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If you have sold or transferred all your shares in **FSE Lifestyle Services Limited**, you should at once hand this Circular to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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FSE LIFESTYLE SERVICES LIMITED

豐盛生活服務有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 331)

CONTINUING CONNECTED TRANSACTIONS

(1) NWD MASTER SERVICES AGREEMENT

(2) CTFJ MASTER SERVICES AGREEMENT

(3) CTFE MASTER SERVICES AGREEMENT

(4) DOO'S ASSOCIATES GROUP MASTER SERVICES AGREEMENT

AND

NOTICE OF EGM

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



SOMERLEY CAPITAL LIMITED

All capitalised terms used in this Circular shall have the meanings ascribed to them in the section headed "Definitions" of this Circular.

A letter from the Board is set out on pages 12 to 57 of this Circular. A letter from the Independent Board Committee is set out on pages 58 to 59 of this Circular. A letter from Somerley Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 60 to 108 of this Circular.

A notice convening the EGM to be held at 17th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong on Wednesday, 28 June 2023 at 12:00 noon is set out on pages EGM-1 to EGM-3 in this Circular.

A form of proxy for use at the EGM is enclosed with this Circular. Whether or not you are able to attend the EGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the EGM should you so wish.

5 June 2023

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DEFINITIONS

In this Circular,

(a) all references to Rules and Chapters are references to Rules and Chapters of the Listing Rules unless otherwise stated.

(b) the following expressions have the following meanings, unless the context requires otherwise.

“30%-controlled company”	has the meaning ascribed to it under the Listing Rules
“Announcement”	the announcement of the Company dated 28 April 2023 in relation to the Services Transactions contemplated under the New Master Services Agreements
“Annual Caps”	with respect to any New Master Services Agreement, the estimated maximum aggregate annual amounts in respect of the Services Transactions contemplated thereunder for each of the FY2024, FY2025 and FY2026
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	FSE Lifestyle Services Limited (豐盛生活服務有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 331)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Connected Parties”	the NWD Group, the CTFJ Group, the CTFE Group and the Doo’s Associates Group collectively
“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

DEFINITIONS

“Definitive Agreements”	with respect to any New Master Services Agreement, the individual definitive agreements in respect of the Services Transactions which may from time to time be entered into pursuant thereto
“Director”	the director of the Company
“Doo’s Associates Group”	companies, other than members of the Group, which are the 30%-controlled companies of Mrs. Doo and/or her “immediate 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 non-executive Director
“Effective Date”	1 July 2023
“EGM”	an extraordinary general meeting of the Company to be convened and held at 17th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong on Wednesday, 28 June 2023 at 12:00 noon to consider and approve the EGM Matters
“EGM Matters”	the New Master Services Agreements, the Services Transactions contemplated thereunder respectively and their Annual Caps
“Former Annual Caps”	with respect to any Former Master Services Agreement, the estimated maximum aggregate annual amounts in respect of the provision of the services contemplated thereunder for each of the FY2021, FY2022 and FY2023
“Former Master Services Agreements”	the following former master services agreements collectively: (1) the master services agreements dated 24 April 2020 and 19 April 2021 (“ Former CTFE Master Services Agreements ”) entered into between the Company and CTFE in relation to the provision of (a) the FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services) and the Insurance Solutions Services to Others by the Group to the CTFE Group; and (b) the CTFE Services by the CTFE Group to the Group;

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- (2) the master services agreements dated 24 April 2020 and 19 April 2021 (“**Former CTFJ Master Services Agreements**”) entered into between the Company and CTFJ in relation to the provision of (a) the FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services) and the Insurance Solutions Services to Others by the Group to the CTFJ Group; and (b) the CTFJ Services by the CTFJ Group to the Group;
- (3) the master services agreements dated 24 April 2020 and 19 April 2021 (“**Former Doo’s Associates Group Master Services Agreements**”) entered into between the Company and FSE Management in relation to the provision of (a) the FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services) and the Insurance Solutions Services to Others by the Group to the Doo’s Associates Group; and (b) the Doo’s Associates Services by the Doo’s Associates Group to the Group;
- (4) the master services agreements dated 24 April 2020 and 19 April 2021 (“**Former NWD Master Services Agreements**”) entered into between the Company and NWD in relation to the provision of (a) the FSE Services and the Insurance Solutions Services to NWD Group by the Group to the NWD Group; and (b) the NWD Services by the NWD Group to the Group;
- (5) the master services agreement dated 24 April 2020 (“**Former NWDS Master Services Agreement**”) entered into between the Company and NWDS in relation to the provision of, among other services, (a) the E&M engineering and Environmental Services and the Cleaning Services by the Group to the NWDS Group; and (b) the services by the NWDS Group to the Group; and

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	<p>(6) the master services agreements dated 24 April 2020 and 19 April 2021 (“Former NWS Master Services Agreements”) entered into between the Company and NWS in relation to the provision of (a) the FSE Services (excluding provision of carparking and facility management services) and part of the Insurance Solutions Services by the Group to the NWS Group; and (b) the services by the NWS Group to the Group</p>
“FSE Holdings”	FSE Holdings Limited (豐盛創建控股有限公司), a company incorporated in the Cayman Islands with limited liability and a controlling shareholder of the Company holding 75% of the issued Shares carrying the right to vote at general meetings of the Company as at the Latest Practicable Date
“FSE Management”	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
“FY” or “financial year”	financial year of the Company ended or ending 30 June
“Group”	the Company and its subsidiaries from time to time
“Independent Board Committee”	an independent committee of the Board, which comprises four independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Mr. Hui Chiu Chung, Stephen, Mr. Lee Kwan Hung, Eddie and Dr. Tong Yuk Lun, Paul, established to advise the Independent Shareholders on, among other matters, the fairness and reasonableness of the EGM Matters
“Independent Shareholders”	the Shareholders, other than FSE Holdings, CTFJ, CTFE, NWD, Mrs. Doo and their respective associates, who do not have any material interest in the EGM Matters to be considered at the EGM
“Insurance Solutions Services”	the Insurance Solutions Services to NWD Group and the Insurance Solutions Services to Others collectively
“Latest Practicable Date”	2 June 2023, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained in this Circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Mr. Doo”	Mr. Doo Wai Hoi, William, the spouse of Mrs. Doo
“Mr. Doo Jr.”	Mr. Doo William Junior Guilherme, an executive Director
“Mr. Lam”	Mr. Lam Wai Hon, Patrick, the executive vice-chairman and an executive Director of the Company
“Mrs. Doo”	Mrs. Doo Cheng Sau Ha, Amy, one of the controlling shareholders of the Company
“New Master Services Agreements”	<p>the following new master services agreements collectively:</p> <ol style="list-style-type: none">(1) the new master services agreement dated 28 April 2023 (“CTFE Master Services Agreement”) entered into between the Company and CTFE in relation to (a) the provision of the FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services) and the Insurance Solutions Services to Others by the Group to the CTFE Group; and (b) the CTFE Services by the CTFE Group to the Group;(2) the new master services agreement dated 28 April 2023 (“CTFJ Master Services Agreement”) entered into between the Company and CTFJ in relation to the provision of (a) the FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services) and the Insurance Solutions Services to Others by the Group to the CTFJ Group; and (b) the CTFJ Services by the CTFJ Group to the Group;(3) the new master services agreement dated 28 April 2023 (“Doo’s Associates Group Master Services Agreement”) entered into between the Company and FSE Management in relation to the provision of (a) the FSE Services and the Insurance Solutions Services to Others by the Group to the Doo’s Associates Group; and (b) the Doo’s Associates Services by the Doo’s Associates Group to the Group; and

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(4) the new master services agreement dated 28 April 2023 (“**NWD Master Services Agreement**”) entered into between the Company and NWD in relation to the provision of (a) the FSE Services and the Insurance Solutions Services to NWD Group by the Group to the NWD Group; and (b) the NWD Services by the NWD Group to the Group as a definitive agreement to the NWD Services Group Master Services Agreement

“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 (including the NWDS Group and the NWS Group)
“NWD Services Group Master Services Agreement”	the master services agreement dated 28 April 2023 made between Mr. Doo and NWD in relation to the provision of services as contemplated thereunder by the Services Group (Doo’s Associates) to the NWD Group and vice versa
“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 with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 659)
“NWS Group”	NWS and its subsidiaries from time to time
“Percentage Ratios”	the applicable percentage ratios under Rule 14.07

DEFINITIONS

- “Rental Services” the NWD Rental Services, the CTFJ Rental Services, the CTFE Rental Services and the Doo’s Associates Rental Services
- “Services”
- (1) the following services from the FSE Group:
 - (A) the following services (“**FSE Services**”):
 - 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, lift repair and maintenance services, electrical systems, system design and consultancy, computer aided drafting services and related services (“**E&M engineering and Environmental Services**”);
 - provision of 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 recycling and environmental services and related services (the “**Cleaning Services**”);
 - provision of facility and property management services, letting agency services, consultancy services, property sales, the provision of carparking, management and other related services (the “**Facility and Property Management Services**”);

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- provision of services of security guarding, event servicing, security services, security systems & technology (including installation and maintenance), security consultancy, armoured transit & vaulting security, escort & surveillance security services, supply of security products and related services (the “**Security, Guarding and Event Servicing Services**”);
 - provision of landscaping and plant maintenance, supply of plants and related services (the “**Landscaping Services**”);
- (B) provision of insurance underwriting services, insurance consultancy and advisory services, policy underwriting services, medical and health care services, rehabilitation and wellness enhancement and related services (the “**Insurance Solutions Services to NWD Group**”); and
- (C) provision of insurance brokerage services, insurance consultancy and advisory services, including without limitation to general insurances brokerage services related to property and casualty, construction projects, employee benefits, director and officer’s liability, prospectus liability and cyber risk liabilities and related services (the “**Insurance Solutions Services to Others**”);
- (2) the following services from the Connected Parties:
- (A) the following services (“**NWD Services**”):
- rental and licensing of the rights to use of properties, including without limitation, spare spaces, office spaces and carparking spaces, and related services (“**NWD Rental Services**”);
 - appointment, coordination, consultancy and other related services (“**Sundry Services**”);

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- 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 (“**IT Support Services**”); and
- supply of construction and building equipment and materials (“**Materials Supply Services**”)
- provision of services as main contractors, management contractors and project managers, subcontractors, suppliers or agents, building and general construction, civil engineering, building exterior and interior design, building maintenance and repair, renovation, maintenance consultancy and other services, demolition, piling and foundation, building and property fitting out and decoration work, construction management, hiring, procurement and supply of plant, machinery, equipment and materials, system design and consultancy, computer aided drafting services and related services (the “**Contracting Services**”);
- provision of convention and exhibition facilities, property management, hospitality and related functions and services (including property sales and letting agency services, pre-marketing consultancy services, technical services), food and beverage catering services, food processing, trading and supply, merchandise sourcing and related services (“**Facility and Property Management Services**”);

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- provision of insurance and related services, insurance underwriting services, insurance consultancy and advisory services, policy underwriting services, medical and health care services, rehabilitation and wellness enhancement and related services (“**Insurance Medical and Health Care Services**”)

(B) the following services (“**CTFE Services**”)

- leasing or licensing of properties, including, without limitation, spare spaces, car parking spaces and related services (“**CTFE Rental Services**”);

(C) the following services (“**CTFJ Services**”)

- leasing or licensing of properties, including, without limitation, spare spaces, car parking spaces and related services (“**CTFJ Rental Services**”); and

(D) the following services (“**Doo’s Associates Services**”):

- 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 (“**Doo’s Associates Rental Services**”)

“Services Group
(Doo’s Associates)”

(1) Mr. Doo and his immediate family members (as defined under the Listing Rules) and (2) any company in the equity capital of which Mr. Doo and/or his immediately family member(s) (individually or together) is/are or will be directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary. The Doo’s Associates Group and the Group are members of the Services Group (Doo’s Associates)

DEFINITIONS

“Services Transactions”	with respect to any New Master Services Agreement, the provision of the Services as contemplated thereunder (as more particularly set out under the paragraph headed “ New Master Services Agreements ” of the Letter from the Board of this Circular)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share”	ordinary share of par value HK\$0.10 in the share capital of the Company
“Shareholder”	the holder of any Share
“Somerville Capital” or “Independent Financial Adviser”	Somerville 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 EGM Matters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



FSE LIFESTYLE SERVICES LIMITED

豐盛生活服務有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 331)

Non-executive Director:

Dr. Cheng Kar Shun, Henry (*Chairman*)
(Mr. Doo Wai Hoi, William as his alternate)

Executive Directors:

Mr. Lam Wai Hon, Patrick (*Executive Vice-Chairman*)
Mr. Poon Lock Kee, Rocky (*Chief Executive Officer*)
Mr. Doo William Junior Guilherme
Mr. Lee Kwok Bong
Mr. Soon Kweong Wah
Mr. Wong Shu Hung
Dr. Cheng Chun Fai

Independent Non-executive Directors:

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

Registered office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

***Head office and principal place
of business in Hong Kong:***

Units 801–810, 8th Floor
Chevalier Commercial Centre
8 Wang Hoi Road
Kowloon Bay, Kowloon
Hong Kong

5 June 2023

To the Shareholders

Dear Sir or Madam

CONTINUING CONNECTED TRANSACTIONS

(1) NWD MASTER SERVICES AGREEMENT

(2) CTFJ MASTER SERVICES AGREEMENT

(3) CTFE MASTER SERVICES AGREEMENT

(4) DOO'S ASSOCIATES GROUP MASTER SERVICES AGREEMENT

INTRODUCTION

Reference is made to the Announcement. As disclosed in the Announcement, in the ordinary and usual course of business of the Group, members of the Group regularly entered into continuing connected transactions in relation to the provision of the Services with members of each of the NWD Group, the CTFJ Group, the CTFE Group and the Doo's Associates Group. In order to streamline these continuing connected transactions in relation to the provision of the Services, the Company entered into the New Master Services Agreements.

