited ("FSE Holdings") which is a controlling shareholder of the Company, at an issue price of HK\$3.2260 per share, credited as fully paid, as part of the consideration for an acquisition of a group of companies engaged in the provision of property and facility management services. Further details of the acquisition and the terms of the CPS are set out in the "Management Discussion and Analysis" under the paragraphs headed "Major transaction" on page 40 and Notes 2.1(iv) and 28 to the consolidated financial statements.

There was no conversion, redemption, purchase or cancellation by the Company of CPS during the Year.

EQUITY-LINKED AGREEMENTS

Save for the CPS issued as disclosed above, no equity-linked agreements were entered into by the Company during the Year or subsisted at the end of the Year.

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 178 and 179.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group accounted for 38.6% of the Group's turnover and the percentage of turnover attributable to the Group's largest customer amounted to 15.3%. The percentage of purchases attributable to the Group's five largest suppliers accounted for 8.5% of the Group's total purchases and the percentage of purchases attributable to the Group's largest supplier amounted to 2.7%.

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

Alternate Director

Dr. Cheng Chun Fai (alternate to Mr. Wong Shu Hung)

In accordance with article 105 of the Company's articles of association, Dr. Cheng Kar Shun, Henry, Mr. Poon Lock Kee, Rocky, Mr. Wong Shu Hung and Mr. Lee Kwan Hung, Eddie shall retire as Directors by rotation at the forthcoming annual general meeting and, all being eligible, offer themselves for re-election as Directors.

Report of the 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 of Hong Kong Limited (the "Listing Rules"). The Company considered all the Independent Non-executive Directors independent.

The Directors' biographical details are set out on pages 11 to 14.

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 59 to 72 and Notes 2.1 (iv) and 35 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 and up to the date of this report, according to the Listing Rules, the following Directors are considered to have interests in the business which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group:

Name of Director	Entity whose business is considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interests of the Director in the entity
Dr. Cheng Kar Shun, Henry	New World Development Company Limited group of companies	property and carpark management	director
Mr. Lam Wai Hon, Patrick	NWS Holdings Limited group of companies	carpark management	director
Mr. Doo William Junior Guilherme	NWS Holdings Limited group of companies	carpark management	director

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

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 2020, 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 interests	Number of shares	Percentage of Shareholding ⁽⁶⁾
Dr. Cheng Kar Shun, Henry	Beneficial interests	90,000,000 ⁽¹⁾	18%
Mr. Lam Wai Hon, Patrick	Interests of controlled corporation	10,000,000 ⁽²⁾	2%
Mr. Doo William Junior Guilherme	Interests of controlled corporations	45,000,000 ⁽³⁾	9%
Mr. Lee Kwok Bong	Interests of controlled corporation	5,000,000 ⁽⁴⁾	1%
Mr. Wong Kwok Kin, Andrew	Interests of controlled corporation	35,000,000 ⁽⁵⁾	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 FSE Holdings in issue as at 30 June 2020.

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 2020.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2020, 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 and underlying shares of the Company

Name	Capacity/nature of interests	Number of ordinary shares in issue	Number of underlying shares ⁽⁶⁾	Total number of ordinary shares interested in	Percentage of shareholding ⁽⁷⁾
FSE Holdings ^(1&4)	Beneficial interests and interests of controlled corporation ⁽⁵⁾	337,500,000	43,676,379	381,176,379	84.71%
Sino Spring Global Limited ("Sino Spring") ^(1&2)	Interests of controlled corporation	337,500,000	43,676,379	381,176,379	84.71%
Mr. Doo Wai Hoi, William ("Mr. Doo") ^(1&2)	Interests of controlled corporation	337,500,000	43,676,379	381,176,379	84.71%
Mrs. Doo Cheng Sau Ha, Amy ("Mrs. Doo") ⁽³⁾	Interests of spouse	337,500,000	43,676,379	381,176,379	84.71%
FMC ^(4&6)	Beneficial interests	–	43,676,379	43,676,379	9.71%

Notes:

