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FSE ENGINEERING HOLDINGS LIMITED

豐盛機電控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 331)

- (1) MAJOR AND CONNECTED TRANSACTION: PROPOSED ACQUISITION OF THE TARGET ENTITIES CARRYING OUT FACILITY SERVICES;**
(2) CONTINUING CONNECTED TRANSACTIONS: 2018 MASTER FACILITY SERVICES AGREEMENTS; AND
(3) PROPOSED CHANGE OF COMPANY NAME, STOCK SHORT NAME AND COMPANY LOGO

Financial Adviser



BNP PARIBAS

THE PROPOSED ACQUISITION

On 27 February 2018 (after trading hours of the Stock Exchange), the Buyer conditionally agreed to acquire from the Seller the Sale Share at the Consideration (subject to adjustment, if any), by entering into the Sale and Purchase Agreement in respect of the Proposed Acquisition. Completion of the Proposed Acquisition is subject to the fulfilment of the Conditions.

The Target Group is principally engaged in the provision of facility services including cleaning and laundry services.

FSE Holdings, which holds 75% of the Shares in issue in the Company as at the date of this announcement, is a substantial shareholder of the Company under the Listing Rules. The Seller, being a wholly-owned subsidiary of FSE Holdings, is an associate of FSE Holdings, and therefore a connected person of the Company. The Proposed Acquisition thus constitutes a connected transaction for the Company. As all of the applicable Percentage Ratios for the Proposed Acquisition exceed 5%, the Proposed Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Further, as some of the applicable Percentage Ratios in respect of the Proposed Acquisition are 25% or more but all of those ratios are below 100%, the Proposed Acquisition also constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

THE 2018 MASTER FACILITY SERVICES AGREEMENTS

In their ordinary and usual course of business, the New China Steam Laundry Limited Group and Waihong Cleaning Limited Group regularly entered into continuing transactions in relation to:

- (i) the provision and receipt of the Services to and from the Doo's Associates Group and the NWS Group; and
- (ii) the provision of the Cleaning and Laundry Services to members of each of the NWD Group, the NWDS Group, the CTFE Group and the CTFJ Group.

It is expected that the above continuing transactions will continue after the completion of the Proposed Acquisition. As each Target Entity will become a wholly-owned subsidiary of the Company upon completion of the Proposed Acquisition, the continuing transactions entered into or to be entered into between the New China Steam Laundry Limited Group or the Waihong Cleaning Limited Group on one side, and the Doo's Associates Group, the NWD Group, the NWS Group, the NWDS Group, the CTFE Group or the CTFJ Group on the other will become continuing connected transactions of the Company under the Listing Rules.

In order to streamline these continuing connected transactions in relation to the provision and receipt of the Services and facilitate the compliance with relevant requirements under the Listing Rules, the Company proposes to enter into the 2018 Master Facility Services Agreements upon completion of the Proposed Acquisition, the principal terms and conditions of which are set out in this announcement.

As the highest of the applicable Percentage Ratios in respect of Annual Caps of each of the 2018 FSE Master Facility Services Agreement and the 2018 NWD Master Facility Services Agreement exceeds 5%, the transactions contemplated under each of these agreements and the Annual Caps for the same are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest of the applicable Percentage Ratios in respect of Annual Caps of each of the 2018 NWS Master Facility Services Agreement, the 2018 NWDS Master Facility Services Agreement and the 2018 CTFE Master Facility Services Agreement exceeds 0.1% but is below 5%, the transactions under these agreements and the Annual Caps for the same are subject to the reporting, annual review and announcement requirements and exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the highest of the applicable Percentage Ratios in respect of Annual Caps of the 2018 CTFJ Master Facility Services Agreement is below 0.1%, the transactions thereunder and the Annual Caps for the same are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

PROPOSED CHANGE OF COMPANY NAME, STOCK SHORT NAME AND COMPANY LOGO

The Board proposes to the Shareholders to change the English name of the Company from “FSE Engineering Holdings Limited” to “FSE Services Group Limited” and to adopt the Chinese name “豐盛服務集團有限公司” as the dual foreign name of the Company, subject to the completion of the Proposed Acquisition, the passing of a special resolution by the Shareholders at the EGM to approve the Change of Company Name, and the approval of the Change of Company Name by the Registrar of Companies in the Cayman Islands. The stock short name and the company logo of the Company are also proposed to be changed accordingly after the Change of Company Name becoming effective.

EGM AND CIRCULAR

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Proposed Acquisition, the 2018 FSE Master Facility Services Agreements and the 2018 NWD Master Facility Services Agreement, the Services Transactions contemplated under these agreements and the Annual Caps for the same, and for the Shareholders to consider and, if thought fit, approve the proposed Change of Company Name.

The Independent Board Committee has been established to consider the terms of the Proposed Acquisition, the 2018 FSE Master Facility Services Agreements and the 2018 NWD Master Facility Services Agreement, the Services Transactions contemplated under these agreements and the Annual Caps for the same, and to advise and provide recommendation to the Independent Shareholders as to whether the same are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Ballas Capital Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on, among other matters, the fairness and reasonableness of the Proposed Acquisition, the 2018 FSE Master Facility Services Agreements and the 2018 NWD Master Facility Services Agreement, the Services Transactions contemplated under these agreements and the Annual Caps for the same.

A circular containing further details of the EGM Matters and other information as is required to be contained in it under the Listing Rules together with a notice of the EGM and a form of proxy are expected to be despatched to the Shareholders on or before 20 March 2018.

Completion of the Proposed Acquisition, the entering into of the 2018 Master Facility Services Agreements and the proposed Change of Company Name are subject to the fulfilment (or, as the case may be, waiver) of certain conditions precedent. As the Proposed Acquisition, the 2018 Master Facility Services Agreements and the proposed Change of Company Name may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on 27 February 2018 (after trading hours of the Stock Exchange), the Buyer conditionally agreed to acquire from the Seller the Sale Share at the Consideration (subject to adjustment, if any), by entering into the Sale and Purchase Agreement in respect of the Proposed Acquisition. Completion of the Proposed Acquisition is subject to the fulfilment of the Conditions.

The Target Group is principally engaged in the provision of facility services including cleaning and laundry services.

In their ordinary and usual course of business, the New China Steam Laundry Limited Group and Waihong Cleaning Limited Group regularly entered into continuing transactions in relation to:

- (i) the provision and receipt of the Services to and from the Doo's Associates Group and the NWS Group; and
- (ii) the provision of the Cleaning and Laundry Services to members of each of the NWD Group, the NWDS Group, the CTFE Group and the CTFJ Group.

It is expected that the above continuing transactions will continue after the completion of the Proposed Acquisition. As each Target Entity will become a wholly-owned subsidiary of the Company upon completion of the Proposed Acquisition, the continuing transactions entered into or to be entered into between the New China Steam Laundry Limited Group or the Waihong Cleaning Limited Group on one side, and the Doo's Associates Group, the NWD Group, the NWS Group, the NWDS Group, the CTFE Group or the CTFJ Group on the other will become continuing connected transactions of the Company under the Listing Rules.

In order to streamline these continuing connected transactions in relation to the provision and receipt of the Services and facilitate the compliance with relevant requirements under the Listing Rules, the Company proposes to enter into the 2018 Master Facility Services Agreements upon completion of the Proposed Acquisition, the principal terms and conditions of which are set out in this announcement.

Conditional upon completion of the Proposed Acquisition, the Board proposes to change the English and Chinese names of the Company in order to better identify the business of the Group after completion of the Proposed Acquisition. The stock short name and the company logo of the Company are also proposed to be changed accordingly after the Change of Company Name becoming effective.

THE PROPOSED ACQUISITION

The Sale and Purchase Agreement

Date : 27 February 2018

Parties

- Seller : FSE Management Company Limited
- Buyer : FSE Facility Services Group Limited

The Buyer is a wholly-owned subsidiary of the Company. FSE Holdings, which holds 75% of Shares in issue in the Company, is a substantial shareholder of the Company. The Seller, being a wholly-owned subsidiary of FSE Holdings, is an associate of FSE Holdings, and therefore a connected person of the Company.

Assets to be acquired by the Group under the Sale and Purchase Agreement

Pursuant to the Sale and Purchase Agreement, the Buyer has conditionally agreed to acquire from the Seller the Sale Share, representing the entire issued share capital of the Target Company.

The section below headed “INFORMATION ON THE TARGET GROUP” provides further information on the Target Group.

The Consideration, its payment term and adjustment

The initial consideration for the Proposed Acquisition is HK\$502,000,000 (subject to adjustment, if any, by reference to NTAV as mentioned below). The initial consideration shall be paid by the Buyer to the Seller (or as the Seller may direct in writing) in cash on the Completion Date.