LETTER FROM THE BOARD

The purpose of this Circular is to provide you with, among other matters, (i) further details of the New Master Services Agreements and the Services Transactions contemplated thereunder respectively; (ii) the advice of the Independent Board Committee to the Independent Shareholders; (iii) the advice from Somerley Capital to the Independent Board Committee and the Independent Shareholders; and (iv) other information as required under the Listing Rules.

NEW MASTER SERVICES AGREEMENTS

1. NWD Master Services Agreement

As the initial term of the Former NWD Master Services Agreements is due to expire on 30 June 2023, the Company and NWD entered into the NWD Master Services Agreement which serves to continue to provide them with a master framework of agreement upon which the Definitive Agreements to be made pursuant thereto are to be entered into between the Group and the NWD Group. The Group is part of the Services Group (Doo's Associates) and the NWD Master Services Agreement was entered into as a definitive agreement to the NWD Services Group Master Services Agreement.

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

- Date** : 28 April 2023
- Parties** : (1) NWD; and
(2) the Company.
- Conditions Precedent** : The NWD Master Services Agreement is conditional upon:
- (1) the obtaining of the approval of the Independent Shareholders at the EGM approving the NWD Master Services Agreement, the Services Transactions contemplated thereunder and their Annual Caps; and
 - (2) (if required) the obtaining of the approval of the independent shareholders of NWD at an extraordinary general meeting of NWD approving the NWD Services Group Master Services Agreement, the transactions contemplated thereunder and their annual caps.

The above conditions precedent remain unfulfilled as at the Latest Practicable Date.

LETTER FROM THE BOARD

- Duration** : Subject to fulfillment of the conditions precedent contained in the NWD Master Services Agreement, the NWD Master Services Agreement shall be for an initial term of three years commencing on the Effective Date and ending on 30 June 2026 (both days inclusive), unless terminated at an earlier date pursuant to the NWD Master Services Agreement.
- Subject to re-compliance with the applicable requirements of the Listing Rules at the relevant time, the NWD Master Services Agreement may 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) unless either party gives written notice to the other party not less than 30 business days before the end of its initial term (or any subsequent renewed term) to terminate the NWD Master Services Agreement.
- Services to be provided by the Group to the NWD Group** : The FSE Services and the Insurance Solutions Services to NWD Group and such other types of services as members of the Group and members of the NWD Group may agree upon from time to time in writing.
- Services to be provided by the NWD Group to the Group** : The NWD Services and such other types of services as members of the Group and members of the NWD Group may agree upon from time to time in writing.
- Definitive Agreements** : Members of the Group and members of the NWD Group will, from time to time during the term of the NWD Master 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, the NWD Master Services Agreement and the NWD Services Group Master Services Agreement.

LETTER FROM THE BOARD

All definitive agreements entered into in respect of the transactions contemplated under the Former NWD Master Services Agreements, the Former NWDS Master Services Agreement and the Former NWS Master Services Agreements which are subsisting as at the Effective Date will be treated as Definitive Agreements made pursuant to the NWD Master Services Agreement as from the Effective Date and continue in full force and effect until their termination in accordance with their respective terms.

2. CTFJ Master Services Agreement

As the initial term of the Former CTFJ Master Services Agreements is due to expire on 30 June 2023, the Company and CTFJ entered into the CTFJ Master Services Agreement which serves to continue to provide them with a master framework of agreement upon which the Definitive Agreements to be made pursuant thereto are to be entered into between the Group and the CTFJ Group.

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

- Date** : 28 April 2023
- Parties** : (1) CTFJ; and
(2) the Company.
- Condition Precedent** : The CTFJ Master Services Agreement is conditional upon the obtaining of the approval of the Independent Shareholders at the EGM approving the CTFJ Master Services Agreement, the Services Transactions contemplated thereunder and their Annual Caps.
- Duration** : Subject to the fulfillment of the condition precedent of the CTFJ Master Services Agreement, the CTFJ Master Services Agreement shall be for an initial term of three years commencing on the Effective Date and ending on 30 June 2026 (both days inclusive), unless terminated at an earlier date pursuant to the CTFJ Master Services Agreement.

The above condition precedent remain unfulfilled as at the Latest Practicable Date.

LETTER FROM THE BOARD

Subject to re-compliance with the applicable requirements of the Listing Rules at the relevant time, the CTFJ Master Services Agreement may 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) unless either party gives written notice to the other party no later than two months before the end of its initial term (or any subsequent renewed term) to terminate the CTFJ Master Services Agreement.

- Services to be provided by the Group to the CTFJ Group** : The FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services), the Insurance Solutions Services to Others and such other types of services as members of the Group and members of the CTFJ Group may agree upon from time to time in writing.
- Services to be provided by the CTFJ Group to the Group** : The CTFJ Services and such other types of services as members of the Group and members of the CTFJ Group may agree upon from time to time in writing.
- Definitive Agreements** : Members of the Group and members of the CTFJ Group will, from time to time during the term of the CTFJ Master 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 CTFJ Master Services Agreement.

All definitive agreements entered into in respect of the transactions contemplated under the Former CTFJ Master Services Agreements which are subsisting as at the Effective Date will be treated as Definitive Agreements made pursuant to the CTFJ Master Services Agreement as from the Effective Date and continue in full force and effect until their termination in accordance with their respective terms.

LETTER FROM THE BOARD

3. CTFE Master Services Agreement

As the initial term of the Former CTFE Master Services Agreements is due to expire on 30 June 2023, the Company and CTFE entered into the CTFE Master Services Agreement which serves to continue to provide them with a master framework of agreement upon which the Definitive Agreements to be made pursuant thereto are to be entered into between the Group and the CTFE Group.

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

- Date** : 28 April 2023
- Parties** : (1) CTFE; and
(2) the Company.
- Condition Precedent** : The CTFE Master Services Agreement is conditional upon the obtaining of the approval of the Independent Shareholders at the EGM approving the CTFE Master Services Agreement, the Services Transactions contemplated thereunder and their Annual Caps.

The above condition precedent remain unfulfilled as at the Latest Practicable Date.

- Duration** : Subject to the fulfillment of the condition precedent of the CTFE Master Services Agreement, the CTFE Master Services Agreement shall be for an initial term of three years commencing on the Effective Date and ending on 30 June 2026 (both days inclusive), unless terminated at an earlier date pursuant to the CTFE Master Services Agreement.

Subject to re-compliance with the applicable requirements of the Listing Rules at the relevant time, the CTFE Master Services Agreement may 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) unless either party gives written notice to the other party no later than two months before the end of its initial term (or any subsequent renewed term) to terminate the CTFE Master Services Agreement.

LETTER FROM THE BOARD

- Services to be provided by the Group to the CTFE Group** : The FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services), the Insurance Solutions Services to Others and such other types of services as members of the Group and members of the CTFE Group may agree upon from time to time in writing.
- Services to be provided by the CTFE Group to the Group** : The CTFE Services and such other types of services as members of the Group and members of the CTFE Group may agree upon from time to time in writing.
- Definitive Agreements** : Members of the Group and members of the CTFE Group will, from time to time during the term of the CTFE Master 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 CTFE Master Services Agreement.

All definitive agreements entered into in respect of the transactions contemplated under the Former CTFE Master Services Agreements which are subsisting as at the Effective Date will be treated as Definitive Agreements made pursuant to the CTFE Master Services Agreement as from the Effective Date and continue in full force and effect until their termination in accordance with their respective terms.

4. Doo's Associates Group Master Services Agreement

As the initial term of the Former Doo's Associates Group Master Services Agreements is due to expire on 30 June 2023, the Company and FSE Management entered into the Doo's Associates Group Master Services Agreement which serves to continue to provide them with a master framework of agreement upon which the Definitive Agreements to be made pursuant thereto are to be entered into between the Group and the Doo's Associates Group.

The major terms of the Doo's Associates Group Master Services Agreement are set out below:

- Date** : 28 April 2023
- Parties** : (1) FSE Management; and
(2) the Company.

LETTER FROM THE BOARD

Condition Precedent : The Doo's Associates Group Master Services Agreement is conditional upon the obtaining of the approval of the Independent Shareholders at the EGM approving the Doo's Associates Group Master Services Agreement, the Services Transactions contemplated thereunder and their Annual Caps.

The above condition precedent remain unfulfilled as at the Latest Practicable Date.

Duration : Subject to fulfillment of the condition precedent contained in the Doo's Associates Group Master Services Agreement, the Doo's Associates Group Master Services Agreement shall be for an initial term of three years commencing on the Effective Date and ending on 30 June 2026 (both days inclusive), unless terminated at an earlier date pursuant to the Doo's Associates Group Master Services Agreement.

Subject to re-compliance with the applicable requirements of the Listing Rules at the relevant time, the Doo's Associates Group Master Services Agreement may 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) unless either party gives written notice to the other party no later than two months before the end of its initial term (or any subsequent renewed term) to terminate the Doo's Associates Group Master Services Agreement.

Services to be provided by the Group to the Doo's Associates Group : The FSE Services, the Insurance Solutions Services to Others and such other types of services as members of the 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 Group : Doo's Associates Services and such other types of services as members of the Group and members of the Doo's Associates Group may agree upon from time to time in writing.

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Definitive Agreements : Members of the Group and members of the Doo's Associates Group will, from time to time during the term of the Doo's Associates Group Master 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 Doo's Associates Group Master Services Agreement.

All definitive agreements entered into in respect of the transactions contemplated under the Former Doo's Associates Group Master Services Agreements which are subsisting as at the Effective Date will be treated as Definitive Agreements made pursuant to the Doo's Associates Group Master Services Agreement as from the Effective Date and continue in full force and effect until their termination in accordance with their respective terms.

QUALIFICATIONS OF ENGAGEMENT

The engagement to be made pursuant to each of the New Master 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 Group, the NWD Group, the CTFJ Group, the CTFE Group or the Doo's Associates Group (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 and/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 Group, the NWD Group, the CTFJ Group, the CTFE Group or the Doo's Associates Group (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 Group, the NWD Group, the CTFJ Group, the CTFE Group or the Doo's Associates Group (as the case may be) has (have) been selected by the relevant member(s) of the Group, the NWD Group, the CTFJ Group, the CTFE Group or the Doo's Associates Group (as the case may be) as the service provider as a result of the relevant auction or tender or other similar process.

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

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

Each of the Group, the NWD Group and the Doo's Associates Group effectively has the right and discretion same as those of the CTFJ Group and the CTFE Group mentioned in (1) immediate above despite that it is not an express provision under the NWD Master Services Agreement and the Doo's Associates Group Master Services Agreement.

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 New Master Services Agreements shall be determined:

- (1) in the ordinary and usual course of business of the Group and group members of the relevant Connected Parties;
- (2) on normal commercial terms and negotiated on arm's length basis;
- (3) at prices and on terms no less favourable to the Group or the group member(s) of the relevant Connected Parties (as the case may be) than those charged and provided to independent third party customers of (a) the Group (in respect of the FSE Services and the Insurance Solutions Services); or (b) the NWD Group (in respect of the NWD Services); or (c) the CTFJ Group (in respect of the CTFJ Services); or (d) the CTFE Group (in respect of the CTFE Services); or (e) the Doo's Associates Group (in respect of the Doo's Associates Services); and
- (4) at prices and on terms no less favourable to the Group or the group member(s) of the relevant Connected Parties (as the case may be) than those paid to or available from independent third party suppliers of (a) the Group (in respect of the NWD Services, the CTFJ Services, the CTFE Services and the Doo's Associates Services); or (b)

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each of the NWD Group, the CTFJ Group, the CTFE Group and the Doo's Associates Group (in respect of the relevant FSE Services and the Insurance Solutions Services).