1. FSE Holdings 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 the shares in which FSE Holdings is interested.
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 the 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 the shares in which Mr. Doo is interested by virtue of Part XV of the SFO.
4. FMC is wholly owned by FSE Holdings. By virtue of Part XV of the SFO, FSE Holdings is deemed to be interested in all the shares in which FMC is interested.
5. The 381,176,379 ordinary shares in which FSE Holdings is interested include 337,500,000 ordinary shares in issue, of which FSE Holdings is the beneficiary owner, and 43,676,379 ordinary shares to be issued pursuant to the CPS as referred to in Note 6 below and beneficially owned by FMC, in which FSE Holdings is deemed to be interested as referred to Note 4 above.
6. A total of 43,676,379 non-voting redeemable convertible preference shares (the "CPS") were issued by the Company to FMC on 16 December 2019. Upon the exercise of the conversion rights attaching to each of the CPS, each CPS is convertible into one ordinary share of the Company (subject to adjustments upon occurrence of certain prescribed events, including consolidation, subdivision or reclassification of shares in the capital of the Company, capitalisation of profits or reserves etc., in each case if not also made available to holder(s) of CPS) within a period of 10 years from its date of issue.
7. The approximate percentage of shareholding is calculated on the basis of 450,000,000 issued voting shares of the Company as at 30 June 2020. Upon full conversion of the CPS and assuming no further issue of voting shares of the Company, the total number of issued voting shares of the Company will be 493,676,379 and the diluted approximate percentage of shareholding held by (i) FSE Holdings, Sino Spring, Mr. Doo and Mrs. Doo and (ii) FMC will be 77.21% and 8.85% respectively. Please note that these percentages are provided for illustrative purposes only. The terms of the CPS will not permit conversion if immediately after such conversion, the public float of the ordinary shares of the Company will fall below the minimum requirements of the Listing Rules.

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 2020.

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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 ordinary shares of the Company ("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.

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SHARE OPTION SCHEME *(Continued)*

(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.

(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.

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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 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 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, 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 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 including FMC are therefore our connected persons under Chapter 14A of the Listing Rules.

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CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions

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 connected transaction (paragraph 3 below) or continuing connected transactions ("CCTs") (paragraphs (1), (2), (4) and (5) below) 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.

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CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions *(Continued)*

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

- (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.
- (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 FMC, a direct wholly-owned subsidiary of FSE Holdings, 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").

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CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions *(Continued)*

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

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 ended 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 for a successive period of three years (or such other period as required under the Listing Rules or by the Stock Exchange) upon expiration of its initial term or any subsequently renewed term.

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

The 2017 NWD Master Services Agreement

Categories	Approximate total	Annual cap
	transaction amounts	
	HK\$'000	HK\$'000
Paid/payable to the Group	584,042	847,079
Paid/payable by the Group	–	1,925

The 2017 NWS Master Services Agreement

Categories	Approximate total	Annual cap
	transaction amounts	
	HK\$'000	HK\$'000
Paid/payable to the Group	521,764	2,619,833
Paid/payable by the Group	–	20,000

The 2017 NWDS Master Services Agreement

Categories	Approximate total	Annual cap
	transaction amounts	
	HK\$'000	HK\$'000
Paid/payable to the Group	6	90,071
Paid/payable by the Group	154	405

The 2017 CTFJ Master Services Agreement

Category	Approximate total	Annual cap
	transaction amounts	
	HK\$'000	HK\$'000
Paid/payable to the Group	65,104	299,995

Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions *(Continued)*

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

The 2017 Doo's Associates Master Services Agreement

Categories	Approximate total	Annual cap
	transaction amounts	
	HK\$'000	HK\$'000
Paid/payable to the Group	1,430	289,108
Paid/payable by the Group	6,534	8,371

(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:

"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, the 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, the 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, the 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.

Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions *(Continued)*

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

- (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, the 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.
- (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, the 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, the 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, the 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, the 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 ended 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 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)*

Connected transaction and continuing connected transactions *(Continued)*

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

In view of the expected increase in the amount of the Cleaning and Laundry Services provided by the Group to the NWD Group and the CTFJ Group for the year ended 30 June 2020, the Board envisaged that the original annual caps for the CCTs with these two groups for the same period approved by the independent shareholders on 10 April 2018 would not be sufficient. The revised annual caps in respect of the said CCTs for the year ended 30 June 2020 was approved by the independent shareholders on 6 December 2019.