The Consideration was agreed after arm’s length negotiations between the Seller and the Buyer having taken into consideration various factors, including but not limited to:

- (1) the audited financials of the Target Group for the financial year ended 30 June 2017;
- (2) some adjustments on net profit of the Target Group including the following:
 - a. the management fee charged by the Seller to the Target Group of approximately HK\$5.8 million for the financial year ended 30 June 2017; after Completion, the existing management functions provided by the Seller in consideration of the management fee will be performed by the senior management team of the Company;
 - b. adjustment to the financial information of the Target Group to reflect the rental at market rate of properties owned by the Seller’s subsidiary and rented by the Target Group which amounts to approximately HK\$8.9 million for the financial year ended 30 June 2017; and
 - c. the donation made by the Target Group of approximately HK\$2.5 million for the financial year ended 30 June 2017;

- (3) the business valuation of the Target Group conducted by an independent professional valuer based on historical financial performance of the Target Group; and
- (4) the NTAV of the Target Group as at 31 December 2017.

The payment of the Consideration will be funded by internal resources of the Group.

Pursuant to the Sale and Purchase Agreement, the initial consideration is subject to adjustment, if any, by reference to the amount of the NTAV of the Target Group as at the Completion Date as follows:

- (1) if the NTAV of the Target Group as at the Completion Date is greater than the NTAV of the Target Group as at 31 December 2017, 100% of the difference shall be added to the initial consideration for the Sale Share; or
- (2) if the NTAV of the Target Group as at the Completion Date is smaller than the NTAV of the Target Group as at 31 December 2017, 100% of the difference shall be deducted from the initial consideration for the Sale Share.

Conditions precedent to Completion

Pursuant to the Sale and Purchase Agreement, the Completion of the Sale and Purchase Agreement is conditional upon:

- (1) all regulatory and corporate approvals of the Buyer and the Company, including the approval by the Independent Shareholders of the Proposed Acquisition, necessary for the completion of the transaction contemplated under the Sale and Purchase Agreement having been obtained;
- (2) the Reorganisation having been duly and validly completed in all respects and implemented in accordance with the Sale and Purchase Agreement;
- (3) the Seller's warranties in the Sale and Purchase Agreement remaining true and accurate in all respects and not misleading in any respect as at Completion;
- (4) all consents, approvals, permits, authorisations or clearances that the Seller considers necessary for the execution, implementation and completion of the Sale and Purchase Agreement (including those required under relevant banking facilities) having been obtained and not having been revoked or withdrawn at any time before Completion; and
- (5) all consents, approvals, permits, authorisations or clearances that the Buyer considers necessary for the execution, implementation and completion of the Sale and Purchase Agreement having been obtained and not having been revoked or withdrawn at any time before Completion.

The Buyer shall use its reasonable endeavours to convene a general meeting of the Company to enable to the satisfaction of Condition (1), and use its reasonable endeavours to achieve satisfaction of Condition (5), not later than 5:00 p.m. on the Longstop Date.

The Seller shall use its reasonable endeavours to achieve satisfaction of Conditions (2) and (4) not later than the latest practicable date for finalising the circular of the Company to be despatched in respect of the Company's general meeting, and Condition (3) not later than 5:00 p.m. on the Longstop Date.

The Buyer may at any time on or before 5:00 p.m. on the Longstop Date by notice in writing to the Seller waive the above Conditions (2), (3) and (4) in whole or in part.

If the Conditions shall not be fulfilled (or, as the case may be, waived) by the prescribed date and time, either the Seller or the Buyer may by notice to the other elect that the Sale and Purchase Agreement shall terminate with immediate effect.

Completion

Subject to the fulfilment (or, as the case may be, waiver) of the Conditions, completion of the Proposed Acquisition shall take place on the Completion Date.

After Completion, each Target Entity will become a wholly-owned subsidiary of the Company and their financial results, assets and liabilities will be consolidated in the financial statements of the Company.

Corporate guarantees and counter-indemnity

Prior to the execution of the Sale and Purchase Agreement, the Seller has provided certain corporate guarantees for the performance of some obligations by certain members of the Target Group in favour of certain lending banks and contract counterparties of the Target Group. In order to allow time for the Company to replace the credit support required for the operation of the Target Group after Completion, pursuant to the Sale and Purchase Agreement, the existing corporate guarantees provided by the Seller that are subsisting as at the Completion Date are to remain in place for a period of not longer than one year thereafter (or such other period as may be agreed between the Seller and the Buyer).

The Buyer shall use its reasonable endeavours to procure such existing corporate guarantees provided by the Seller to be released and replaced by such new corporate guarantees provided by the Group as soon as practicable and not later than the expiration of the aforesaid one-year period or such other period as the Buyer and the Seller may agree.

At Completion, the Company and the Seller will enter into a deed of counter indemnity, pursuant to which the Company is to agree to counter-indemnify the Seller from and against any actions, claims, liabilities, damages, costs and expenses of whatever nature which may result or which the Seller may suffer, incur or sustain as a result of the enforcement of any of such existing corporate guarantees after Completion until the earlier of (i) the expiry or release of the same; and (ii) the date which is one year from the date of the deed of counter indemnity.

INFORMATION ON THE TARGET GROUP

The Target Company is a limited company incorporated in the British Virgin Islands in 2018. Upon completion of the Reorganisation, the Target Company will directly or indirectly hold the entire interest in each Target Entity. The principal business of the Target Company is investment holding, with its potential investment in the Target Entities as its sole investment.

The Target Group is principally engaged in the provision of facility services including cleaning and laundry services.

The Target Group's cleaning services are operated through the Waihong Cleaning Limited Group, which offer a wide range of office support, residential and public sector associated services and related services in Hong Kong and the PRC, such as general cleaning, waste management and disposal, external wall and window cleaning, pest control and clinical waste management. Such services are rendered at commercial buildings, including office buildings and shopping arcades, hotels and serviced apartments, residential complexes, public transportations and other venues such as governmental institutions, theme parks, airport facilities, academic institutions, financial institutions and medical institutions.

The Target Group's laundry services are operated through the New China Steam Laundry Limited Group, which offer laundry, dry cleaning and linen management services to corporate customers, including major high-end hotels, restaurant chains, theme parks, airlines and clubs; and also operate three dry cleaning and laundry retail valet outlets under its "Kleaners" brand in Hong Kong.

Financial information of the Target Group

Set out below respectively is a summary of the unaudited combined financial information of the Target Group for the two years ended 30 June 2016 and 30 June 2017 and the six months ended 31 December 2017 respectively:

| | For the year ended | | For the |
|-----------------------|---------------------------|--------------------|--------------------|
| | 30 June | 30 June | six months |
| | 2016 | 2017 | ended |
| | <i>(HK\$'000)</i> | <i>(HK\$'000)</i> | 31 December |
| | <i>(unaudited)</i> | <i>(unaudited)</i> | 2017 |
| | | | <i>(HK\$'000)</i> |
| | | | <i>(unaudited)</i> |
| Revenue | | | |
| — Cleaning services | 857,878 | 971,415 | 535,492 |
| — Laundry services | <u>158,665</u> | <u>159,028</u> | <u>83,439</u> |
| | <u>1,016,543</u> | <u>1,130,443</u> | <u>618,931</u> |
| Cost of operations | 871,999 | 981,784 | 537,663 |
| Net profit before tax | 60,716 | 60,828 | 40,550 |
| Net profit after tax | 50,567 | 51,113 | 33,867 |

As at 31 December 2017, the unaudited combined net asset value of the Target Group was approximately HK\$99.2 million. The fair value of the Target Group as at 31 December 2017 was in the range between HK\$577.8 million and HK\$644.0 million, according to the business valuation prepared by an independent business valuer based on historical financial performance of the Target Group.

INFORMATION ON THE SELLER

The Seller is a limited liability company incorporated in Hong Kong, and a wholly-owned subsidiary of FSE Holdings. To the best knowledge of the Directors, the principal business of the Seller is investment holding.

FSE Holdings, which holds 75% of Shares in issue in the Company, is a substantial shareholder of the Company. The Seller, being a wholly-owned subsidiary of FSE Holdings, is an associate of FSE Holdings, and therefore a connected person of the Company.

REASONS FOR AND THE BENEFITS OF THE PROPOSED ACQUISITION

The Group is principally engaged in the electrical and mechanical (E&M) engineering and environmental management services with majority of its operations focus in servicing the Hong Kong market. The Group has been exploring opportunities to expand its services scope in order to add momentum to the growth of the Group and the Directors believe that the Proposed Acquisition can offer the following key benefits to the Group:

Expand business scale with diversification of revenue stream

- As one of the leading E&M engineering and environmental management services providers in Hong Kong, the Group has over 40 years of operating history and a strong customer network with leading companies, which provides our group a stable revenue source. The Company has been consistently seeking opportunities that can further expand its business scale and diversify its revenue stream. The Directors believe that the Proposed Acquisition could bring a positive financial impact to the Group and an important step for its development.
- The Target Group recorded a total revenue of approximately HK\$1,130.4 million for the year ended 30 June 2017 and a net tangible asset value of approximately HK\$82.9 million as of 31 December 2017, which represents approximately 23.4% and 16.3% of the total revenue of the Enlarged Group during the same period and net tangible asset value of the Enlarged Group as of 31 December 2017 on a combined and adjusted basis.