Pricing policy and procedures

Subject to the general principle above, the pricing policy and procedures adopted and applied by the Group in setting the contract prices and terms of the Services Transactions with members of the relevant Connected Parties are described below.

These pricing policy and procedures ensures that the Group will conduct a comparison of the terms of the Service Transactions (including the pricing terms) with the market terms before entering into such transactions and that the terms of the Service Transactions will be comparable to market norm (or on terms more favourable than those available from independent third parties). In addition, the Company has established internal control measures for reporting and monitoring on continuing connected transactions, including the regular checks by the legal and company secretarial managers and the general managers of the Group to ensure the adherence to these pricing policy and procedures, the annual assessment of the transactions conducted by internal audit department of the Group, etc., details of which are set out in the paragraph headed "Internal Control Measures" below in the Letter from the Board of this Circular.

Therefore, the Directors are of the view that these pricing policy and procedures can ensure that the Service Transactions will be conducted on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

Services to be provided by the Group

E&M engineering and Environmental Services

As regards the electrical & mechanical engineering services to be provided by the Group as part of the E&M engineering and Environmental Services pursuant to the relevant New Master Services Agreements, members of the Group are typically engaged as subcontractor, contractor, management contractor or project manager of the E&M engineering and Environmental Services of the relevant projects after having been selected from participating tenderers or contractors by members of the relevant Connected Parties:

- Where a member of the Group participates in a tender with all bidders (including independent third parties in the market), the winning bid of which will usually be the one with the lowest tender amount in accordance with the employer's tender procedures on the condition that the bidder conformed to all the essential requirements (including but not limited to relevant experience, capability and historical relationship) as set out in the bid invitation from the employer. For each potential project, the tender information is submitted to the Group's tender department for review. The preparation of tenders is a very important aspect of the Group's E&M engineering operations and requires considerable experience in pricing the tender so that it is competitive while remaining profitable. The tender preparation process includes tender wrap-up meeting to perform a thorough analysis of the

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project to be undertaken including contract requirements and possible risks, followed by the collection of cost data. Such data include quotations from suppliers for materials to be used in the project, estimates on management resources, and material and labour costs.

- In pricing a tender, the Group also make references to recent job quotations, such as tender record, major material and equipment costs and subcontractor's labour costs, quotations, resources availability of the Group's projects completed or in progress which are stored in the Group's data system. In addition, related market information, such as material price trend (e.g. information from the website of London Material Exchange and external reports e.g. Arcadis Quarterly construction cost review) and potential contract opportunities are also retrieved for reference. Before submission, each tender has to be reviewed by the Group's contract managers and approved by the Group's project director in accordance with the Group's pricing policy and limits of authority. In the tender wrap up process as referred to above in the determination of the tender price as may be submitted by the Group, the project director and where the proposed tender sum is more than certain thresholds as set out in the Group's pricing policy from time to time, the top management committee, will review the reasonableness of the tender price which included a mark-up, by reference to the unit costs (such as cost per area, cost per capacity or rating, cost per numbers of flat or unit, cost per equipment etc.) and to compare with the current and historical market prices of similar projects and tenders available and stored in the Group's data system (the current and historical market prices include successful tender prices by the Group and successful tender prices from other competitors if the relevant projects were not awarded to the Group, and recent tender prices submitted), to ensure that the tender price as may be submitted by the Group is fair, reasonable and competitive. The Group adopts the same pricing policy and procedures in the determination of the tender prices to connected persons of the Company as well as to independent third party customers of the Group in order to ensure that the tender prices as may be submitted by the Group to connected persons of the Company will be fair and reasonable and no less favourable to the Group than those offered to the independent third party customers.
- If the tender is from any connected person of the Company, the preparation and submission of the quotation should follow the same procedure as that with third party customer under a fair basis.
- In essence, the tender prices and terms of the Group's electrical & mechanical engineering services are project specific and will be at a fixed monetary amount and on terms assessed by the Group's contract managers, reviewed and approved by the Group's project director in charge of the relevant project in accordance with the Group's approved pricing policy which takes into account factors like the nature and complexity of the relevant project, the estimate of the costs and expenses of the Group, the requirements of the employer or main contractor of the relevant project.

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- For non-tendering contracts of the Group's electrical & mechanical engineering services, the Group's contract sum and terms will be assessed and determined by adopting the same pricing policy and procedures as in the determination of the Group's tender prices and terms.
- For other services which form part of the Group's electrical & mechanical engineering services, which are mainly in respect of the supply of E&M engineering equipment and building materials, the Group's contract sums will be at a fixed monetary amount based primarily on the Group's purchase costs which include mainly the costs of purchasing E&M engineering equipment and building materials, and all direct costs including applicable shipping or air freight costs with a reasonable mark-up to or close to the indicative benchmark rate (which rate is from time to time reviewed by the general manager of the building materials trading division of the Group annually or on an as needed basis and available to all relevant staff of the Group who is involved in the determination of the contract sums of the relevant projects to which supply of E&M engineering equipment and building materials are to be provided by the Group after considering external reports e.g. Arcadis Quarterly construction cost review) above or reflective of the current market prices of the relevant E&M engineering equipment and/or building materials to be supplied by the Group. The corporate development/sales manager of the building materials trading division of the Group is responsible for compiling and updating a list of the current market prices of the relevant E&M engineering equipment and/or building materials to be supplied by the Group and monitoring any change from time to time based on market prices information as is available from the markets including market prices or their trend as may be gathered from other services providers from projects in which the Group has made tenders and the price list provided to the Group by its suppliers at least annually or when there is a change in the price, against which the latest quote from the relevant supplier of a particular E&M engineering equipment or building material will be referenced to in the determination of the contract sums so that the contract sums provided by the Group are competitive while remaining profitable to the Group and on terms assessed on the Group's standard terms in general. The reasonable mark-up and the selling price for the relevant Services are approved by the general manager of the building materials trading division of the Group. The Group adopts the same pricing policy and procedures in the determination of the contract sums for the supply of E&M engineering equipment and building materials of the Group to connected persons of the Company as well as to independent third party customers of the Group which the general manager of the building materials division of the Group has to adhere to in the determination of the said contract sums, which are, as said, above or reflective of the market prices of the relevant E&M engineering equipment and/or building materials to be supplied by the Group and is therefore fair and reasonable and no less favourable to the Group than those offered to the independent third party customers.

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As regards the environmental management services to be provided by the Group as part of the E&M engineering and Environmental Services pursuant to the relevant New Master Services Agreements:

- In essence, the Group's contract sum and terms will be at a fixed monetary amount based primarily on the Group's purchase costs which include mainly the costs of purchasing environmental products and equipment and all direct costs including applicable shipping or air freight costs, and direct labour costs or subcontractor costs estimated based on the nature, complexity and the requirements of the property owner or main contractor of the relevant project with a mark-up as determined by reference to the latest market trend and acceptable pricing level which is monitored and assessed by the respective managers of environmental management services division of the Group from time to time based on market information available from the markets (e.g. information from Notice of the Award of Contract at the website of Environmental Protection Department of the government) or their trend as may be gathered from projects in which the Group had made tenders in the past, so that the contract sums or prices including the mark-up provided by the Group are reasonable, competitive while remaining profitable to the Group and on terms assessed on the Group's standard terms in general. The prices including the mark-up for the relevant services are reviewed and approved by the general manager of the environmental management division of the Group.
- If the job is from any connected person of the Company, the preparation and submission of the quotation should follow the same procedure as that with independent third party customer under a fair basis. The general manager of the environmental management services division of the Group is to adhere to the aforesaid pricing policy and procedures, which apply to all customers of the Group irrespective of whether or not they are independent third party customers or are connected persons of the Company, in the determination of the contract sum for the supply of environmental management services to ensure that the contract sums or prices are fair and reasonable and no less favourable to the Group than those offered to the independent third party customers.

Cleaning Services

As regards the Cleaning Services to be provided by the Group pursuant to the relevant New Master Services Agreements:

- In general, the fees payable by the Connected Parties will be determined by reference to comparables of fee quotations provided by the Group to other independent customers, taking into account factors including the nature and type of services to be rendered;
- The marketing department identifies business opportunities by reviewing public tender notices and through invitations from customers to submit tenders for potential work. The marketing department is responsible for the preparation of tenders according to the tender preparation policies and procedures.

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- During such tendering process, the Group estimates the service charge of each service based on the estimated cost under each service contract, such as (i) the estimated manpower required according to the scope of services required by the customer; (ii) materials and consumables required; and (iii) equipment required, plus a profit margin. The estimated service charges may need to be adjusted in order to enhance the competitiveness of the Group's tenders.
- The proposed profit margin for the cleaning services would be determined taking into account factors including the nature and complexity of the relevant project; the expected competitiveness of the tender based on the previous experience; the historical profit margin of similar type of existing contract; and the strategic consideration of the contract, etc. The Group adopts the same pricing policy and procedures in the determination of the service charge to the connected persons of the Group as well as to independent third party customers of the Group in order to ensure that the service charge as may be submitted by the Group to connected persons of the Group will be fair and reasonable and no less favourable to the Group than those offered to the independent third party customers. The reasonable profit margin and the service charge for the relevant services are approved by the marketing managers, deputy general manager, general manager and directors in accordance with the company's approval procedures with limits of authority.
- For non-tendering contracts of the Group's cleaning services, where a member of the Group are invited to provide a fee quotation, the contract sum and terms will be assessed and determined by adopting the same pricing policy and procedure as in the determination of the Group's tender prices and terms.

Facility and Property Management Services

As regards the Facility and Property Management Services to be provided by the Group pursuant to the relevant New Master Services Agreements:

- The facility and property management services involve the administration, control, operation and oversight services of property by the owner itself or typically by another party (i.e. property manager), in order to preserve the value of the property and therefore to offer better environment for residents or users.
- Main types of facility and property management services include property, facilities and venue management, property sales, letting agency services, rental collection services, consultancy services, technical services, housekeeping and cleaning services, security and guarding services, repair and maintenance services, provision of carparking management and other services for building.
- The property management manager explores the possibility of business opportunities by reviewing public tender notices and through invitation from customers to submit tenders or quotations for potential property management project. The property management department is responsible for the preparation of tenders and quotations according to the tender and quotation preparation policies and procedures.

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- During such process, the Group estimates the service charge of each service based on estimated cost under each service contract such as (i) the estimated manpower and qualified professional staff required according to the scope of services required by the customer; (ii) material and consumables required; (iii) equipment required plus a profit margin on normal commercial terms based on the prevailing market rate. The proposed profit margin for the facility and property management services would be determined taking into account factors including the nature and complexity of the relevant project; the expected competitiveness of the tender based on the previous experience; the historical profit margin of similar type of existing contract. Also, there are management service contracts which the Group receives the income by the way at a fixed manager's remuneration charge rate or fixed service charge rate based on the expenditure spent in the owners' property management building accounts on the market comparable charge rate and normal commercial terms. The Group adopts the same pricing policy and procedures in the determination of the service charge to the connected persons of the Group as well as to independent third party customers of the Group in order to ensure that the service charge as may be submitted by the Group to connected persons of the Group will be fair and reasonable and no less favorable to the Group than those offered to the independent third party customer. The reasonable profit margin and service charge (on normal commercial terms based on the prevailing market rate) for relevant service are approved by the operation of group manager and general manager and director in accordance with the company's approval procedures with limits of authority.
- For tendering contract, where a member of the Group are invited in a tender for a service project with all bidders (including independent third parties in the market), the winning bid of which will usually be the one with the lowest tender amount in accordance with the employer's tender procedures on the condition that the bidder conformed to all the essential requirements (including but not limited to relevant experience, capability and historical relationship) as set out in the tender invitation from the employer.
- For non-tendering contracts, where a member of the Group are invited to provide a fee quotation, the contract sum and terms will be assessed and determined by adopting the same pricing policy and procedure as in the determination of the Group's tender prices and terms.

Security, Guarding and Event Servicing Services

As regards the Security, Guarding and Event Servicing Services to be provided by the Group pursuant to the relevant New Master Services Agreements:

- The fees payable by the Connected Parties to the Group will be determined by reference to comparable of fee quotations provided by the Group to other independent customers, taking into account factors including the nature and type of services to be rendered.