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	Annual cap
	transaction amounts	
	HK\$'000	HK\$'000
Paid/payable to the Group	126,249	150,484

The 2018 NWS Master Facility Services Agreement

Categories	Approximate total	Annual cap
	transaction amounts	
	HK\$'000	HK\$'000
Paid/payable to the Group	9,412	31,152
Paid/payable by the Group	90	128

The 2018 NWDS Master Facility Services Agreement

Category	Approximate total	Annual cap
	transaction amounts	
	HK\$'000	HK\$'000
Paid/payable to the Group	24	4,572

The 2018 CTFE Master Facility Services Agreement

Category	Approximate total	Annual cap
	transaction amounts	
	HK\$'000	HK\$'000
Paid/payable to the Group	480	20,015

Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions *(Continued)*

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

The 2018 CTFJ Master Facility Services Agreement

Category	Approximate total	Annual cap
	transaction amounts	
	HK\$'000	HK\$'000
Paid/payable to the Group	2,234	3,711

The 2018 Doo's Associates Master Facility Services Agreement

Categories	Approximate total	Annual cap
	transaction amounts	
	HK\$'000	HK\$'000
Paid/payable to the Group	1,396	209,705
Paid/payable by the Group	12,087	18,421

(3) Acquisition of entities engaged in the provision of property management services

On 18 October 2019, a conditional deed (the "S&P Agreement") was entered into between the Company, FSE Property Management Group Limited ("FPMGL", a direct wholly-owned subsidiary of the Company) and FMC (the "Vendor", a direct wholly-owned subsidiary of FSE Holdings) whereby the Company agreed to purchase (or to procure a wholly-owned subsidiary to purchase) and the Vendor agreed to sell the entire issued share capital (the "Sale Share") of Legend Success Investments Limited (together with its subsidiaries as at the completion of the S&P Agreement, the "Target Group") at an initial consideration of HK\$704.9 million subject to adjustment. Pursuant thereto, the Company has nominated FPMGL to buy the Sale Share. The Target Group is principally engaged in the provision of property and facility management services. For details of the transaction, please refer to "Major transaction" in the Management Discussion and Analysis section set out on page 40.

(4) The 2019 master property services agreements

Members of the Target Group, in their ordinary course of business, regularly entered into continuing transactions in relation to:

- (1) the provision and receipt of the Property Management Services, Rental and Other Services, Car Parking Rental Services and/or Sundry Services (as defined here below) to and from members of each of the NWD Group, the NWS Group and the Doo's Associates Group; and
- (2) the provision of the Property Management Services (as defined here below) to members of each of the CTFE Group and the CTFJ Group.

"Property Management Services" mean property management services, letting agency services, consultancy services, property sales, the provision of car parking, management and other related services.

"Rental and Other Services" mean rental, security and guarding, landscaping, project management and other related services.

"Car Parking Rental Services" mean car parking rental services and other related services.

Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions *(Continued)*

(4) The 2019 master property services agreements *(Continued)*

"Sundry Services" mean appointment, coordination, consultancy and other related services.

On 16 December 2019, being the completion date of the S&P Agreement (the "Completion Date") upon which each member of the Target Group became a subsidiary of the Company, five master property services agreements were entered into by the Company with details as follows:

- (a) a master property services agreement entered into between NWD and the Company (the "2019 NWD Master Property 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, the Property Management Services and such other types of services as the NWD Group and the Group may agree upon from time to time in writing.
 - the provision of, by the NWD Group to the Group, the Sundry 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 property services agreement entered into between NWS and the Company (the "2019 NWS Master Property 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, the Property Management Service (excluding provision of car parking) 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, the Car Parking Rental 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 property services agreement entered into between CTFE and the Company (the "2019 CTFE Master Property 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, the Property Management Services and such other types of services as the CTFE Group and the Group may agree upon from time to time in writing.
- (d) a master property services agreement entered into between CTFJ and the Company (the "2019 CTFJ Master Property 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, the Property Management Services and such other types of services as the CTFJ Group and the Group may agree upon from time to time in writing.

Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions *(Continued)*

(4) The 2019 master property services agreements *(Continued)*

- (e) a master property services agreement entered into between FMC and the Company (the "2019 Doo's Associates Master Property 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, the Property Management 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, the Rental and Other 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 2019 NWD Master Property Services Agreement, the 2019 NWS Master Property Services Agreement, the 2019 CTFE Master Property Services Agreement, the 2019 CTFJ Master Property Services Agreement and the 2019 Doo's Associates Master Property Services Agreement, collectively, the "2019 Master Property Services Agreements").

Each of the 2019 Master Property Services Agreements has an initial term commenced on 16 December 2019 and ended 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 for a successive period of three years (or such other period as required under the Listing Rules or by the Stock Exchange) upon expiration of its initial term or any subsequently renewed term.

During the period from the Completion Date to 30 June 2020, the transactions amounts under the 2019 Master Property Services Agreement are summarised as follows:

The 2019 NWD Master Property Services Agreement

Category	Approximate total	Annual cap
	transaction amounts	HK\$'000
Paid/payable to the Group	8,113	14,586
Paid/payable by the Group	1,362	1,713

The 2019 NWS Master Property Services Agreement

Categories	Approximate total	Annual cap
	transaction amounts	HK\$'000
Paid/payable to the Group	855	1,245
Paid/payable by the Group	32	95

Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions *(Continued)*

(4) The 2019 master property services agreements *(Continued)*

The 2019 CTFE Master Property Services Agreement

Category	Approximate total	Annual cap
	transaction amounts	
	HK\$'000	HK\$'000
Paid/payable to the Group	486	741

The 2019 CTFJ Master Property Services Agreement

Category	Approximate total	Annual cap
	transaction amounts	
	HK\$'000	HK\$'000
Paid/payable to the Group	441	1,126

The 2019 Doo's Associates Master Property Services Agreement

Categories	Approximate total	Annual cap
	transaction amounts	
	HK\$'000	HK\$'000
Paid/payable to the Group	705	2,033
Paid/payable by the Group	4,877	6,459

(5) The 2020 master services agreements

On 24 April 2020, in view of the expiry of the 2017 Master Services Agreements, the 2018 Master Facility Services Agreements and the 2019 Master Property Services Agreements on 30 June 2020, six new master services agreements were entered into by the Company in relation to the provision and/or receipt of services as defined here below:

"E&M engineering and Environmental Services" mean provision of services as contractors, management contractors and project managers, building and general construction, civil engineering, building exterior and interior design, building repair, renovation, maintenance consultancy and other services, demolition, building and property fitting out and decoration work, construction management and the supply of construction and building equipment and materials, electrical and mechanical engineering works, supply and installation of air-conditioning, heating and ventilation systems, fire services systems, plumbing and drainage systems, electrical systems, system design and consultancy, computer aided drafting services and related services.

"Facility and Property Management Services" mean facility and property management services, letting agency services, consultancy services, property sales, the provision of carparking, management and other related services.

"FSE Services" mean E&M engineering and Environmental Services, Cleaning and Laundry Services (as defined in paragraph (2) above), Facility and Property Management Services and other related services.

"Rental Services" mean leasing of properties, including without limitation, spare spaces, office spaces and carparking spaces, and related services.

Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions *(Continued)*

(5) The 2020 master services agreements *(Continued)*

"NWD Services" mean Rental Services, Sundry Services (as defined in paragraph (4) above), IT Support Services (as defined in paragraph (2) above) and supply of construction and building equipment and materials.

"NWS" Services" mean: (i) provision of services as main contractors, management contractors and project managers, building and general construction, civil engineering, building exterior and interior design, building repair, renovation, maintenance consultancy and other services, demolition, building and property fitting out and decoration work, construction management, supply of construction and building equipment and materials, system design and consultancy, computer aided drafting services and related services; (ii) provision of convention and exhibition facilities and related functions and services and food and beverage catering services; and (iii) rental of properties, spare spaces, carparking spaces, vehicle and vessels and related services.