Increase the Group's profitability and provide higher return to the shareholders of the Company through better utilisation of the Group's cash on hand

- The Group has achieved progressive growth in net profit over the past few years which allowed it to distribute an increasing level of dividend for the shareholders of the Company. The Directors believe that the Proposed Acquisition will enhance the Company's profitability and expect to maintain the Company's dividend payout ratio of not less than 30%.

- Throughout the years of successful operations, the Group has achieved a net cash balance of HK\$978.3 million as of 30 June 2017 which allowed the Company to consider relevant acquisition opportunities to improve shareholders' return. The Directors believe that the Proposed Acquisition represents a good investment for the Group to utilize its cash on hand to engage in businesses that could enhance recurring profit in long term and lead to an accretion to the Company's earnings per share. The Directors also believe that the Enlarged Group will continue to maintain a healthy financial position and prepare for future expansion and acquisitions.
- The Target Group has a net profit of approximately HK\$51.1 million for the year ended 30 June 2017 which represents approximately 22.7% of that of the Enlarged Group during the same period on a combined and adjusted basis.

Re-allocate resources to achieve the cross-selling synergies and better deployment of human resources

- The Directors believe that the Group could dedicate more resources to the environmental management service to achieve cross-selling synergies and expand the business scale through the Proposed Acquisition. For example, potential cross-selling activities among the client base of the Group and the Target Group in areas of water testing services, odour removal services at refuse collection centres; and potential broadening of client base to promote its municipal solid waste discharging services etc.
- The Enlarged Group would have staff members exceeding 7,800. The Directors believe that the Group could optimize the deployment of manpower across various business segments to improve operation efficiency and cost control. In addition, the staff could have more opportunities for self-development.

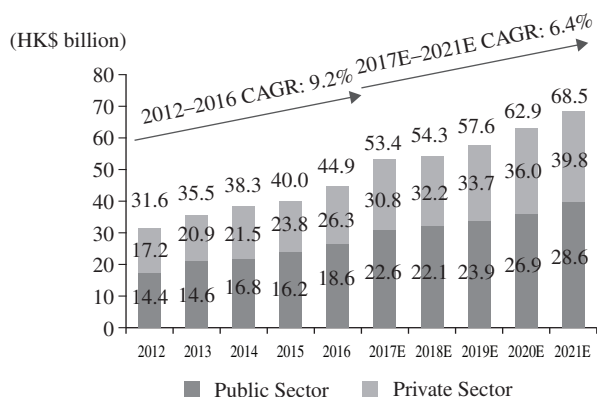
Re-position the Company into a leading diversified service provider in Hong Kong with leadership position

- The combination of the Group's existing business operations and the Target Group's business operations will allow the Group to re-position itself into a leading diversified service provider in Hong Kong, covering E&M engineering services, facility services (including cleaning and laundry services) and environmental management services, with industry leading position in respective area. Below sets forth the industry development and the Group's ranking position in the relevant market.

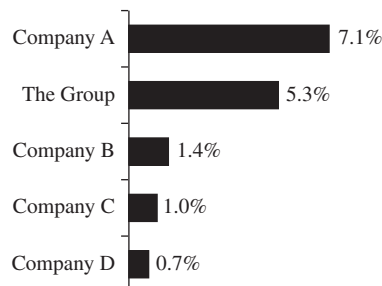
E&M engineering market

The Group's E&M engineering business is one of the top 2 dominated players in the Hong Kong market in terms of revenue with an estimated market share of approximately 5.3% according to Frost & Sullivan. The Group has a long operating history and has been recognized as one of the reputable leaders in the industry. Frost & Sullivan also estimates that the market size will continue to grow at a CAGR of approximately 6.4% from 2017 to 2021, reaching HK\$68.5 billion in 2021. The E&M engineering market in Hong Kong is relatively fragmented with the top five players contributing to about 15.5% in terms of revenue.

Market Size of E&M Engineering Market in Hong Kong, by Revenue (2012–2021E)*



Market Share of Top 5 E&M Engineering companies in Hong Kong, by Revenue (2017)*

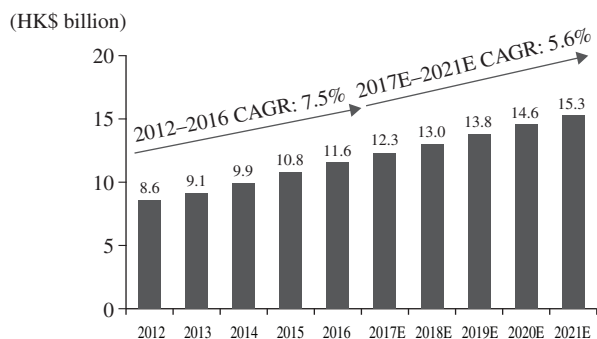


Source: Frost & Sullivan
* For the year ended June 30

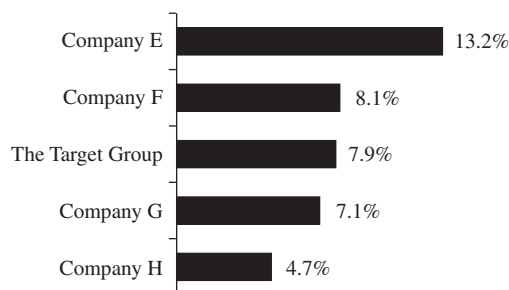
Environmental Hygiene Service Market and Laundry Service Market

The Target Group’s cleaning service business is one of the top 3 players in the Hong Kong market in terms of revenue with an estimated market share of approximately 7.9% according to Frost & Sullivan. Frost & Sullivan also estimates that the market size will continue to grow at a CAGR of approximately 5.6% from 2017 to 2021, reaching HK\$15.3 billion in 2021 driven by the increasing general awareness of hygienic environment resulted from the past outbreaks of diseases. As at 30 June 2017, the top five market players accounted for about 41.0% of the total market size which is relatively more consolidated.

Market Size of Environmental Hygiene Service Market in Hong Kong, by Revenue (2012–2021E)*



Market Share of Environmental Hygiene Service Market Players in Hong Kong, by Revenue (2017)*

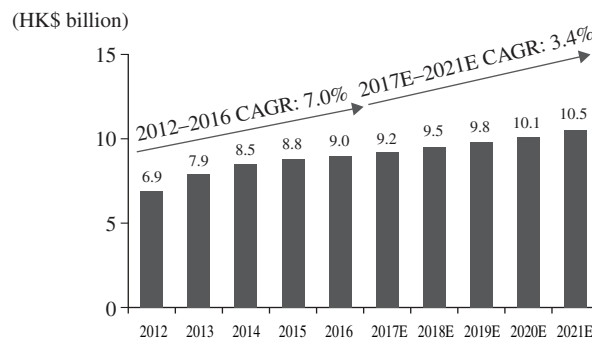


Source: Frost & Sullivan
* For the year ended June 30

Note: The market size of the environmental hygiene service market refers to the revenue generated from general cleaning excluding waste management and landscaping services, which is relevant to the Target Group’s cleaning service business

The Laundry service market is highly fragmented with no dominant players in Hong Kong. The Target Group's laundry service business is one of the largest laundry companies in Hong Kong market in terms of revenue with an estimated market share of approximately 1.7% for the year ended June 2017 according to Frost & Sullivan. Frost & Sullivan also estimates that the market size will continue to grow stably at a CAGR of approximately 3.4% from 2017 to 2021, reaching HK\$10.5 billion in 2021. The market growth is mainly attributed by B2B laundry service segment driven by tourist industry and growing number of hotels and restaurants.

**Market Size of Laundry Service Market in Hong Kong,
by Revenue (2012–2021E)**



Source: Frost & Sullivan

* For the year ended June 30

The Directors (excluding the independent non-executive Directors (whose views will be given after taking into consideration the advice from the Independent Financial Adviser) and those who are considered to have a material interest in the Proposed Acquisition as set out in the paragraph headed “Approval by the Board”) consider the Proposed Acquisition on terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

THE 2018 MASTER FACILITY SERVICES AGREEMENTS

In their ordinary and usual course of business, members of the New China Steam Laundry Limited Group and the Waihong Cleaning Limited Group regularly entered into continuing transactions in relation to:

- (i) the provision and receipt of the Services to and from the Doo's Associates Group and the NWS Group; and
- (ii) the provision of the Cleaning and Laundry Services to members of each of the NWD Group, the NWDS Group, the CTFE Group and the CTFJ Group.