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- Where the Group participates in a tender alongside a main contractor or a tenderer, the Group would conduct a detailed analysis which begins with a throughout study of the tender requirements. Factors that the Group takes into account include the number of staff required for the project, the qualifications of the staff required for the project (both academic qualification and experience), the location of the project, the nature of work and the type of premises (such as whether it is a residential estate, a commercial complex or a public facility). The Group would then analyse such factors and tailor the specific solution applicable for the tender. Once such solutions are prepared, the Group would be able to assess the costs related to such project.
- In assessing the costs of the project, the labour cost plays a significant factor given the Security, Guarding and Event Servicing Services are labour intensive. The Group would consider the prevailing statutory minimum wage level and the wages offered by itself or its competitors for similar type of projects. For certain projects in certain geographical area or projects that require higher service standard, additional allowance and wage adjustments would be taken into account in assessing the cost base of the tender. The Group would also consider other costs such as equipment and other overheads.
- The Group would also consider the proposed profit margin for the projects before the tender submission, which would include factors such as the geographical area of the project, the contract duration, the nature of work, the complexity of the project, the expectation of the service level and the historical profit margin for similar type of projects. The Group would also consider the recent tender submissions by its competitors in order to remain competitive in the market.
- The tender requirements are examined with inputs from operations and marketing staff of the Group, the latter will also prepare a costing with all costs elements and profit margins as illustrated above. The proposal, including the costing, will then be approved and signed by a general manager/assistant general manager of the relevant business group.
- For non-tendering contracts where the Group's customers invite it to provide fee quotations, the Group will assess the work required and the costs in a similar manner in a tendering process before confirming the service fees and the terms of the contracts.
- The Group adopts the same pricing policy and procedures in the determination of the service charge across all of its customers (whether to its connected persons or to independent third party customers) for its Security, Guarding and Event Servicing Services in order to ensure that the service charge as may be submitted by the Group to such connected persons of the Group will be fair and reasonable and no less favourable to the Group than those offered to the independent third party customers.

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Insurance Solutions Services

As regards the Insurance Solutions Services to be provided by the Group pursuant to the relevant New Master Services Agreements:

- The fees payable by the relevant Connected Parties to the Group will be determined by reference to comparable of fee quotations provided by the Group to other independent customers, taking into account factors including the nature and type of services to be rendered.
- In most circumstances, the Group serves as an intermediary between the insurers and the end customers and its revenue arises from the commission received from the insurers. The Group is remunerated for its services by the receipt of the brokerage paid by the insurer. It is generally a certain percentage of the premium paid by the end consumer. The brokerage rate received by the Group is in line with the normal level of commission paid in the insurance market. On this basis, the Group does not charge its customers in providing its Insurance Solutions Services. The commission received by the Group from the insurers depend on various factors, including, among others, the amount of premium, the type of the insurance policy and the insurance market practice.
- After understanding the customers' needs, the Group would prepare the quotation slips with proposed insurable terms and conditions and invite insurers to submit quotations. The Group would present the quotations received to the customers with its recommendations. The customers would then make their own choices accordingly. The internal documents (including but not limited clients' proposal, quotation slips, confirmation slips and debit notes) are prepared by the relevant account manager or executive, the document will then be reviewed by his or her supervisors as per the Group's policy. Reviewing record is documented in the form of a checklist in order to minimize any errors and/or omission incurred. Depending on the premium level and total insured values, approval from senior staff is needed as per the signing authority matrix of the Group. For scheme products, the terms and pricing are proposed by the department head and approved by the general manager of the Group. For other insurance policy with small premium and/or insured values, the senior staff is informed during the procurement process.
- Generally speaking, the amount of insurance premium is determined by the insurer, normally as a certain percentage of the sum insured or a flat premium after consideration of the risk exposure by the underwriters.
- Notwithstanding the above, certain customers of the Group instructs the Group to provide Insurance Solutions Services or consultancy services and the Group would charge such customers for such services based on the scope of services, the complexity of the instructions, the time, manpower required for the Group to provide such services and the strategic consideration of the relevant client's account.

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- The Group adopts the same pricing policy and procedures in the determination of the service charge across all of its customers (whether to its connected persons or to independent third party customers) for its Insurance Solutions Services in order to ensure that the service charge as may be submitted by the Group to such connected persons of the Group will be fair and reasonable and no less favourable to the Group than those offered to the independent third party customers.

Landscaping Services

As regards the Landscaping Services to be provided by the Group pursuant to the relevant New Master Services Agreements:

- The fees payable by the relevant Connected Parties to the Group will be determined by reference to comparable of fee quotations provided by the Group to other independent customers, taking into account factors including the nature and type of services to be rendered.
- In assessing the service fees for its Landscaping Services, factors that the Group would consider include the relevant costs, the market reference and its strategic development in the relevant contracts.
- For its cost analysis, the Group would consider the labour costs, administrative costs, the required materials and the costs of the plantations. If specific plants are required by the customer that are harder to source or are more perishable, it would increase the costs in sourcing, acquiring and maintaining such plantations. Further, the Group would also consider more case specific factors, including the location of services (such as whether such location is easily reachable) and the potential risk exposure associated with extreme weather conditions as some locations in Hong Kong are more susceptible to natural hazards such as typhoons.
- For market reference, given the landscaping industry has low entry barrier and is very competitive, the Group will need to stay on top of the competition and consider if its quotation is attractive comparing to other market players while maintaining an acceptable profit margin. The Group would consider its historical fee quotations and profit margin for similar type of projects as well as the recent fees charged by its competitors in coming into a competitive quotation.
- Strategic consideration is also important for the Group in assessing its services fees in the Landscaping Services business, it will consider the contract size, the length of the contract and any potential business growth (such as whether there will be future opportunities in other sites from the customers) from a strategic perspective. For strategic customers that entered into service contracts with the Group for a longer period and/or for a number of locations, the Group may offer more attractive terms in securing and strengthening such business relationships.

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- Procedural wise, the project officer or senior operation manager/deputy general manager/assistant general manager would calculate the expected costs as the base line for the tender proposal, depending on the tender requirement and the background of customers, the changes offered for existing client with similar nature will be compared. In most cases, the charges offered to two existing clients will be compared if available. Other factors include but not limited to nature and complexity of the relevant project, the expected competitiveness of the tender based on the previous experience and the historical profit margin of similar type of existing contract and the strategic consideration of the contract, etc. Finally, proposal for tender is concluded by the project officer or senior operation manager/deputy general manager/assistant general manager after consolidation of all information mentioned above and the proposal will then be reviewed and approved by the general manager of such business or senior operation manager/deputy general manager/assistant general manager in accordance with the Company's approval procedures with limits of authority.
- The Group adopts the same pricing policy and procedures in the determination of the service charge across all of its customers (whether to its connected persons or to independent third party customers) for its Landscaping Services in order to ensure that the service charge as may be submitted by the Group to such connected persons of the Group will be fair and reasonable and no less favourable to the Target Group than those offered to the independent third party customers.

Services to be provided by members of the Connected Parties

Contracting Services

As regards the Contracting Services to be provided to the Group by members of the NWD Group pursuant to the NWD Master Services Agreement:

- Comparables of a sufficient number of fee quotations, a minimum of two comparables will be obtained from other independent service providers which are on the list of the services providers of the Group and hold relevant qualification with the Works Bureau or the Buildings Department if applicable for the services and assessed (including assessing whether the comparables obtained are appropriate ones after taking into account of financial capability, workload, scope and standard of Contracting Services offered which meet the requirements of the Group and the past performance and relevant experience of the independent service providers) and reviewed by the manager of tender department of the Group upon which the fairness and reasonableness of the prices and terms as may be offered by members of the NWD Group can be compared and assessed by the Group in determining if they are fair and reasonable and comparable to those offered by independent third parties, taking into account factors like reputation, quality and reliability of the Connected Party concerned as compared to independent service providers. If a member of the NWD Group offers the price and terms equal to or better than those offered by the independent service providers and conforms to all the essential requirements

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(including but not limited to relevant experience, compliance with specifications, capability and historical relationship) of the services to be provided, the Group may award the contract to such member of the NWD Group.

Facility and Property Management Services

As regards the Facility and Property Management Services to be provided to the Group by members of the NWD Group pursuant to the NWD Master Services Agreement:

- The fees payable by the Group will be determined by reference to the market prices provided to the Group by quotations obtained from other independent service providers which are on the list of service providers of the Group and hold the property management company licence if applicable and a minimum of two relevant quotations will be obtained if available, taking into account factors including the nature, type of services to be rendered and the venue or locations and requirements of the event, functions or activities as determined by the Group that if a member of the NWD Group offers the price and terms equal to or better than those offered by the independent service providers and conforms to all the essential requirements (including but not limited to relevant experience, compliance with specifications, capability and historical relationship) of the services to be provided, the Group may award the contract to such member of the NWD Group.

Insurance Medical and Health Care Services

As regards the Insurance Medical and Health Care Services to be provided to the Group by members of the NWD Group pursuant to the NWD Master Services Agreement:

- The premium or fees payable by the Group will be determined by reference to the quotations obtained from other independent insurers which are on the register of Authorized Insurers of the Insurance Authority and a minimum of two relevant quotations will be obtained and followed by detailed analysis of the pricing, service quality, policy coverage, any unacceptable policy exclusions or conditions, infrastructure (like e-claims or Apps for submission of claims, number of clinics under their network (for medical insurance), financial standing of the insurers (like A rated or above by Standard & Poors)) that if a member of the NWD Group offers the price and terms equal to or better than those offered by the independent service providers and conforms to all the essential requirements (including but not limited to relevant experience, compliance with specifications, capability and historical relationship) of the services to be provided, the Group may award the contract to such member of the NWD Group.

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IT Support Services

As regards the IT Support Services to be provided to the Group by members of the NWD Group pursuant to the NWD Master Services Agreement:

- The fees payable by the Group will be determined based on arm's length negotiations between the service provider and the service recipient, taking into account factors including the number of users, types of functions and the replacement costs of the relevant IT systems or software, and where comparables are available for the type of service concerned then two quotations from other independent services providers will be obtained, they would also be taken into account when the service charges are determined that if a member of the NWD Group offers the price and terms equal to or better than those offered by the independent service providers and conforms to all the essential requirements (including but not limited to relevant experience, compliance with specifications, capability and historical relationship) of the services to be provided, the Group may award the contract to such member of the NWD Group.
- Administration and support department manager considers the above factors, and submits the proposal to the general manager — IT and the general manager of the relevant business group for approval.

Materials Supply Services

As regards the Materials Supply Services to be provided to the Group by members of the NWD Group pursuant to the NWD Master Services Agreement:

- Comparable of at least two quotations will be obtained from other independent service providers on the relevant list of service providers of the Group and assessed (including assessing whether the comparable obtained is appropriate after taking into account of financial capability, workload, scope and standard of Materials Supply Services offered which meet the requirements of the Group and the past performance and relevant experience of the independent service providers) and reviewed by the manager of tender and procurement department of the Group upon which the fairness and reasonableness of the prices and terms as may be offered by members of the NWD Group can be compared and assessed by the manager of the tender and procurement department of the Group in determining if they are fair and reasonable and comparable to those offered by independent third parties, taking into account factors like reputation, quality and reliability of the NWD Group as compared to independent service providers before approving the pricing of the Materials Supply Services. If a member of the NWD Group offers the price and terms equal to or better than those offered by the independent service providers and conforms to all the essential requirements (including but not limited to relevant experience, compliance with specifications, capability and historical relationship) of the services to be provided, the Group may award the contract to such member of the NWD Group.

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Rental Services

As regards the Rental Services to be provided to the Group by members of the NWD Group, the CTFJ Group, the CTFE Group and the Doo's Associates Group pursuant to the NWD Master Services Agreement, the CTFJ Master Services Agreement, the CTFE Master Services Agreement and the Doo's Associates Group Master Services Agreement respectively:

- The rental payable by the Group will be determined by reference to the market rental of the properties, carparking spaces, vehicle and vessels concerned current at or close to the lease commencement date by reference to two rentals comparables of similar properties and carparking spaces, in similar locations and where applicable, with comparable facilities, and rentals comparables of vehicle and vessels obtained from independent property agencies or parties which are on the register of Estate Agents Authority.
- The existing rental paid by the Group under each existing lease agreement was determined by reference to the market rental of the property concerned current at or close to the lease commencement date; and
- The rental payable by the Group under each new lease agreement, whether or not in relation to property currently leased by the Group from members of the relevant Connected Parties, 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 a minimum of two rentals comparables of similar properties in similar locations and where applicable, with comparable facilities, obtained from independent property agencies or other parties, including reputable independent professional property valuers, collected, assessed (including assessing whether the comparables collected are appropriate ones) and reviewed by the administration manager of the Group (who has experience in administration and is responsible for the office administrative work including but not limited to the administration of rental arrangement) for approval of the pricing of the Rental Services by the Directors that if a member of the NWD Group, CTFE Group, CTFJ Group or Doo's Associates Group offers the rental and terms equal to or better than those offered by the independent owners and conforms to all the essential requirements (including but not limited to locations, user, area, facilities) of the properties to be provided, the Group may enter into agreement with such member of the NWD Group, CTFE Group, CTFJ Group or Doo's Associates Group.