"NWDS Services" mean Rental Services.

"Doo's Associates Service" mean leasing of properties, including without limitation spare spaces, office spaces and carparking spaces, licences for the use of wall signages, lighting boxes and the use of common areas and related services, security and guarding, landscaping and other related services.

Details of the six master services agreements are as follows:

- (a) a master services agreement entered into between NWD and the Company (the "2020 NWD Master 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, the FSE 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, the NWD 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 "2020 NWS Master 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, the FSE Services (excluding provision of carparking and facility management 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, the NWS Services and such other types of services as the NWS Group and the Group may agree upon from time to time in writing.

Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

Connected transaction and continuing connected transactions *(Continued)*

(5) The 2020 master services agreements *(Continued)*

- (c) a master services agreement entered into between NWDS and the Company (the "2020 NWDS Master 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, E&M engineering and Environmental Services, Cleaning and Laundry Services (as defined in paragraph (2) above) and other related services (excluding laundry 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, the NWDS Services and such other types of services as the NWS Group and the Group may agree upon from time to time in writing.
- (d) a master services agreement entered into between CTFE and the Company (the "2020 CTFE Master 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, the FSE 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 services agreement entered into between CTFJ and the Company (the "2020 CTFJ Master 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, the FSE 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 services agreement entered into between FMC and the Company (the "2020 Doo's Associates Master 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, the FSE 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, the Doo's Associates 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 2020 NWD Master Services Agreement, the 2020 NWS Master Services Agreement, the 2020 NWDS Master Services Agreement, the 2020 CTFE Master Services Agreement, the 2020 CTFJ Master Services Agreement and the 2020 Doo's Associates Master Services Agreement, collectively, the "2020 Master Services Agreements").

The 2020 Master Services Agreements and the transactions contemplated thereunder were approved by the independent shareholders at the extraordinary general meeting of the Company held on 22 June 2020. Each of the 2020 Master Services Agreements has an initial term of three years commenced on 1 July 2020 and ending on 30 June 2023. 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 its initial term (or any subsequent renewed term) for a successive period of three years (or such other period permitted under the Listing Rules).

Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

Annual review of CCTs

All the CCTs during the Year 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, which included the abovesaid connected transactions of the Company, is disclosed in Note 35 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, 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.

Report of the Directors

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

On 18 October 2019, FSE Property Management Group Limited ("FPMGL") (as borrower), and FSE Engineering Group Limited ("FSEE") and FSE Facility Services Group Limited ("FFSGL") (as guarantors), all being wholly-owned subsidiaries of the Company, entered into a 2-year term loan facility agreement (the "Facility Agreement") with a bank. The Facility Agreement provides for up to the lesser of HK\$600 million or 80% of the total consideration of an acquisition, details of which are set out in the "Management Discussion and Analysis" under the paragraphs headed "Major transaction" on page 40, for the financing for the acquisition. The loan under the Facility Agreement bears an interest of 0.7% per annum over Hong Kong Interbank Offered Rate and is repayable on the date that is two years from the drawdown date.

Under the Facility Agreement, each of FPMGL, FSEE and FFSGL (collectively, the "Obligors") undertakes to procure that Mr. Doo Wai Hoi, William, a controlling shareholder of the Company, and Mr. Doo William Junior Guilherme, a director of the Company, shall maintain not less than 51% direct or indirect shareholding of each of the Obligors, the breach of which will constitute an event of default under the Facility Agreement. Upon occurrence of an event of default, all amounts advanced under the Facility Agreement including all interest accrued thereon will become immediately due and repayable, and the bank shall not be required to make any further advances under the Facility Agreement.

Announcement regarding the entering into of the Facility Agreement was made on 18 October 2019 pursuant to Rule 13.18 of the Listing Rules. As at 30 June 2020, the principal amount of the bank loan in respect of the Facility Agreement of HK\$463.9 million remained outstanding.

Save as disclosed above, as at 30 June 2020, the Company did not have other disclosure obligations under Rule 13.21 of the Listing Rules.

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 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.

Report of the Directors

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, 25 September 2020