It is expected that the above continuing transactions will continue after the completion of the Proposed Acquisition. As each Target Entity will become a wholly-owned subsidiary of the Company upon completion of the Proposed Acquisition, the continuing transactions entered into and to be entered into between the New China Steam Laundry Limited Group or the Waihong Cleaning Limited Group on one side, and the Doo's Associates Group, the NWD Group, the NWS Group, the NWDS Group, the CTFE Group or the CTFJ Group on the other

will become continuing connected transactions of the Company. It is proposed that, upon completion of the Proposed Transaction, written agreement(s) will be entered into by the Company and the relevant counterparties for the above continuing connected transactions in accordance with the requirements under the Listing Rules, details of which are set out below:

2018 FSE Master Facility Services Agreement

The major terms of the 2018 FSE Master Facility Services Agreement are set out below:

- Date : Upon completion of the Proposed Acquisition
- Parties : (1) the Seller; and
(2) the Company.
- Duration : The 2018 FSE Master Facility Services Agreement shall be for an initial term commencing on the Completion Date and ending on 30 June 2020 (both days inclusive).

Subject to compliance with the applicable requirements of the Listing Rules at the relevant time, the 2018 FSE Master Facility Services Agreement shall be automatically renewed at the end of its initial term for a successive period of three years (or such other period as required under the Listing Rules or by the Stock Exchange) upon expiration of its initial term or any subsequently renewed term.

- Services to be provided by the Enlarged Group to the Doo's Associates Group : Cleaning and Laundry Services, and such other types of services as members of the Enlarged Group and members of the Doo's Associates Group may agree upon from time to time in writing.

- Services to be provided by the Doo's Associates Group to the Enlarged Group : Rental and Related Services, and such other types of services as members of the Enlarged Group and members of the Doo's Associates Group may agree upon from time to time in writing. The premises to be leased by the Doo's Associates Group to the Enlarged Group include:

- (1) Units 11–15, 8/F., Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong, having an aggregate floor area of approximately 9,143 square feet;
- (2) the whole of New China Laundry Group Building, No.6 Yip Cheong Street, Fanling, New Territories, Hong Kong, having an aggregate floor area of approximately 101,463 square feet; and

(3) Valet Shop at Convention Plaza, 11/F., Convention Plaza Apartments, 1 Harbour Road, Wanchai, Hong Kong, having an aggregate floor area of approximately 230 square feet,

and such other premises as members of the Enlarged Group and members of the Doo's Associates Group may agree upon from time to time in writing.

Definitive Agreements : Members of the Enlarged Group and members of the Doo's Associates Group will, from time to time during the term of the 2018 FSE Master Facility Services Agreement, enter into separate Definitive Agreements in respect of the Services Transactions contemplated thereunder which shall always be in compliance with the Listing Rules and the 2018 FSE Master Facility Services Agreement.

Pricing : On normal commercial terms, negotiated on arm's length basis and at prices and on terms no less favourable to the Enlarged Group than terms available to or from independent third parties.

2018 NWD Master Facility Services Agreement

The major terms of the 2018 NWD Master Facility Services Agreement are set out below:

Date : Upon completion of the Proposed Acquisition

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

Duration : The 2018 NWD Master Facility Services Agreement shall be for an initial term commencing on the Completion Date and ending on 30 June 2020 (both days inclusive).

Subject to compliance with the applicable requirements of the Listing Rules at the relevant time, the 2018 NWD Master Facility Services Agreement shall be automatically renewed at the end of its initial term for a successive period of three years (or such other period as required under the Listing Rules or by the Stock Exchange) upon expiration of its initial term or any subsequently renewed term.

Services to be provided by the Enlarged Group to the NWD Group : Cleaning and Laundry Services, and such other types of services as members of the Enlarged Group and members of the NWD Group may agree upon from time to time in writing.

- Definitive Agreements : Members of the Enlarged Group and members of the NWD Group will, from time to time during the term of the 2018 NWD Master Facility Services Agreement, enter into separate Definitive Agreements in respect of the Services Transactions contemplated thereunder which shall always be in compliance with the Listing Rules and the 2018 NWD Master Facility Services Agreement.
- Pricing : On normal commercial terms, negotiated on arm's length basis and at prices and on terms no less favourable to the NWD Group or the Enlarged Group (as the case may be) than terms available to or from independent third parties.

2018 NWS Master Facility Services Agreement

The major terms of the 2018 NWS Master Facility Services Agreement are set out below:

- Date : Upon completion of the Proposed Acquisition
- Parties : (1) NWS; and
(2) the Company.
- Duration : The 2018 NWS Master Facility Services Agreement shall be for an initial term commencing on the Completion Date and ending on 30 June 2020 (both days inclusive).
- Subject to compliance with the applicable requirements of the Listing Rules at the relevant time, the 2018 NWS Master Facility Services Agreement shall be automatically renewed at the end of its initial term for a successive period of three years (or such other period as required under the Listing Rules or by the Stock Exchange) upon expiration of its initial term or any subsequently renewed term.
- Services to be provided by the Enlarged Group to the NWS Group : Cleaning and Laundry Services, and such other types of services as members of the Enlarged Group and members of the NWS Group may agree upon from time to time in writing.
- Services to be provided by the NWS Group to the Enlarged Group : IT Support Services, and such other types of services as members of the Enlarged Group and members of the NWS Group may agree upon from time to time in writing.

- Definitive Agreements : Members of the Enlarged Group and members of the NWS Group will, from time to time during the term of the 2018 NWS Master Facility Services Agreement, enter into separate Definitive Agreements in respect of the Services Transactions contemplated thereunder which shall always be in compliance with the Listing Rules and the 2018 NWS Master Facility Services Agreement.
- Pricing : On normal commercial terms, negotiated on arm's length basis and at prices and on terms no less favourable to the NWS Group or the Enlarged Group (as the case may be) than terms available to or from independent third parties.

2018 NWDS Master Facility Services Agreement

The major terms of the 2018 NWDS Master Facility Services Agreement are set out below:

- Date : Upon completion of the Proposed Acquisition
- Parties : (1) NWDS; and
(2) the Company.
- Duration : The 2018 NWDS Master Facility Services Agreement shall be for an initial term commencing on the Completion Date and ending on 30 June 2020 (both days inclusive).

Subject to compliance with the applicable requirements of the Listing Rules at the relevant time, the 2018 NWDS Master Facility Services Agreement shall be automatically renewed at the end of its initial term for a successive period of three years (or such other period as required under the Listing Rules or by the Stock Exchange) upon expiration of its initial term or any subsequently renewed term.

- Services to be provided by the Enlarged Group to the NWDS Group : Cleaning and Laundry Services, and such other types of services as members of the Enlarged Group and members of the NWDS Group may agree upon from time to time in writing.

- Definitive Agreements : Members of the Enlarged Group and members of the NWDS Group will, from time to time during the term of the 2018 NWDS Master Facility Services Agreement, enter into separate Definitive Agreements in respect of the Services Transactions contemplated thereunder which shall always be in compliance with the Listing Rules, and the 2018 NWDS Master Facility Services Agreement.

Pricing : On normal commercial terms, negotiated on arm's length basis and at prices and on terms no less favourable to the NWDS Group or the Enlarged Group (as the case may be) than terms available to or from independent third parties.

2018 CTFE Master Facility Services Agreement

The major terms of the 2018 CTFE Master Facility Services Agreement are set out below:

Date : Upon completion of the Proposed Acquisition

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

Duration : The 2018 CTFE Master Facility Services Agreement shall be for an initial term commencing on the Completion Date and ending on 30 June 2020 (both days inclusive).

Subject to compliance with the applicable requirements of the Listing Rules at the relevant time, the 2018 CTFE Master Facility Services Agreement shall be automatically renewed at the end of its initial term for a successive period of three years (or such other period as required under the Listing Rules or by the Stock Exchange) upon expiration of its initial term or any subsequently renewed term.

Services to be provided by the Enlarged Group to the CTFE Group : Cleaning and Laundry Services, and such other types of services as members of the Enlarged Group and members of the CTFE Group may agree upon from time to time in writing.

Definitive Agreements : Members of the Enlarged Group and members of the CTFE Group will, from time to time during the term of the 2018 CTFE Master Facility Services Agreement, enter into separate Definitive Agreements in respect of the Services Transactions contemplated thereunder which shall always be in compliance with the Listing Rules and the 2018 CTFE Master Facility Services Agreement.

Pricing : On normal commercial terms, negotiated on arm's length basis and at prices and on terms no less favourable to the CTFE Group or the Enlarged Group (as the case may be) than terms available to or from independent third parties.

2018 CTFJ Master Facility Services Agreement

The major terms of the 2018 CTFJ Master Facility Services Agreement are set out below:

- Date : Upon completion of the Proposed Acquisition
- Parties : (1) CTFJ; and
(2) the Company.
- Duration : The 2018 CTFJ Master Facility Services Agreement shall be for an initial term commencing on the Completion Date and ending on 30 June 2020 (both days inclusive).
- Subject to compliance with the applicable requirements of the Listing Rules at the relevant time, the 2018 CTFJ Master Facility Services Agreement shall be automatically renewed at the end of its initial term for a successive period of three years (or such other period as required under the Listing Rules or by the Stock Exchange) upon expiration of its initial term or any subsequently renewed term.
- Services to be provided by the Enlarged Group to the CTFJ Group : Cleaning and Laundry Services, and such other types of services as members of the Enlarged Group and members of the CTFJ Group may agree upon from time to time in writing.
- Definitive Agreements : Members of the Enlarged Group and members of the CTFJ Group will, from time to time during the term of the 2018 CTFJ Master Facility Services Agreement, enter into separate Definitive Agreements in respect of the Services Transactions contemplated thereunder which shall always be in compliance with the Listing Rules and the 2018 CTFJ Master Facility Services Agreement.
- Pricing : On normal commercial terms, negotiated on arm's length basis and at prices and on terms no less favourable to the CTFJ Group or the Enlarged Group (as the case may be) than terms available to or from independent third parties.