Sundry Services

As regards the Sundry Services to be provided to the Group by members of the NWD Group pursuant to the NWD Master Services Agreement:

- The fees payable by the Group will be determined by reference to at least two comparables if available of the market prices obtained by the Group from other independent suppliers, taking into account factors including the nature, locations and type of services to be rendered that if a member of the NWD Group offers the fee and terms equal to or better than those offered by the independent service providers

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and conforms to all the essential requirements (including but not limited to relevant experience, capability and historical relationship) of the services to be provided, the Group may enter into agreement such member of the NWD Group.

INTERNAL CONTROL MEASURES

The Group has established internal control measures for reporting and monitoring on continuing connected transactions to ensure compliance with Chapter 14A.

According to the Group's prevailing internal accounting policy and procedure manual which covers the identification, approval and execution, registration, reconciliation and checking, reporting and monitoring of the continuing connected transactions, the designated officer of operation department and supporting department who will ensure that the continuing connected transactions are on normal commercial terms and no less favourable to those offered to/by independent third parties, will immediately report to the legal and company secretarial manager and senior finance manager with details of the possible notifiable or connected transactions to be entered by the Group for review and checking in order to determine the appropriate type of disclosure in compliance with Chapter 14A for final confirmation by the Company Secretary. For a transaction that falls within the scope of continuing connected transactions in the ordinary and usual course of business of the Group, the legal and company secretarial manager will check with the actual monthly continuing connected transaction and ensure the transaction amounts of the potential connected transactions should not exceed the annual caps of the continued connected transaction.

Meanwhile, the internal audit department of the Group will carry out annual assessment of the continuing connected transactions conducted by the Group for each financial year and report to the board of Directors by examining records and documents of the continuing connected transactions to check whether the policy and procedures on the identification, approval and execution, registration, reconciliation and checking, reporting and monitoring of the continuing connected transactions are in order and effective to ensure that the continuing connected transactions were carried out at arm's length and the terms are comparable to those projects of independent third parties.

Furthermore, pursuant to Chapter 14A:

- (1) the independent non-executive Directors of the Company shall, on an annual basis, review the transactions contemplated under the New Master Services Agreements and confirm, among other matters, such transactions have been entered into according to the agreement governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole; and
- (2) the external auditors of the Group shall, on an annual basis, report on the transactions contemplated under the New Master Services Agreements and confirm, among other matters, whether anything has come to their attention that causes them to believe such transactions were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions.

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Set out below are the Group's internal procedures in place which help to ensure that the Definitive Agreements will be entered into in accordance with the terms of the New Master Services Agreements, on normal commercial terms and no less favourable to those offered to/by independent third parties:

- (1) **Access to Documentation and Information:** Members of the operational teams of the Group have full access to the New Master Services Agreements, the pricing terms and policies of the Group, trends in market prices of the Services to ensure that they are well aware of all these and their changes prior to negotiating and assessing the terms of the Definitive Agreements.
- (2) **Strict compliance with the Group's pricing policy and procedures:** Members of the operational teams of the Group are required to follow strictly the Group's pricing policy and procedures (and in case of tenders, the Group's internal tendering guidelines and procedures) in respect of the Services when negotiating the terms of the Definitive Agreements and to seek the view and advice of the company secretary of the Company in case of queries.
- (3) **Approval Process:** The final terms of the Definitive Agreements (or as the case may be, the terms and conditions of the tenders) will have to be reviewed by the company secretary of the Company and approved by at least one authorized Director prior to signing (or as the case may be, the making of the tender) to ensure the terms of Definitive Agreements are in compliance with the New Master Services Agreements, on normal commercial terms and no less favourable to those offered to/by independent third parties.
- (4) **Compliance Review:** Compliance with the Group's internal procedures are reviewed on an annual basis by the internal audit department of the Group to identify if any aspects of the internal procedures require improvement and provide recommendations to the audit committee of the Board of the Company for approval.

HISTORICAL AGGREGATE TRANSACTION AMOUNTS

The historical aggregate transaction amounts in respect of the Services Transactions for the FY2021, FY2022 and the six months ended 31 December 2022 respectively are set out below.

The historical aggregate transaction amounts in respect of the Security, Guarding and Event Servicing Services, the Insurance Solutions Services and the Landscaping Services commenced from 19 April 2021 when the Group complete its acquisition of the group of companies providing such services as announced in the Company's announcements dated 26 February 2021, 19 April 2021 and in the circular of the Company dated 19 March 2021.

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Services between the Group and the NWD Group

Categories	Aggregate transaction amount		
	FY2021 <i>(HK\$'000)</i>	FY2022 <i>(HK\$'000)</i>	Six months ended 31 December 2022 <i>(HK\$'000)</i>
FSE Services and the Insurance Solutions			
Services to NWD Group provided by the Group	1,999,719	2,570,995	1,531,509
NWD Services provided by the NWD Group	<u>8,564</u>	<u>11,171</u>	<u>4,202</u>
Total	<u><u>2,008,283</u></u>	<u><u>2,582,166</u></u>	<u><u>1,535,711</u></u>

Note: The Former Annual Caps for services provided by the Group to the NWD Group are HK\$3,901,808,000 (FY2021), HK\$5,950,760,000 (FY2022) and HK\$6,773,091,000 (FY2023). The Former Annual Caps for services provided by the NWD Group to the Group are HK\$77,376,000 (FY2021), HK\$112,107,000 (FY2022) and HK\$112,516,000 (FY2023).

Services between the Group and the CTFJ Group

Categories	Aggregate transaction amount		
	FY2021 <i>(HK\$'000)</i>	FY2022 <i>(HK\$'000)</i>	Six months ended 31 December 2022 <i>(HK\$'000)</i>
FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services) and the Insurance Solutions Services to Others provided by the Group	6,538	10,070	4,184
CTFJ Services provided by the CTFJ Group	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u><u>6,538</u></u>	<u><u>10,070</u></u>	<u><u>4,184</u></u>

Note: The Former Annual Caps for services provided by the Group to the CTFJ Group are HK\$22,441,000 (FY2021), HK\$67,414,000 (FY2022) and HK\$37,167,000 (FY2023). The Former Annual Caps for services provided by the CTFJ Group to the Group are HK\$20,000 (FY2021), HK\$80,000 (FY2022) and HK\$80,000 (FY2023).

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Services between the Group and the CTFE Group

Categories	Aggregate transaction amount		
	FY2021 <i>(HK\$'000)</i>	FY2022 <i>(HK\$'000)</i>	Six months ended 31 December 2022 <i>(HK\$'000)</i>
FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services) and the Insurance Solutions Services to Others provided by the Group	47,659	41,087	4,881
CTFE Services provided by the CTFE Group	—	—	—
Total	<u>47,659</u>	<u>41,087</u>	<u>4,881</u>

Note: The Former Annual Caps for services provided by the Group to the CTFE Group are HK\$115,521,000 (FY2021), HK\$155,544,000 (FY2022) and HK\$162,641,000 (FY2023). The Former Annual Caps for services provided by the CTFE Group to the Group are HK\$187,000 (FY2021), HK\$862,000 (FY2022) and HK\$910,000 (FY2023).

Services between the Group and the Doo's Associates Group

Categories	Aggregate transaction amount		
	FY2021 <i>(HK\$'000)</i>	FY2022 <i>(HK\$'000)</i>	Six months ended 31 December 2022 <i>(HK\$'000)</i>
FSE Services and the Insurance Solutions Services to Others provided by the Group	5,175	17,311	4,289
Doo's Associates Services provided by the Doo's Associates Group	<u>28,908</u>	<u>94,909</u>	<u>1,630</u>
Total	<u>34,083</u>	<u>112,220</u>	<u>5,919</u>

Note: The Former Annual Caps for services provided by the Group to the Doo's Associates Group are HK\$140,859,000 (FY2021), HK\$238,165,000 (FY2022) and HK\$238,692,000 (FY2023). The Former Annual Caps for services provided by the Doo's Associates Group to the Group are HK\$58,887,000 (FY2021), HK\$146,790,000 (FY2022) and HK\$45,218,000 (FY2023).

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ANNUAL CAPS

The expected Annual Caps in respect of the Services Transactions contemplated under each of the New Master Services Agreements for the FY2024, FY2025 and FY2026 respectively are stated below. 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 Group.

NWD Master Services Agreement

Categories	Annual Caps		
	FY2024 <i>(HK\$'000)</i>	FY2025 <i>(HK\$'000)</i>	FY2026 <i>(HK\$'000)</i>
FSE Services and the Insurance Solutions			
Services to NWD Group to be provided by the Group <i>(Note)</i>	4,065,618	5,432,592	6,724,236
NWD Services to be provided by the NWD Group	77,993	93,067	112,337
Total	4,143,611	5,525,659	6,836,573

Note: Approximately HK\$1,745.8 million (FY2024), HK\$3,468.8 million (FY2025) and HK\$5,500.1 million (FY2026) of the Annual Caps are from estimated potential projects.

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The increase in Annual Caps for the FSE Services and the Insurance Solutions Services to NWD Group as compared with the historical amounts between the Group and the NWD Group is mainly due to the increase in electrical & mechanical engineering services to be provided as part of the E&M engineering and Environmental Services in respect of certain sizable potential and existing development projects in Hong Kong and various provinces in the Mainland China (with the revenue expected to be contributed by these existing projects and potential projects based on their estimated percentage of completion) which include, among others, the following:

- (i) existing works relating to (a) a commercial development project in the SKYCITY at Hong Kong International Airport, an engineering installation project for the Immigration Headquarters in Tseung Kwan O, a commercial development in Wan Chai and four residential and commercial development projects in Kai Tak with estimated project completion dates in FY2024; (b) a sport complex in Kai Tak with estimated project completion date in FY2025; and (c) construction projects for two government buildings in Central and Causeway Bay with estimated project completion dates in FY2026, are of considerable size in Hong Kong undertaken by the NWD Group of which the Group has been engaged as the service provider and contribute HK\$1,586.7 million (FY2024), HK\$1,381.9 million (FY2025) and HK\$517.2 million (FY2026) to the above Annual Caps; and vast number of other projects in Hong Kong and the Mainland China undertaken by the NWD Group of which the Group has been engaged as the service provider and contribute HK\$733.1 million (FY2024), HK\$581.9 million (FY2025) and HK\$706.9 million (FY2026) to the above Annual Caps. Contracts have been entered for these existing projects; and
- (ii) potential works relating to certain residential, commercial, government building, exhibition and institutional development projects in both the private and public sectors in Hong Kong and Mainland China that are currently under negotiation and expected to be undertaken by the NWD Group in the coming three financial years with the transaction amounts estimated by reference to the prospective agreements expected to be entered into by the Group, the projected total contract value and the projected project progress for the respective agreements. The estimated future demand of the Group's services for certain potential projects of the NWD Group for 19 residential projects in Yuen Long, Fanling, Sai Kung, Tseung Kwan O, Tsim Sha Tsui, Kowloon East, Kai Tak, North Point, Happy Valley and Chai Wan which contribute HK\$382.9 million (FY2024), HK\$1,396.5 million (FY2025) and HK\$2,455.3 million (FY2026) to the above Annual Caps. The estimated future demand of the Group's services for certain potential projects of the NWD Group in government building, exhibition and institutional development projects which contribute HK\$269.5 million (FY2024), HK\$399.6 million (FY2025) and HK\$1,318.9 million (FY2026) to the above Annual Caps. The estimated future demand of the Group's services for certain potential projects of the NWD Group in Wuhan, Beijing, Shanghai, Hangzhou and Guangzhou of the Mainland China which contribute HK\$52.6 million (FY2024), HK\$256.5 million (FY2025) and HK\$236.8 million (FY2026) to the above Annual Caps. The estimated future demand of the Group's services for certain potential projects of the NWD Group's existing department stores in Beijing and Shanghai in the Mainland China for renovation,

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fitting out and decoration works which contribute HK\$44.7 million (FY2024), HK\$128.7 million (FY2025) and HK\$55.1 million (FY2026) to the above Annual Caps based on the estimated areas of the department stores. The estimated future demand of the Group's services for vast number of other potential projects of the NWD Group in Hong Kong and the Mainland China which contribute HK\$996.0 million (FY2024), HK\$1,287.5 million (FY2025) and HK\$1,434.0 million (FY2026) to the above Annual Caps.

The Annual Caps for the NWD Services to be provided by members of the NWD Group to member of the Group are largely attributable to (a) the material supply services required in the Group's E&M engineering projects and (b) the provision of the Contracting Services and (c) the provision of Insurance Medical and Health Care Services from NWD Group.

The Annual Caps for the NWD Services as compared with the historical amounts between the Group and the NWD Group will be increased mainly due to the following reasons:

- (i) the Group's business growth and estimated future demand for the NWD Services from the NWD Group in respect of the Group's potential projects for a number of public sector development projects in Hong Kong and a number of potential projects in Wuhan, Beijing, Shanghai, Hangzhou and Guangzhou with estimated transaction amount of HK\$6.0 million (FY2024), HK\$6.0 million (FY2025) and HK\$8.0 million (FY2026). The transaction amounts are estimated by reference to the projected Materials Supply Services according to the estimated material requirements and site progress of each project in the upcoming three financial years;
- (ii) the estimated future demand for Contracting Services from the NWD Group in respect of certain potential sizable upcoming projects, which include, but not limited to, certain public sector development projects in respect of which the Group has to engage sub-contractors in the provision of the Contracting Services with estimated transaction amount of HK\$4.6 million (FY2024), HK\$7.0 million (FY2025) and HK\$7.0 million (FY2026), and the NWD Group is one of the reputable service providers among the Group's list of service providers. There may have three potential public sector development projects in Hong Kong, which include a development project in Kowloon West, a government complex facility at Yau Ma Tei and a community health centre in Shek Kip Mei. In view of the significant size of these potential public sector development projects and the expected volume and variety of Contracting Services required for these projects including builder's works in the scope of works of the contracts of underground piping works which have to be performed or otherwise carried out by builders such as excavation, backfilling, suspended manholes and the like, engagement of sub-contractors in the provision of the Contracting Services is required and services providers with reputable, reliable and quality services like the NWD Group is fundamental. As at the Latest Practicable Date, these upcoming projects were either at the tender stage or prior to the tender stage when tender would expect to be launched in the third quarter of 2023. Members of the Group are amongst the handful few of qualified contractors for the public sector development projects on the List of Approved Contractors for Public Works which is with extensive experience and engineering design capability

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and coupled with the promising record of the Group in succeeding in obtaining tenders for the provision of electrical & mechanical engineering service for public sector development projects in the past, the Group has high chance in succeeding in obtaining the tender for the provision of electrical & mechanical engineering services for these public sector development projects and justify the inclusion in the Annual Caps of the estimated contract sums required for Contracting Services to be provided by the NWD Group under the NWD Master Services Agreement;

- (iii) the estimated future demand for NWD Rental Services from the NWD Group for floor spaces for site offices premises, warehouse, storeroom, car parking spaces and other business uses of the Group in Hong Kong and the Mainland China to cope with the business growth of the Group with estimated transaction amount of HK\$11.7 million (FY2024), HK\$12.8 million (FY2025) and HK\$13.7 million (FY2026);
- (iv) the increase in the Group's estimated future demand for Insurance Medical and Health Care Services from the NWD Group in respect of the medical and health care services for the employees of the Group to cope with the Group's business growth with estimated transaction amount of HK\$20.9 million (FY2024), HK\$24.9 million (FY2025) and HK\$29.9 million (FY2026); and
- (v) the increase in the Group's estimated future demand for Sundry Services from the NWD Group for certain residential and commercial buildings with estimated transaction amount of HK\$14.2 million (FY2024), HK\$6.7 million (FY2025) and HK\$10.0 million (FY2026).

CTFJ Master Services Agreement

Categories	Annual Caps		
	FY2024 <i>(HK\$'000)</i>	FY2025 <i>(HK\$'000)</i>	FY2026 <i>(HK\$'000)</i>
FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services) and the Insurance Solutions Services to Others to be provided by the Group <i>(Note)</i>	68,287	69,186	77,840
CTFJ Services to be provided by the CTFJ Group	<u>80</u>	<u>85</u>	<u>90</u>
Total	<u><u>68,367</u></u>	<u><u>69,271</u></u>	<u><u>77,930</u></u>

Note: Approximately HK\$24.7 million (FY2024), HK\$64.9 million (FY2025) and HK\$71.8 million (FY2026) of the Annual Caps are from estimated potential projects.

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The increase in Annual Caps for the FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services) and the Insurance Solutions Services to Others as compared with the historical amounts between the Group and the CTFJ Group is mainly due to (i) an existing E&M project for system replacement works for a commercial building in Kwai Chung and a number of existing E&M projects for system modification and repairing works for shops of the CTFJ Group in various locations in Hong Kong which are expected to contribute revenue of HK\$38.0 million based on their expected completion in FY2024; (ii) the estimated future demand for the Group's cleaning and general security services for shops of the CTFJ Group in various locations in Hong Kong which is expected to contribute revenue of HK\$4.3 million (FY2024), HK\$6.4 million (FY2025) and HK\$7.2 million (FY2026); (iii) the estimated future demand for E&M engineering services for system upgrading works for a commercial building in Kwai Chung which is expected to contribute revenue of HK\$35 million (FY2025) and HK\$40 million (FY2026); and (iv) the estimated future demand for E&M engineering services for system installation, modification and repairing works for shops of the CTF Group in various locations in Hong Kong which is expected to contribute revenue of HK\$14 million (FY2024), HK\$15 million (FY2025) and HK\$16 million (FY2026).

The Annual Caps for FY2024, FY2025 and FY2026 for the CTFJ Services to be rendered by the CTFJ Group to the Group represent the rental expenses for property leasing and licensing services with a term of not exceeding 12 months on potential rental of carparks and store rooms at a commercial building in Kwai Chung and a retail jewelry group and its branches in Hong Kong.

CTFE Master Services Agreement

Categories	Annual Caps		
	FY2024 <i>(HK\$'000)</i>	FY2025 <i>(HK\$'000)</i>	FY2026 <i>(HK\$'000)</i>
FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services) and the Insurance Solutions Services to Others to be provided by the Group <i>(Note)</i>	120,378	135,814	222,062
CTFE Services to be provided by the CTFE Group	<u>260</u>	<u>312</u>	<u>374</u>
Total	<u><u>120,638</u></u>	<u><u>136,126</u></u>	<u><u>222,436</u></u>

Note: Approximately HK\$109.7 million (FY2024), HK\$125.6 million (FY2025) and HK\$208.8 million (FY2026) of the Annual Caps are from estimated potential projects.

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The increase in Annual Caps for the FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services) and the Insurance Solutions Services to Others as compared with the historical amounts between the Group and the CTFE Group is mainly due to the estimated future demand by the CTFE Group for the Group's cleaning services to several kindergartens campuses in Hong Kong and three commercial complex in Mainland China. These potential cleaning services contracts are estimated to contribute HK\$70.1 million (FY2024), HK\$76.8 million (FY2025) and HK\$85.1 million (FY2026) to the above Annual Caps and for the Group's electrical & mechanical engineering services to be provided as part of the E&M engineering and Environmental Services for two potential commercial construction projects in Wuhan and Shenzhen of the Mainland China which are under negotiation and expected to be implemented during and beyond the next three financial years. These two projects are estimated to contribute HK\$20.0 million (FY2024), HK\$23.8 million (FY2025) and HK\$95.2 million (FY2026) to the above Annual Caps.

The Annual Caps for FY2024, FY2025 and FY2026 for the CTFE Services to be rendered by the CTFE Group to the Group represent the rental expenses for property leasing and licensing services with a term of not exceeding 12 months on potential rental of carparks and storerooms at a commercial and shopping centre in Mongkok and an educational group.

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Doo's Associates Group Master Services Agreement

Categories	Annual Caps		
	FY2024 <i>(HK\$'000)</i>	FY2025 <i>(HK\$'000)</i>	FY2026 <i>(HK\$'000)</i>
FSE Services and the Insurance Solutions Services to Others to be provided by the Group <i>(Note)</i>	280,791	356,559	422,082
Doo's Associates Services to be provided by the Doo's Associates Group*	<u>33,887</u>	<u>104,619</u>	<u>18,690</u>
Total	<u><u>314,678</u></u>	<u><u>461,178</u></u>	<u><u>440,772</u></u>

Note: Approximately HK\$268.2 million (FY2024), HK\$346.4 million (FY2025) and HK\$410.5 million (FY2026) of the Annual Caps are from estimated potential projects.

* The Annual Caps relating the leasing services to be provided by Doo's Associates Group include the lease expenses to be paid/payable by the Group under short term leases (with lease term not exceeding 12 months) and the total value of the addition of right-of-use assets to be recognized by the Group for long term leases (with lease term more than 12 months) in compliance with HKFRS16

The increase in Annual Caps for the FSE Services and the Insurance Solutions Services to Others as compared with the historical amounts between the Group and the Doo's Associates Group is mainly due to the estimated future demand of the projects of the Doo's Associates Group particularly for the electrical & mechanical engineering services to be provided as part of the E&M engineering and Environmental Services for various potential commercial and hotel development projects in Shanghai of the Mainland China and residential and commercial development projects in Hong Kong (with the revenue expected to be contributed by these potential projects based on their estimated percentage of completion) which may contribute HK\$104.4 million (FY2024), HK\$140.6 million (FY2025) and HK\$152.7 million (FY2026) and the estimated future demand of the Group's Facility and Property Management Services for three multi-purposes commercial buildings and a hotel development in Shanghai in the Mainland China (with the revenue expected to be contributed by these potential property and facility management contracts based on estimated future demand by the Doo's Associates Group and the estimated market prices) which may contribute HK\$124.2 million (FY2024), HK\$161.5 million (FY2025) and HK\$209.9 million (FY2026).

The increase in Annual Caps for the Doo's Associates Services as compared with the historical amounts between the Group and the Doo's Associates Group is mainly due to the estimated renewal of 15 existing leases for the office premises, carparks and warehouses currently occupied by the Group in Hong Kong and Macau that will be recognized as the addition of right-of-use assets of HK\$8.1M (FY2024), HK\$93.8M (FY2025) and HK\$8.7M (FY2026). Out of the 15 existing leases, 12 of them shall be expired during FY2025 and the potential leases renewal in FY2025 will result in a higher addition of right-of-use assets in FY2025. Meanwhile, the Group's estimated future demand for the Doo's Associates Rental Services will be increased for leases of office premises in the Mainland China to cope with the business need of the Group in the Mainland China and the potential lease of retail shop to cope with the business need of the Group's supply of E&M engineering equipment and building materials in Hong Kong. The Group will in aggregate recognize the leasing expenses and the addition of right-of-use assets of HK\$22.5M (FY2024), HK\$7.3M (FY2025) and HK\$8.1M (FY2026) for these potential leases to be entered by the Group.

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Bases of determination of the Annual Caps

The Annual Caps in respect of the Services Transactions contemplated under each New Master Services Agreement are determined on the following bases:

- (1) in relation to the **FSE Services and the Insurance Solutions Services** to be provided by the Group to members of the relevant Connected Parties:
 - (a) the historical annual or annualised amounts in respect of the relevant FSE Services and the Insurance Solutions Services provided by members of the Group to members of the relevant Connected Parties during the FY2021, FY2022 and the six months ended 31 December 2022;
 - (b) the existing projects in progress (in relation to the FSE Services and the Insurance Solutions Services);
 - (c) the potential projects that may be undertaken by the Group (in relation to the FSE Services and the Insurance Solutions Services); and
 - (d) the projected annual or annualised amounts in respect of the relevant FSE Services and the Insurance Solutions Services to be provided by members of the Group to members of the relevant Connected Parties in the next three FY2024, FY2025 and FY2026, having taken into account the following major factors:
 - the estimated future demand for the relevant FSE Services and the Insurance Solutions Services by members of the relevant Connected Parties; and the estimated market prices of such services by reference to the current market prices after factoring into the expected increase in service costs in providing the relevant FSE Services and the Insurance Solutions Services taking into account various factors like inflation rate of about 2.5% to 3.5%.
- (2) in relation to the **Contracting Services** to be provided to the Group by members of the NWD Group pursuant to the NWD Master Services Agreement:
 - (a) the potential projects (in relation to the E&M Engineering Services) that may be undertaken by the Group assuming the Group is able to secure them; and
 - (b) the projected annual or annualised amounts in respect of the Contracting Services to be provided to the Group by members of the NWD Group in the next three FY2024, FY2025 and FY2026, having taken into account the following major factors:
 - the business growth and need of the Group; and
 - 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 of about 2.5% to 3.5%.