QUALIFICATIONS OF ENGAGEMENT

The engagement to be made pursuant to each of the 2018 Master Facility Services Agreements is subject to the following qualifications:

- (1) the engagement only applies to services required for businesses, projects and/or premises for which the relevant member(s) of the Enlarged Group or the counterparties to the 2018 Master Facility Services Agreements (as the case may be) has (have) the right to select providers of the relevant Services;

- (2) the engagement is not contrary to the terms of contracts governing the relevant businesses, projects or premises or any applicable laws, regulations or administrative directives promulgated by competent authorities to which the businesses, projects and/or premises of the relevant members of the Enlarged Group or the counterparties to the 2018 Master Facility Services Agreements (as the case may be) may relate; and
- (3) in the event that the provider of a particular Service is required to be selected through auction or tender or other similar process, the engagement shall only become effective as and when the relevant member(s) of the Enlarged Group or the counterparties to the 2018 Master Facility Services Agreements (as the case may be) has (have) been selected by the relevant member(s) of the Enlarged Group or counterparties to the 2018 Master Facility Services Agreements (as the case may be) as the service provider as a result of the relevant auction or tender or other similar process.

The engagement to be made pursuant to the 2018 CTFE Master Facility Services Agreement and the 2018 CTFJ Master Facility Services Agreement is also subject to the following qualifications apart from the above:

- (1) CTFE and CTFJ and each member of the CTFE Group and the CTFJ Group shall have the sole and absolute right and discretion to decide whether to engage any member of the Enlarged Group to provide the Cleaning and Laundry Services, and neither CTFE or CTFJ nor any member of the CTFE Group or the CTFJ Group shall be under any obligation or commitment to engage or procure the engagement of any member of the Enlarged Group to provide the Cleaning and Laundry Services; and
- (2) the Company shall have no claim or right whatsoever against CTFE or CTFJ and/or any member of the CTFE Group or the CTFJ Group in the event that any member(s) of the CTFE Group or the CTFJ Group does/do not engage any member(s) of the Enlarged Group to provide the Cleaning and Laundry Services.

PRICING POLICIES

General principle

As a general principle, the prices and terms of the Definitive Agreements with respect to the Services Transactions to be entered into pursuant to each of the 2018 Master Facility Services Agreements shall be determined in the ordinary and usual course of business of the Enlarged Group and counterparties to the 2018 Master Facility Services Agreements, on normal commercial terms and negotiated on arm's length basis. In addition, such prices and terms shall be: (1) no less favourable to the Enlarged Group than those charged to independent third party customers of the Enlarged Group (in respect of the Cleaning and Laundry Services); (2) no less favourable to the Enlarged Group than those paid to any other independent third party landlords of similar properties in similar locations (in respect of the Rental and Related Services) or independent service providers of similar services (in respect of the IT Support Services); and (3) no less favourable to the counterparties to the 2018 Master Facility Services Agreements than those charged by and paid to their respective independent third party suppliers (in respect of the Cleaning and Laundry Services). Should the 2018 Master Facility Services Agreements be renewed, the Company will comply with the requirements under Chapter 14A of the Listing Rules.

Pricing policy and procedures

Subject to the general principle above, the pricing policy and procedures adopted and applied by the Enlarged Group in setting the contract prices and terms of the Services Transactions with counterparties to the 2018 Master Facility Services Agreements (as the case may be) are as follows:

- (1) as regards the Rental and Related Services to be provided by members of the Doo's Associates Group to members of the Enlarged Group, the rental payable by the Enlarged Group will be determined by reference to the market rental of the property concerned current at or close to the lease commencement date by reference to rentals comparables of similar properties in similar locations and where applicable, with comparable facilities, obtained from independent property agencies or parties;
- (2) as regards the IT Support Services to be provided by members of the NWS Group to members of the Enlarged Group, the fees payable by the Enlarged Group will be determined by reference to the fee quotations provided to the Enlarged Group by other independent suppliers, taking into account factors including the nature and type of services to be rendered; and
- (3) as regards the Cleaning and Laundry Services to be provided by members of the Enlarged Group to members of counterparties to the 2018 Master Facility Services Agreements, the fees payable by the counterparties to the 2018 Master Facility Services Agreements will be determined by reference to comparables of fee quotations provided by the Enlarged Group to other independent customers, taking into account factors including the nature and type of services to be rendered.

HISTORICAL AGGREGATE TRANSACTION AMOUNTS

Historical transaction amounts in respect of the Services Transactions for the FY2016, FY2017 and the six months ended 31 December 2017 respectively are set out below:

| Categories | Transaction amounts | | |
|--|----------------------|----------------------|--|
| | FY2016 (HK\$'000) | FY2017 (HK\$'000) | six months ended 31 December 2017 (HK\$'000) |
| Services between the Target Group and the Doo's Associates Group | | | |
| Cleaning and Laundry Services provided by the Target Group to Doo's Associates Group | 130,036 | 147,226 | 78,349 |
| Rental and Related Services provided by the Doo's Associates Group to the Target Group | 11,979 | 12,416 | 3,636 |
| Services between the Target Group and the NWD Group | | | |
| Cleaning and Laundry Services provided by the Target Group to NWD Group | 18,505 | 32,152 | 27,735 |

| Categories | Transaction amounts | | |
|--|----------------------|----------------------|--|
| | FY2016 (HK\$'000) | FY2017 (HK\$'000) | six months ended 31 December 2017 (HK\$'000) |
| Services between the Target Group and the NWS Group | | | |
| Cleaning and Laundry Services provided by the Target Group to the NWS Group | 17,800 | 25,621 | 10,811 |
| IT Support Services provided by the NWS Group to the Target Group | 97 | 215 | nil |
| Services between the Target Group and the NWDS Group | | | |
| Cleaning and Laundry Services provided by the Target Group to the NWDS Group | 11 | nil | nil |
| Services between the Target Group and the CTFE Group | | | |
| Cleaning and Laundry Services provided by the Target Group to the CTFE Group | 32 | 92 | 50 |
| Services between the Target Group and the CTFJ Group | | | |
| Cleaning and Laundry Services provided by the Target Group to the CTFJ Group | 302 | 256 | 129 |

ANNUAL CAPS

The expected Annual Caps in respect of the Services Transactions contemplated under each of the 2018 Master Facility Services Agreements for the period commencing from the date of completion of the Proposed Acquisition and ending on 30 June 2018, FY2019 and FY2020 respectively are as follows:

| Categories | Annual Caps | | |
|--|---------------------|----------------------|----------------------|
| | 2018* (HK\$'000) | FY2019 (HK\$'000) | FY2020 (HK\$'000) |
| 2018 FSE Master Facility Services Agreement | | | |
| Cleaning and Laundry Services to be provided by the Enlarged Group to the Doo's Associates Group | 41,849* | 184,889 | 209,705 |
| Rental and Related Services to be provided by the Doo's Associates Group to the Enlarged Group | 4,801* | 18,199 | 18,421 |

| Categories | Annual Caps | | |
|--|---------------------|----------------------|----------------------|
| | 2018* (HK\$'000) | FY2019 (HK\$'000) | FY2020 (HK\$'000) |
| 2018 NWD Master Facility Services Agreement | | | |
| Cleaning and Laundry Services to be provided by the Enlarged Group to the NWD Group | 13,483 | 98,384 | 107,471 |
| 2018 NWS Master Facility Services Agreement | | | |
| Cleaning and Laundry Services to be provided by the Enlarged Group to the NWS Group | 4,732* | 21,385 | 31,152 |
| IT Support Services provided by the NWS Group to the Enlarged Group | 116* | 122 | 128 |
| 2018 NWDS Master Facility Services Agreement | | | |
| Cleaning and Laundry Services to be provided by the Enlarged Group to the NWDS Group | nil | 2,286 | 4,572 |
| 2018 CTFE Master Facility Services Agreement | | | |
| Cleaning and Laundry Services to be provided by the Enlarged Group to the CTFE Group | 1,683* | 20,006 | 20,015 |
| 2018 CTFJ Master Facility Services Agreement | | | |
| Cleaning and Laundry Services to be provided by the Enlarged Group to the CTFJ Group | 65* | 260 | 262 |

**Note:* The proposed Annual Cap for the period commencing from the date of completion of the Proposed Acquisition and ending on 30 June 2018 is estimated on the assumption that completion of the Proposed Acquisition will take place on 10 April 2018.

Bases of determination of the Annual Caps

The Annual Caps in respect of the Services Transactions contemplated under each of the 2018 Master Facility Services Agreements are determined with reference to:

- (1) In relation to the Rental and Related Services to be provided by the Doo's Associates Group to the Enlarged Group:
 - a. the expected rentals as may be paid by the Enlarged Group under each of the 2018 Master Facility Services Agreements taking into account the current rentals and expected market rentals of similar properties in similar locations with reference to the opinion of an independent property valuer; and

- b. the Enlarged Group's demand in floor spaces for office premises, warehouse, car parking spaces and other business uses of the Enlarged Group to cope with the Enlarged Group's business growth.
- (2) In relation to the IT Support Services to be provided by the NWS Group to the Enlarged Group:
- a. the historical annual or annualised amounts in respect of the IT Support Services provided by the NWS Group to the Target Group during the FY2016, FY2017 and the six months ended 31 December 2017; and
 - b. the projected annual or annualised amounts in respect of the IT Support Services to be provided by the NWS Group to the Enlarged Group in the period ending 30 June 2018, FY2019 and FY2020, having taken into account the following major factors:
 - i. the business growth and need of the Enlarged Group; and
 - ii. the estimated market prices of such services by reference to the current market prices after factoring into the expected increase in service costs as well as inflation.
- (3) In relation to the Cleaning and Laundry Services to be provided by the Enlarged Group to the counterparties to the 2018 Master Facility Services Agreements:
- a. the historical annual or annualised amounts in respect of the Cleaning and Laundry Services provided by the Target Group to the counterparties of the 2018 Master Facility Services Agreements during the FY2016, FY2017 and the six months ended 31 December 2017; and
 - b. the projected annual or annualised amounts in respect of the Cleaning and Laundry Services to be provided by the Enlarged Group to the counterparties of the 2018 Master Facility Services Agreements in the period ending 30 June 2018, FY2019 and FY2020, having taken into account the following major factors:
 - i. the business growth and need of the Enlarged Group; and
 - ii. the estimated market prices of such services by reference to the current market prices after factoring into the expected increase in service costs as well as inflation.

Shareholders and potential investors should note that the Annual Caps should not be construed as an assurance or forecast by the Company of the future revenues of the Enlarged Group.

REASONS FOR AND THE BENEFITS OF ENTERING INTO THE 2018 MASTER FACILITY SERVICES AGREEMENTS

The Services Transactions contemplated under each of the 2018 Master Facility Services Agreements are of a recurrent nature and, subject to completion of the Proposed Acquisition having taken place, will occur on a regular and continuing basis in the ordinary and usual course of business of the Enlarged Group and the counterparties to each of the 2018 Master Facility Services Agreements.

The 2018 Master Facility Services Agreements serve to streamline the Services Transactions between members of the Enlarged Group and members of the Doo's Associates Group, the NWD Group, the NWS Group, the NWDS Group, the CTFE Group and the CTFJ Group by providing a single basis upon which the Company could comply with the applicable reporting, announcement and (where applicable) independent shareholders' approval requirements under Chapter 14A of the Listing Rules and thereby reducing the administrative burden and costs of the Company in complying with these requirements.

Members of the Doo's Associates Group, the NWD Group, the NWS Group, the NWDS Group, the CTFE Group and the CTFJ Group are with profound experience and reputation in their respective areas of businesses or services and solid financial standing and have demonstrated themselves as reliable services providers or customers of New China Steam Laundry Limited Group and Waihong Cleaning Limited Group over the years. The Directors believe that the maintenance of the strategic business relationships with them will not only allow the realisation of synergies and economies of scale but will also continue to bring sustainable contribution to the Enlarged Group's growth in the long run.

The Directors (excluding the independent non-executive Directors (whose views will be given after taking into consideration the advice from the Independent Financial Adviser) and those who are considered to have a material interest in the Proposed Acquisition as set out in the paragraph headed "Approval by the Board") are of the views that the terms of each of the 2018 Master Facility Services Agreements, the Services Transactions contemplated thereunder and the proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Group

The Company is an investment holding company and the holding company of the Group. The principal businesses of the Group are the provision of electrical and mechanical engineering service and environmental management service.

Doo's Associates Group

To the best knowledge of the Directors, the principal businesses of the Doo's Associates Group are property investment, the provision of property leasing, cleaning and laundry, landscaping, property and facility management, project management, insurance consultancy and brokerage, and security and guarding services.

NWD Group

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

NWS Group

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

NWDS Group

To the best knowledge of the Directors, the principal business of NWDS and its subsidiaries is the business of operating department stores and other related business and property investment operations in the PRC.

CTFE Group

To the best knowledge of the Directors, CTFE is principally engaged in investment holding.

CTFJ Group

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

LISTING RULES IMPLICATIONS

The Proposed Acquisition

FSE Holdings, which holds 75% of the Shares in issue in the Company as at the date of this announcement, is a substantial shareholder of the Company under the Listing Rules. The Seller, being a wholly-owned subsidiary of FSE Holdings, is an associate of FSE Holdings, and therefore a connected person of the Company. The Proposed Acquisition thus constitutes a connected transaction for the Company. As all of the applicable Percentage Ratios for the Proposed Acquisition exceed 5%, the Proposed Acquisition is subject to the reporting, announcement, and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Further, as some of the applicable Percentage Ratios in respect of the Proposed Acquisition are 25% or more but all of those ratios are below 100%, the Proposed Acquisition also constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The 2018 Master Facility Services Agreements

Upon completion of the Proposed Acquisition, each Target Entity will become a wholly-owned subsidiary of the Company. As such, the continuing transactions entered into between New China Steam Laundry Limited Group and the Waihong Cleaning Limited Group on one side, and the Doo's Associates Group on the other will become continuing connected transactions of the Company.

Dr. Cheng is a connected person of the Company. Dr. Cheng is also the brother-in-law of Mr. Doo, the uncle of Mr. Doo William Junior Guilherme (an executive Director) and is also the cousin of the spouse of Mr. Poon Lock Kee, Rocky (an executive Director and Chief Executive Officer). Dr. Cheng is a member of the Cheng family which holds or controls each of the NWD Group, the NWS Group, the NWDS Group, the CTFE Group and the CTFJ Group. As such, each of the NWD Group, the NWS Group, the NWDS Group, the CTFE Group and the CTFJ Group is therefore treated as a connected person of the Company.

As such, upon completion of the Proposed Acquisition, the continuing transactions entered into between the New China Steam Laundry Limited Group and the Waihong Cleaning Limited Group on one side, and the NWD Group, the NWS Group, the NWDS Group, the CTFE Group and the CTFJ Group on the other will also become continuing connected transactions of the Company.

As the highest of the applicable Percentage Ratios in respect of Annual Caps of each of the 2018 FSE Master Facility Services Agreement and the 2018 NWD Master Facility Services Agreement exceeds 5%, the transactions contemplated under these agreements and the Annual Caps for the same are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest of the applicable Percentage Ratios in respect of Annual Caps of each of the 2018 NWS Master Facility Services Agreement, the 2018 NWDS Master Facility Services Agreement and the 2018 CTFE Master Facility Services Agreement exceeds 0.1% but is below 5%, the transactions under these agreements and the Annual Caps for the same are subject to the reporting, annual review and announcement requirements and exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the highest of the applicable Percentage Ratios in respect of Annual Caps of the 2018 CTFJ Master Facility Services Agreement is below 0.1%, the transactions thereunder and the Annual Caps for the same are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek the Independent Shareholders' approval for the Proposed Acquisition, each of the 2018 FSE Master Facility Services Agreement and the 2018 NWD Master Facility Services Agreement, the Services Transactions contemplated under these agreements and the Annual Caps for the same, at the EGM.

Voting at EGM

At the EGM, any Shareholders with a material interest in the Proposed Acquisition, the 2018 FSE Master Facility Services Agreement and the 2018 NWD Master Facility Services Agreement, the Services Transactions contemplated under these agreements and the Annual Caps for the same are required to abstain from voting on the resolution approving the same at the EGM. As such, each of NWD, FSE Holdings and their respective associates is required to abstain from voting on the resolutions approving the same at the EGM. As at the date of this announcement, among these persons who are required to abstain from voting at the EGM, FSE Holdings holds 75% of Shares in issues in the Company. FSE Holdings will therefore abstain from voting at the EGM.

To the best of knowledge, information and belief of the Directors, having made all reasonable enquiries, apart from FSE Holdings, no other Shareholders are materially interested in the Proposed Acquisition, the 2018 FSE Master Facility Services Agreement and the 2018 NWD Master Facility Services Agreement, the Services Transactions contemplated under these agreements and the Annual Caps for the same who are required to abstain from voting on the resolutions approving the same at the EGM as aforesaid.