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- (3) in relation to the **Facility and Property Management Services** to be provided to the Group by members of the NWD Group pursuant to the NWD Master Services Agreement:
- the historical annual or annualised amounts in respect of the Facility and Property Management Services provided to the Group by NWD Group during the FY2021, FY2022 and the six months ended 31 December 2022;
 - the business growth and need of the Group; and
 - 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 of about 2.5% to 3.5%.
- (4) in relation to the **Insurance Medical and Health Care Services** to be provided to the Group by the NWD Group pursuant to the NWD Master Services Agreement, the projected annual or annualised amounts in respect of the Insurance Medical and Health Care Services to be provided to the Group by the NWD Group in the next three FY2024, FY2025 and FY2026, having taken into account the following major factors:
- the business growth and need of the Group; and
 - the headcount of the Group, medical inflation and claim history.
- (5) in relation to the **IT Support Services** to be provided to the Group by the NWD Group pursuant to the NWD Master Services Agreement, the projected annual or annualised amounts in respect of the IT Support Services to be provided to the Group by the NWD Group in the next three FY2024, FY2025 and FY2026, having taken into account the following major factors:
- the historical annual or annualised amounts in respect of the IT Support Services provided to the Group by NWD Group during the FY2021, FY2022 and the six months ended 31 December 2022;
 - the business growth and need of the Group; and
 - 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 of about 2.5% to 3.5%.

LETTER FROM THE BOARD

- (6) in relation to the **Materials Supply Services** to be provided to the Group by the NWD Group pursuant to the NWD Master Services Agreement:
- (a) the historical annual or annualised amounts in respect of the Materials Supply Services provided to the Group by the NWD Group during the FY2021, FY2022 and the six months ended 31 December 2022; and
 - (b) the projected annual or annualised amounts in respect of the Materials Supply Services to be provided to the Group by the NWD Group in the next three FY2024, FY2025 and FY2026, having taken into account the following major factors:
 - the business growth and need of the Group; and
 - 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 of about 2.5% to 3.5%.
- (7) in relation to the **Rental Services** to be provided to the Group by members of the NWD Group, the CTFJ Group, the CTFE Group and the Doo's Associates Group pursuant to the NWD Master Services Agreement, the CTFJ Master Services Agreement, the CTFE Master Services Agreement and the Doo's Associates Group Master Services Agreement respectively:
- (a) the historical annual or annualised amounts in respect of the Rental Services provided to the Group by the relevant Connected Party during the FY2021, FY2022 and the six months ended 31 December 2022;
 - (b) the projected annual or annualised amounts in respect of the Rental Services to be provided to the Group by the relevant Connected Party in the next three FY2024, FY2025 and FY2026, having taken into account the following major factors:
 - the business growth and need of the Group; and
 - 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 of about 2.5% to 3.5%
 - (c) the existing rentals paid by the Group under the existing lease agreements;
 - (d) the expected rentals as may be paid by the Group at the time of entering into the new lease agreements or upon renewal of the existing lease agreements taking into account the current rentals and expected market rentals of similar properties in similar locations and where applicable, with comparable facilities, obtained from independent property agencies or other parties, including reputable independent professional property valuers; and

LETTER FROM THE BOARD

- (e) the Group's demand in floor spaces for office and site office premises, warehouse, spare space, carparking spaces, wall signages, lighting boxes and other business uses of the Group to cope with the Group's business growth.
- (8) in relation to the **Sundry Services** to be provided to the Group by the NWD Group pursuant to the NWD Master Services Agreement:
- (a) the historical annual or annualised amounts in respect of the Sundry Services provided to the Group by the NWD Group during the FY2021, FY2022 and the six months ended 31 December 2022; and
- (b) the projected annual or annualised amounts in respect of the Sundry Services to be provided to the Group by the NWD Group in the next three FY2024, FY2025 and FY2026, having taken into account the following major factors:
- the business growth and need of the Group; and
 - 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 of about 2.5% to 3.5%.

BOARD'S ASSESSMENT ON RELIANCE ON THE NWD GROUP

The NWD Group is an established and highly-regarded conglomerate with an impressive track record of success as a major developer and main contractor in Hong Kong for decades. The Group is one of the handful few of service providers with exceptional reputation, extensive engineering and design capabilities, and credentials align with the stringent requirements that the NWD Group seeks in its subcontractors or service providers, and the Group's E&M engineering business is the top 2 player in Hong Kong. The Group has therefore been the subcontractor and service provider of the NWD Group for many years, providing it with the Group's services on a project basis to development and infrastructure projects of the NWD Group or in which it was or is involved. Without the Group's involvement, the NWD Group's ability to secure new projects or execute existing ones would be significantly hindered. For example, teaming up with the Group as a top-tier E&M service provider enhances the chance of success in tender for projects by the builder of the NWD Group. As the NWD Group is a major player in the property development market and construction market and the Group is a major player in the E&M engineering market, it is reasonable that both the NWD Group and the Group will have substantial cooperation as it is an industry norm that a major E&M contractor enters into substantial contracts with a major developer or builder. Having said that, most contracts are awarded by tender nowadays, the construction industry is known for its stringent tender system that award will depend on numerous scientific criteria including price, quality, safety, procedures and numerous quantitative and qualitative specifications and also the track records, financial, technical, human resource and IT capabilities of the tenderer that the NWD Group will only award contract to tenderer which can meet all those requirements. As the top 2 player in the E&M engineering market, it is no wonder that the Group is capable to secure contract awarded by the major developer and builder.

LETTER FROM THE BOARD

Given the critical role that the Group plays in the NWD Group's business in property development and contracting services and also the capability of the Group as the top 2 player in the E&M engineering market, it is highly unlikely that their relationship will experience any material adverse changes or terminate.

Since the Group is the top 2 player in the E&M engineering market and in view of the stringent tender award system in the construction industry, the Group is capable of carrying out its business without material adverse impact even when there will be an adverse change in relationship with the NWD Group or when the relationship were to terminate.

The expected estimated revenue from independent third party customers for FY2023 to FY2026 in terms of amount will remain stable. The Group has over the years been adopting a diversification approach to its client base and have been active and have succeeded in securing new independent clients over the years. The success of the Group's diversification approach has brought in new, reputable, large, international and well-branded independent private and governmental customers from across the broad with an aggregate contract sum of more than HK\$3,400 million since 2021. Revenue from independent customers accounted for 73%, 65% and 62% for FY2020, FY2021 and FY2022 respectively with a year-on-year growth in amount of approximately 26%, 18% and 3% for the same periods respectively.

All in all, given the strong track record of the Group in securing new independent clients with a steady and significant contract sum over the years and going forward, the Group would be able to effectively mitigate its exposure in the highly unlikely event that the long-standing relationship with the NWD Group were to materially adversely change or terminate.

REASONS FOR, AND BENEFITS OF, ENTERING INTO THE NEW MASTER SERVICES AGREEMENTS

The Services Transactions contemplated under the New Master Services Agreements are of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group, as well as the relevant members of the Connected Parties.

The New Master Services Agreements serve to streamline the Services Transactions between members of the Group and members of the Connected Parties by providing a single basis upon which the Company could comply with the applicable reporting, announcement and independent shareholders' approval requirements under Chapter 14A and thereby reducing the administrative burden and costs of the Company in complying with these requirements.

The members of the relevant Connected Parties are with profound experience and reputation in their respective areas of services and solid financial standing and have demonstrated themselves as reliable services providers or customers of the 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 Group's growth in the long run. The Board does not consider that there is any disadvantage to the Group in entering into the New Master Services Agreements.

LETTER FROM THE BOARD

The Directors (excluding the independent non-executive Directors whose views will be given after taking into consideration the advice from the Independent Financial Adviser) are of the views that the terms of each of the New Master Services Agreements and the proposed Annual Caps in respect of the Services Transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CONNECTION BETWEEN THE PARTIES

As at the Latest Practicable Date:

- Dr. Cheng, the chairman and non-executive Director, is a connected person of the Company. Dr. Cheng is also the brother of Mrs. Doo (one of the controlling shareholders of the Company), the brother in law of Mr. Doo (alternate Director to Dr. Cheng), the uncle of Mr. Doo Jr. (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 CTFE Group and the CTFJ Group. As such, each of the NWD Group, the CTFE Group and the CTFJ Group is treated as a connected person of the Company.
- Mrs. Doo is one of the controlling shareholders of the Company and is a connected person of the Company. Mrs. Doo is also the sister of Dr. Cheng (the chairman and non-executive Director), the spouse of Mr. Doo (alternate Director to Dr. Cheng) and the mother of Mr. Doo Jr. (an executive Director). The Doo's Associates Group are 30%-controlled companies of Mrs. Doo and her "immediate family members" (as defined in the Listing Rules), individually or together, and the subsidiaries of such companies. Members of the Doo's Associates Group are associates of Mrs. Doo and are connected persons of the Company.

REQUIREMENTS OF THE LISTING RULES

As the highest of the applicable Percentage Ratios in respect of the Annual Caps of the NWD Master Services Agreement is more than 25%, the NWD Master Services Agreement, the Services Transactions contemplated thereunder and its Annual Caps are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A.

As the highest of the applicable Percentage Ratios in respect of the Annual Caps of each of the CTFE Master Services Agreement and Doo's Associates Group Master Services Agreement is more than 5% and exceeds HK\$10,000,000, each of the CTFE Master Services Agreement and Doo's Associates Group Master Services Agreement, the Services Transactions contemplated thereunder and its Annual Caps are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A.

LETTER FROM THE BOARD

As the highest of the applicable Percentage Ratios in respect of the Annual Caps of the CTFJ Master Services Agreement is more than 0.1% but below 5%, the CTFJ Master Services Agreement, the Services Transactions contemplated thereunder and its Annual Caps are subject to the reporting, annual review, announcement requirements but exempt from the Independent Shareholders' approval requirements under Chapter 14A. Nonetheless, with a view to adhering to enhanced corporate governance practices, the Company will follow the relevant requirements applicable to a non-exempt connected transaction under Chapter 14A and subject the CTFJ Master Services Agreement, the Services Transactions contemplated thereunder and its Annual Caps to the Independent Shareholders' approval requirements under Chapter 14A.

In the event that any Annual Cap is exceeded or any New Master Services Agreement is renewed or materially varied, the Company will re-comply with the applicable reporting, announcement and Independent Shareholders' approval requirements in accordance with the Listing Rules.

The Independent Board Committee (comprising Mr. Kwong Che Keung, Gordon, Mr. Hui Chiu Chung, Stephen, Mr. Lee Kwan Hung, Eddie and Dr. Tong Yuk Lun, Paul, all of them are independent non-executive Directors) has been established to consider the EGM Matters and advise and provide recommendation to the Independent Shareholders as to whether the EGM Matters are on normal commercial terms, fair and reasonable in so far as the Company and the Independent Shareholders are concerned, and in the interest of the Company and the Shareholders as a whole.

Somerley Capital 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 EGM Matters, and whether they are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote.

LETTER FROM THE BOARD

APPROVAL BY THE BOARD

A Director whose name is set out opposite to a New Master Services Agreement in the table below is regarded as having a material interest or potential conflict of interest in the corresponding New Master Services Agreement.

Services Transactions contemplated under:	Director who is regarded as having a material interest or potential conflict of interest in the relevant New Master Services Agreement	Basis upon which the Director is regarded as having a material interest or potential conflict of interest
NWD Master Services Agreement	Dr. Cheng	<ul style="list-style-type: none"> ● A member of the Cheng family which holds or controls the NWD Group ● A director of NWD and NWS, a member of the NWD Group
	Mr. Doo, alternate director to Dr. Cheng	<ul style="list-style-type: none"> ● A director of NWD
	Mr. Doo Jr.	<ul style="list-style-type: none"> ● A director of NWS, a member of the NWD Group
	Mr. Lam	<ul style="list-style-type: none"> ● An alternate director of NWS to Mr. Doo Jr.
CTFJ Master Services Agreement	Dr. Cheng	<ul style="list-style-type: none"> ● A member of the Cheng family which holds or controls the CTFJ Group ● A director of CTFJ
CTFE Master Services Agreement	Dr. Cheng	<ul style="list-style-type: none"> ● A member of the Cheng family which holds or controls the CTFE Group ● A director of CTFE

LETTER FROM THE BOARD

Services Transactions contemplated under:	Director who is regarded as having a material interest or potential conflict of interest in the relevant New Master Services Agreement	Basis upon which the Director is regarded as having a material interest or potential conflict of interest
Doo's Associates Group Master Services Agreement	Dr. Cheng	<ul style="list-style-type: none"> ● Has interest in some members of the Doo's Associates Group
	Mr. Doo	<ul style="list-style-type: none"> ● The spouse of Mrs. Doo, who has a controlling interest in the Doo's Associates Group ● Has interest in some members of the Doo's Associates Group ● A director of some members of the Doo's Associates Group
	Mr. Doo Jr.	<ul style="list-style-type: none"> ● Has interest in some members of the Doo's Associates Group ● A director of some members of the Doo's Associates Group
	Mr. Lam	<ul style="list-style-type: none"> ● Has interest in some members of the Doo's Associates Group ● A director of some members of the Doo's Associates Group
	Mr. Lee Kwok Bong	<ul style="list-style-type: none"> ● Has interest in some members of the Doo's Associates Group ● A director of some members of the Doo's Associates Group

Each of Mr. Doo (alternate director to Dr. Cheng), Mr. Doo Jr., Mr. Lam and Mr. Lee Kwok Bong, who was present at the Board meeting approving the New Master Services Agreements had abstained from voting on the resolutions approving the relevant EGM Matters 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.