Approval by the Board

A Director whose name is set out opposite to the Proposed Acquisition and each of the 2018 Master Facility Services Agreements in the table below is regarded as having a material interest or potential conflict of interest in the corresponding Proposed Acquisition or the 2018 Master Facility Services Agreements.

| Proposed Acquisition or Services Transactions contemplated under: | Director who is regarded as having a material interest or potential conflict of interest in the Proposed Acquisition or the relevant 2018 Master Facility Services Agreement | Basis upon which the Director is regarded as having a material interest or potential conflict of interest |
|---|--|---|
| Proposed Acquisition | <p>Dr. Cheng</p> <p>Mr. Doo William Junior Guilherme</p> <p>Mr. Lam Wai Hon, Patrick</p> <p>Mr. Wong Kwok Kin, Andrew</p> <p>Mr. Lee Kwok Bong</p> | <ul style="list-style-type: none"> ● He has interest in some members of the Doo's Associates Group ● He has interest in some members of the Doo's Associates Group ● He is a director of some members of the Doo's Associates Group ● He has interest in some members of the Doo's Associates Group ● He is a director of some members of the Doo's Associates Group ● He has interest in some members of the Doo's Associates Group ● He is a director of FSE Holdings ● He has interest in some members of the Doo's Associates Group ● He is a director of some members of the Doo's Associates Group |
| 2018 FSE Master Facility Services Agreement | <p>Dr. Cheng</p> <p>Mr. Doo William Junior Guilherme</p> <p>Mr. Lam Wai Hon, Patrick</p> <p>Mr. Wong Kwok Kin, Andrew</p> <p>Mr. Lee Kwok Bong</p> | <ul style="list-style-type: none"> ● He has interest in some members of the Doo's Associates Group ● He has interest in some members of the Doo's Associates Group ● He is a director of some members of the Doo's Associates Group ● He has interest in some members of the Doo's Associates Group ● He is a director of some members of the Doo's Associates Group ● He has interest in some members of the Doo's Associates Group ● He is a director of FSE Holdings ● He has interest in some members of the Doo's Associates Group ● He is a director of some members of the Doo's Associates Group |

| Proposed Acquisition or Services Transactions contemplated under: | Director who is regarded as having a material interest or potential conflict of interest in the Proposed Acquisition or the relevant 2018 Master Facility Services Agreement | Basis upon which the Director is regarded as having a material interest or potential conflict of interest |
|---|--|--|
| 2018 NWD Master Facility Services Agreement | Dr. Cheng | <ul style="list-style-type: none"> ● He is a director of NWD ● He is a member of the Cheng family which holds or controls each of the NWD Group, the NWS Group, the NWDS Group, the CTFE Group and the CTFJ Group |
| 2018 NWDS Master Facility Services Agreement | Dr. Cheng | <ul style="list-style-type: none"> ● He is a non-executive director of NWDS ● He is a member of the Cheng family which holds or controls each of the NWD Group, the NWS Group, the NWDS Group, the CTFE Group and the CTFJ Group |
| 2018 NWS Master Facility Services Agreement | Dr. Cheng | <ul style="list-style-type: none"> ● He is a director of NWS ● He is a member of the Cheng family which holds or controls each of the NWD Group, the NWS Group, the NWDS Group, the CTFE Group and the CTFJ Group |
| | Mr. Doo William Junior Guilherme | <ul style="list-style-type: none"> ● He is a non-executive director of NWS |
| | Mr. Lam Wai Hon, Patrick | <ul style="list-style-type: none"> ● He is a non-executive director of NWS |
| | Mr. Kwong Che Keung, Gordon | <ul style="list-style-type: none"> ● He is an independent non-executive director of NWS |
| 2018 CTFE Master Facility Services Agreement | Dr. Cheng | <ul style="list-style-type: none"> ● He is a director of CTFE ● He is a member of the Cheng family which holds or controls each of the NWD Group, the NWS Group, the NWDS Group, the CTFE Group and the CTFJ Group |

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

Each of the directors named above who was present at the Board meeting approving the Proposed Acquisition and the 2018 Master Facility Services Agreements had abstained from voting on the resolutions approving the Proposed Acquisition and the relevant 2018 Master Facility Services Agreements, the Services Transactions contemplated thereunder respectively and their Annual Caps in respect of which he is regarded as having a material interest (or as the case may be, a potential conflict of interest) as indicated in the table above.

Independent Board Committee and Independent Financial Adviser

The Independent Board Committee has been established to consider the terms of the Proposed Acquisition, the 2018 FSE Master Facility Services Agreement and the 2018 NWD Master Facility Services Agreement, the Services Transactions contemplated under these agreements and the Annual Caps for the same, and to advise and provide recommendation to the Independent Shareholders as to whether the same are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Ballas Capital Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on, among other matters, the fairness and reasonableness of the Proposed Acquisition, the 2018 FSE Master Facility Services Agreement and the 2018 NWD Master Facility Services Agreement, the Services Transactions contemplated under these agreements and the Annual Caps for the same.

PROPOSED CHANGE OF COMPANY NAME AND STOCK SHORT NAME

Proposed Change of Company Name

The Board proposes to the Shareholders to change the English name of the Company from “FSE Engineering Holdings Limited” to “FSE Services Group Limited” and to adopt the Chinese name “豐盛服務集團有限公司” as the dual foreign name of the Company in place of the existing Chinese name “豐盛機電控股有限公司”.

Conditions to the Change of Company Name

The proposed Change of Company Name is conditional upon:

- (1) the completion of the Proposed Acquisition;
- (2) the passing of a special resolution by the Shareholders at the EGM to approve the Change of Company Name; and
- (3) the Registrar of Companies in the Cayman Islands granting approval for the Change of Company Name and entering the new names on the register of companies.

Subject to the satisfaction of the conditions set out above, the proposed Change of Company Name will take effect on the date on which the Registrar of Companies in the Cayman Islands issues a Certificate of Incorporation on Change of Name confirming that the new names have been entered on the register of companies. The Company will then carry out the necessary filing procedures with the Registrar of Companies in Hong Kong.

Reasons for the Change of Company Name

The proposed Change of Company Name is to reflect the status of the Enlarged Group's business after completion of the Proposed Acquisition, and to better promote the corporate image and the future business development of the Enlarged Group.

The Board believes that the proposed new English and Chinese names of the Company will provide the Company with better identification of the business of the Enlarged Group. As such, the Board is of the view that the proposed Change of Company Name is in the interests of the Company and the Shareholders as a whole.

Effect of the Change of Company Name

The Change of Company Name will not affect any of the rights of the Shareholders. All existing share certificates in issue bearing the Company's existing name shall, after the Change of Company Name having become effective, continue to be evidence of the title of the shares of the Company and will continue to be valid for trading, settlement, registration and delivery purposes. There will not be any arrangements for free exchange of existing share certificates for new share certificates bearing the new names of the Company. Once the Change of Company Name has become effective, new share certificates will be issued only in the new name of the Company.

Change of stock short name

In addition, subject to the confirmation of the Stock Exchange, the stock short name for trading in the shares of the Company will also be changed after the Change of Company Name becoming effective.

Adoption of new company logo

After the Change of Company Name becoming effective, the Company proposes to adopt a new logo which will be printed on the relevant corporate documents of the Company, including but not limited to the Company's promotional materials, interim and annual reports, announcements, circulars and corporate stationery.

EGM

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Proposed Acquisition, the 2018 FSE Master Facility Services Agreement and the 2018 NWD Master Facility Services Agreement, the Services Transactions contemplated under these agreements and the Annual Caps for the same, and for Shareholders to consider and, if thought fit, approve the proposed Change of Company Name.

A circular containing, among other things:

- (1) further details of the EGM Matters;
- (2) the recommendation from the Independent Board Committee on the EGM Matters (other than the proposed change of Company Name);
- (3) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the EGM Matters (other than the proposed change of Company Name);
- (4) financial information of the Group and the Target Group;
- (5) unaudited pro forma financial information of the Enlarged Group; and
- (6) other information as is required to be contained in the circular under the Listing Rules together with a notice of the EGM and a form of proxy,

is expected to be despatched to the Shareholders on or before 20 March 2018.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlement of the Shareholders to attend and vote at the EGM (or at any adjournment thereof), the Company's register of members will be closed from Wednesday, 4 April 2018 to Tuesday, 10 April 2018 (both days inclusive) during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 3 April 2018.

Completion of the Proposed Acquisition, the entering into of the 2018 Master Facility Services Agreements and the proposed Change of Company Name are subject to the fulfilment (or, as the case may be, waiver) of certain conditions precedent. As the Proposed Acquisition, the 2018 Master Facility Services Agreements and the proposed Change of Company Name may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

Unless the context otherwise requires, the following terms have the following meanings when used in this announcement:

- “2018 Master Facility Services Agreements” the following proposed new master services agreements collectively:
- (1) the agreement to be entered into between the Company and the Seller in relation to (a) the provision of the Cleaning and Laundry Services by the Enlarged Group to the Doo’s Associates Group; and (b) the provision of the Rental and Related Services by the Doo’s Associates Group to the Enlarged Group (“**2018 FSE Master Facility Services Agreement**”);
 - (2) the agreement to be entered into between the Company and NWD in relation to the provision of the Cleaning and Laundry Services by the Enlarged Group to the NWD Group (“**2018 NWD Master Facility Services Agreement**”);
 - (3) the agreement to be entered into between the Company and NWS in relation to (a) the provision of the Cleaning and Laundry Services by the Enlarged Group to the NWS Group; and (b) the provision of the IT Support Services by the NWS Group to the Enlarged Group (“**2018 NWS Master Facility Services Agreement**”);
 - (4) the agreement to be entered into between the Company and NWDS in relation to the provision of the Cleaning and Laundry Services by the Enlarged Group to the NWDS Group (“**2018 NWDS Master Facility Services Agreement**”);
 - (5) the agreement to be entered into between the Company and CTFE in relation to the provision of the Cleaning and Laundry Services by the Enlarged Group to the CTFE Group (“**2018 CTFE Master Facility Services Agreement**”); and
 - (6) the agreement to be entered into between the Company and CTFJ in relation to the provision of the Cleaning and Laundry Services by the Enlarged Group to the CTFJ Group (“**2018 CTFJ Master Facility Services Agreement**”)

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| “30%-controlled company” | has the meaning ascribed to it under the Listing Rules |
| “Annual Caps” | the estimated maximum aggregate annual amounts in respect of the Services Transactions contemplated under each of the 2018 Master Facility Services Agreements for each of the period ending 30 June 2018, FY2019 and FY2020 as stated in the section headed “Annual Caps” in this announcement |
| “associate” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the Board of Directors |
| “Buyer” | FSE Facility Services Group Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company |
| “CAGR” | compound annual growth rate |
| “Change of Company Name” | the proposed change of the English name of the Company from “FSE Engineering Holdings Limited” to “FSE Services Group Limited” and adoption of the Chinese name “豐盛服務集團有限公司” as the dual foreign name of the Company in place of the existing Chinese name “豐盛機電控股有限公司” |
| “Company” | FSE Engineering Holdings Limited (豐盛機電控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 331) |
| “Completion” | the completion of the Proposed Acquisition in accordance with the Sale and Purchase Agreement |
| “Completion Date” | the date which is ten Business Days, or such other date as the Buyer and the Seller may agree, after the date (not being later than the Longstop Date) on which the last of the Conditions to be satisfied or waived is satisfied or waived (as applicable) |
| “Conditions” | the conditions for Completion set forth in the paragraph headed “Conditions precedent to Completion” of this announcement |
| “connected person” | has the meaning ascribed to it under the Listing Rules |
| “Consideration” | the consideration for the sale and purchase of the Sale Share, the initial sum of which being HK\$502,000,000, subject to adjustment under the Sale and Purchase Agreement |

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| “controlling shareholder” | has the meaning ascribed to it under the Listing Rules |
| “CTFE” | Chow Tai Fook Enterprises Limited (周大福企業有限公司), a company incorporated in Hong Kong with limited liability |
| “CTFE Group” | CTFE and its subsidiaries from time to time |
| “CTFJ” | Chow Tai Fook Jewellery Group Limited (周大福珠寶集團有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 1929) |
| “CTFJ Group” | CTFJ and its subsidiaries from time to time |
| “Definitive Agreements” | with respect to any 2018 Master Facility Services Agreement, the individual definitive agreements in respect of the Services Transactions contemplated under each of the 2018 Master Facility Services Agreements which may from time to time be entered into in pursuance thereto |
| “Directors” | the directors of the Company |
| “Doo’s Associates Group” | Mr. Doo and companies, other than members of the Enlarged Group, which are the 30%-controlled companies of Mr. Doo, his “immediate family members” and/or “family members” (as defined in the Listing Rules), individually or together, and the subsidiaries of such companies |
| “Dr. Cheng” | Dr. Cheng Kar Shun, Henry, the chairman and a non-executive Director of the Company |
| “EGM” | an extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the EGM Matters |
| “EGM Matters” | the Proposed Acquisition, the 2018 FSE Master Facility Services Agreements and the 2018 NWD Master Facility Services Agreement, the Service Transactions under these agreements and the Annual Caps for the same, and the proposed Change of Company Name |
| “Enlarged Group” | the Group as enlarged by the Target Group upon completion of the Proposed Acquisition |
| “FSE Holdings” | FSE Holdings Limited, a company incorporated in the Cayman Islands and a controlling shareholder of the Company holding 75% of the Shares in issue of the Company as at the date of this announcement |

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| “FY” or “financial year” | financial year of the Company ended or ending 30 June |
| “Group” | the Company and its subsidiaries from time to time |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of The People’s Republic of China |
| “Independent Board Committee” | an independent committee of the Board, which comprises all of the independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Mr. Hui Chiu Chung, Stephen, Mr. Lee Kwan Hung and Dr. Tong Yuk Lun, Paul, established to advise the Independent Shareholders on, among other matters, the fairness and reasonableness of the Proposed Acquisition, the 2018 FSE Master Facility Services Agreement and the 2018 NWD Master Facility Services Agreement, the Services Transactions contemplated under these agreements and the Annual Caps for the same |
| “Independent Financial Adviser” | Ballas Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders with regard to the Proposed Acquisition, the 2018 FSE Master Facility Services Agreement and the 2018 NWD Master Facility Services Agreement, the Services Transactions contemplated under these agreements and the Annual Caps for the same |
| “Independent Shareholders” | the Shareholders, other than FSE Holdings, NWD and their respective associates, who do not have any material interest in the Proposed Acquisition, the 2018 FSE Master Facility Services Agreement and the 2018 NWD Master Facility Services Agreement, the Services Transactions contemplated under these agreements and the Annual Caps for the same |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Longstop Date” | 30 June 2018 or such other date as the Buyer and the Seller may agree in writing |
| “Mr. Doo” | Mr. Doo Wai Hoi, William, one of the controlling shareholders of the Company |

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| “New China Steam Laundry Limited Group” | New China Steam Laundry Limited, Bright Team Enterprises Limited, New China Laundry Limited, New United Laundry Limited and Kleeners Limited |
| “NTAV” | the net tangible assets value of the Target Group |
| “NWD” | New World Development Company Limited (新世界發展有限公司), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 17) |
| “NWD Group” | NWD and its subsidiaries from time to time but excluding the NWDS Group and the NWS Group |
| “NWDS” | New World Department Store China Limited (新世界百貨中國有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 825) |
| “NWDS Group” | NWDS and its subsidiaries from time to time |
| “NWS” | NWS Holdings Limited, a company incorporated in Bermuda, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 659) |
| “NWS Group” | NWS and its subsidiaries from time to time |
| “Percentage Ratios” | the applicable percentage ratios under Rule 14.07 of the Listing Rules |
| “PRC” | the People’s Republic of China |
| “Proposed Acquisition” | the proposed acquisition of the Sale Share by the Buyer from the Seller on and subject to the terms and conditions of the Sale and Purchase Agreement and the performance of the transactions contemplated thereunder |
| “Reorganisation” | the series of transactions required in order for each member of the Waihong Cleaning Limited Group and the New China Steam Laundry Limited Group to become subsidiaries of the Target Company |
| “Sale and Purchase Agreement” | the conditional agreement for sale and purchase of the Sale Share entered into between the Seller and the Buyer on 27 February 2018 |

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| “Sale Share” | the 1 share of par value of US\$1.00 in the share capital of the Target Company legally and beneficially owned by the Seller, representing the entire issued share capital of the Target Company |
| “Seller” | FSE Management Company Limited (豐盛創建管理有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of FSE Holdings |
| “Services” | the provision of the following services collectively: <ul style="list-style-type: none"> (a) (in respect of the 2018 FSE Master Facility Services Agreement only) 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 (the “Rental and Related Services”); (b) (in respect of the 2018 NWS Master Facility Services Agreement only) IT software support services (the “IT Support Services”); and (c) (in respect of each 2018 Master Facility Services Agreement) cleaning and laundry services (the “Cleaning and Laundry Services”) |
| “Services Transactions” | the provision of the Services as contemplated under the 2018 Master Facility Services Agreements (as more particularly set out under the section headed “2018 Master Facility Services Agreements” of this announcement above) |
| “Share” | ordinary share of par value HK\$0.10 in the share capital of the Company |
| “Shareholder” | the holder of any Share |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | Crystal Brilliant Limited, a company incorporated in the British Virgin Islands with limited liability |
| “Target Group” | the Target Company, and members of each of (i) the New China Steam Laundry Limited Group, and (ii) the Waihong Cleaning Limited Group, which will at or before Completion become subsidiaries of the Target Company (and each member of the Target Group, a “Target Entity”) |

“Waihong Cleaning Limited Group” Waihong Cleaning Limited, Smart and Safe Fleet Management Limited, Waihong Environmental Services Limited, Waihong Integrated Green Services Limited, Waihong Medicare Services Limited, 廣州晉康清潔服務有限公司 and Premier Custodian Services Limited

“%” per cent

By order of the Board
FSE Engineering Holdings Limited
Cheng Kar Shun, Henry
Chairman

Hong Kong, 27 February 2018

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