LETTER FROM THE BOARD

For good corporate governance, Mr. Doo Jr. had voluntarily abstained from voting at the Board meeting on the resolutions approving the CTFJ Master Services Agreement, the CTFE Master Services Agreement, the Services Transactions contemplated thereunder respectively and the Annual Caps though he does not have (nor his associate has) a material interest (or potential conflict of interest) in any of these agreements and the Services Transactions contemplated thereunder respectively.

Save as disclosed in “3. DISCLOSURE OF OTHER INTERESTS — (1) Interests in contract or arrangement” in the Appendix to this Circular, none of Dr. Cheng, Mr. Doo (alternate director to Dr. Cheng), Mr. Doo Jr., Mr. Lam and Mr. Lee Kwok Bong, had a material interest in the Former Master Services Agreements, the New Master Services Agreements and the Services Transactions contemplated thereunder respectively.

INFORMATION ON THE PARTIES

NWD Group

NWD is a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 17). As at the Latest Practicable Date and based on publicly available information, CTFE and its subsidiaries are interested in approximately 45.20% of the total issued share capital of NWD.

To the best knowledge of the Directors, the principal businesses of NWD and its subsidiaries include property development, property investment and investment in and/or operation of roads, construction, insurance, hotels and other strategic businesses.

CTFJ Group

CTFJ is a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 1929). As at the Latest Practicable Date and based on publicly available information, Chow Tai Fook Capital Limited is interested in approximately 72.39% of the total issued share capital of CTFJ.

To the best knowledge of the Directors, the CTFJ Group is principally engaged in the business of manufacturing and selling of jewellery products, including gem-set, platinum and k gold jewellery, gold jewellery and products, as well as distribution of various watch brands.

CTFE Group

CTFE is a company incorporated in Hong Kong with limited liability. As at the Latest Practicable Date and based on publicly available information, CTFE is a wholly-owned subsidiary of Chow Tai Fook (Holding) Limited. Chow Tai Fook (Holding) Limited is an approximately 81.03% owned subsidiary of Chow Tai Fook Capital Limited. Chow Tai Fook Capital Limited is owned as to approximately 48.98% by Cheng Yu Tung Family (Holdings) Limited and approximately 46.65% by Cheng Yu Tung Family (Holdings II) Limited.

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

LETTER FROM THE BOARD

Doo's Associates Group

Doo's Associates Group includes FSE Management which is a company incorporated in Hong Kong with limited liability. As at the Latest Practicable Date and based on publicly available information, the entire issued share capital of FSE Management was held by FSE Holdings, which is in turn beneficially owned as to 88% by Mrs. Doo, 4% by Mr. Lam, 7% by Mr. Doo Jr. and 1% by Mr. Lee Kwok Bong.

To the best knowledge of the Directors, the principal businesses of the Doo's Associates Group are property investment and development, the provision of property leasing.

The Group

The Company is an investment holding company and the holding company of the Group. The principal businesses of the Group include the provision of the following services:

- property and facility management services;
- electrical and mechanical engineering services; and
- city essential services including cleaning, technical support & maintenance, security guarding & event, insurance solutions and environmental solutions.

RECOMMENDATIONS

Your attention is drawn to (i) the advice of the Independent Board Committee set out in its letter set out on pages 58 to 59 of this Circular; and (ii) the letter from Somerley Capital to the Independent Board Committee and the Independent Shareholders set out on pages 60 to 108 of this Circular in respect of the EGM Matters and the principal factors considered by Somerley Capital in formulating its advice.

The Independent Board Committee, having taken into account the advice of Somerley Capital, considers that the EGM Matters are fair and reasonable in so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions approving the EGM Matters.

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 Shareholders will be closed from Friday, 23 June 2023 to Wednesday, 28 June 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 21 June 2023.

LETTER FROM THE BOARD

EGM

The EGM will be held at 17th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong on Wednesday, 28 June 2023 at 12:00 noon to consider and, if thought fit, to approve the EGM Matters. A notice of the EGM is set out on pages EGM-1 to EGM-3 of this Circular.

The voting at the EGM will be taken by poll.

In accordance with the Listing Rules, any Shareholders with a material interest in all or any of the EGM Matters are required to abstain from voting at the EGM on the proposed resolutions to be put forwarded to the Independent Shareholders at the EGM for approving the EGM Matters. In view of the interests of CTFE, CTFJ, NWD, and Mrs. Doo in the CTFE Master Services Agreement, the CTFJ Master Services Agreement, the NWD Master Services Agreement, and the Doo's Associates Group Master Services Agreement respectively, and the relation between Mrs. Doo and Dr. Cheng as mentioned above, each of CTFE, CTFJ, NWD, and Mrs. Doo and their respective associates are required to abstain from voting at the EGM as aforesaid. As at the Latest Practicable Date, amongst these persons who are required to abstain from voting at the EGM as aforesaid, FSE Holdings, being an associate of Mrs. Doo and one of the controlling shareholders of the Company, was holding 75% of the issued Shares. FSE Holdings will therefore abstain from voting at the EGM as aforesaid. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, apart from FSE Holdings, no other Shareholders are materially interested in all or any of the EGM Matters who are required to abstain from voting at the EGM as aforesaid.

A form of proxy for use in connection with the EGM is also enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, as soon as possible but in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM or any adjournment thereof if you so wish.

ADDITIONAL INFORMATION

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

Yours faithfully
For and on behalf of
FSE Lifestyle Services Limited
Lam Wai Hon, Patrick
Executive Vice-Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



FSE LIFESTYLE SERVICES LIMITED

豐盛生活服務有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 331)

5 June 2023

To the Independent Shareholders

Dear Sir or Madam

CONTINUING CONNECTED TRANSACTIONS
(1) NWD MASTER SERVICES AGREEMENT
(2) CTFJ MASTER SERVICES AGREEMENT
(3) CTFE MASTER SERVICES AGREEMENT
(4) DOO'S ASSOCIATES GROUP MASTER SERVICES AGREEMENT

We refer to the circular dated 5 June 2023 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider the EGM Matters (namely, the New Master Services Agreements and the Services Transactions contemplated thereunder respectively and their Annual Caps) and to advise the Independent Shareholders as to whether, in our opinion, the EGM Matters are fair and reasonable in so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Somerley Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the EGM Matters and whether the EGM Matters are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote.

We wish to draw your attention to the letter from the Board as set out on pages 12 to 57 of the Circular which contains, among others, information on the EGM Matters as well as the letter from Somerley Capital as set out on pages 60 to 108 of the Circular which contains its advice in respect of the EGM Matters.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of Somerley Capital, we consider that the EGM Matters are on normal commercial terms and in the ordinary and usual course of business of the Group, and fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in relation to the EGM Matters.

Yours faithfully

Independent Board Committee

Mr. Kwong Che Keung, Gordon

Mr. Hui Chiu Chung, Stephen

Mr. Lee Kwan Hung, Eddie

Dr. Tong Yuk Lun, Paul

LETTER FROM SOMERLEY CAPITAL

The following is the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

5 June 2023

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS
(1) NWD MASTER SERVICES AGREEMENT
(2) CTFJ MASTER SERVICES AGREEMENT
(3) CTFE MASTER SERVICES AGREEMENT
(4) DOO'S ASSOCIATES GROUP MASTER SERVICES AGREEMENT

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with (a) the terms of the New Master Services Agreements entered into by the Company on the one hand and Connected Parties on the other and the Services Transactions contemplated thereunder; and (b) their respective Annual Caps, details of which are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 5 June 2023 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Circular and the letter from the Board unless the context requires otherwise.

As stated in the letter from the Board, Dr. Cheng, the chairman and non-executive Director, is a connected person of the Company. Dr. Cheng is also the brother of Mrs. Doo (one of the controlling shareholders of the Company), the brother in law of Mr. Doo (alternate Director to Dr. Cheng), the uncle of Mr. Doo Jr. (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 CTFE Group and the CTFJ Group. As such, each of the NWD Group, the CTFE Group and the CTFJ Group is treated as a connected person of the Company. Mrs. Doo is one of the controlling shareholders of the Company and is a connected person of the Company. Mrs. Doo is also the sister of Dr. Cheng (the chairman and non-executive Director), the spouse of Mr. Doo (alternate Director to Dr. Cheng) and the mother of Mr. Doo Jr. (an executive Director). The Doo's Associates Group are 30%-controlled companies of Mrs. Doo

LETTER FROM SOMERLEY CAPITAL

and her “immediate family members” (as defined in the Listing Rules), individually or together, and the subsidiaries of such companies. Members of the Doo’s Associates Group are associates of Mrs. Doo and are connected persons of the Company.

As the highest of the applicable Percentage Ratios in respect of the Annual Caps of the NWD Master Services Agreement is more than 25%, the NWD Master Services Agreement, the Services Transactions contemplated thereunder and its Annual Caps are subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A. As the highest of the applicable Percentage Ratios in respect of the Annual Caps of each of the CTFE Master Services Agreement and Doo’s Associates Group Master Services Agreement is more than 5% and exceeds HK\$10,000,000, each of the CTFE Master Services Agreement and Doo’s Associates Group Master Services Agreement, the Services Transactions contemplated thereunder and its Annual Caps are subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A. As the highest of the applicable Percentage Ratios in respect of the Annual Caps of the CTFJ Master Services Agreement is more than 0.1% but below 5%, the CTFJ Master Services Agreement, the Services Transactions contemplated thereunder and its Annual Caps are subject to the reporting, annual review, announcement requirements but exempt from the Independent Shareholders’ approval requirements under Chapter 14A. Nonetheless, with a view to adhering to enhanced corporate governance practices, the Company will follow the relevant requirements applicable to a non-exempt connected transaction under Chapter 14A and subject CTFJ Master Services Agreement, the Services Transactions contemplated thereunder and its Annual Caps to the Independent Shareholders’ approval requirements under Chapter 14A.

The Independent Board Committee (comprising Mr. Kwong Che Keung, Gordon, Mr. Hui Chiu Chung, Stephen, Mr. Lee Kwan Hung, Eddie and Dr. Tong Yuk Lun, Paul, all of them are independent non-executive Directors) has been established to consider the EGM Matters and to advise and provide recommendation to the Independent Shareholders as to whether the EGM Matters are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. We, Somerley Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard and to advise the Independent Shareholders on how to vote.

We, Somerley Capital Limited, are not associated with the Company, each of NWD, CTFJ, CTFE, Doo’s Associates Group, or any of their respective associates, and accordingly, are considered eligible to give independent advice on the terms of the New Master Services Agreements and the Services Transactions. Apart from the normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we receive any fees or benefits from the Company, each of NWD, CTFJ, CTFE, Doo’s Associates Group or their respective associates. In addition, we have not acted as the independent financial adviser to the Company regarding other transactions in the past two years. Accordingly, we are independent as defined under Rule 13.84 of the Listing Rules to act as an independent financial adviser to the Independent Board Committee of the Company and the Independent Shareholders.

LETTER FROM SOMERLEY CAPITAL

In formulating our opinion, we have reviewed, amongst others, the New Master Services Agreements, the calculations for determining the proposed Annual Caps for the Services Transactions, and the information contained in the Circular. We have also discussed with the management of the Group regarding the businesses of the Group, the commercial implications of the New Master Services Agreements and the Services Transactions.

We relied on the information and facts supplied, and the opinions expressed to us, by management of the Group and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information have been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice and recommendation with regard to the New Master Services Agreements and the Services Transactions, we have taken into account the principal factors and reasons set out below:

1. Information on the Group

The Company is an investment holding company and the holding company of the Group. The principal businesses of the Group include the provision of property and facility management services; electrical and mechanical engineering services; and city essential services including cleaning, technical support & maintenance, security guarding & event, insurance solutions and environmental solutions.

2. Information on the Connected Parties

NWD Group

NWD is a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 17). As at the Latest Practicable Date and based on publicly available information, CTFE and its subsidiaries are interested in approximately 45.20% of the total issued share capital of NWD.

To the best knowledge of the Directors, the principal businesses of NWD and its subsidiaries include property development, property investment and investment in and/or operation of roads, construction, insurance, hotels and other strategic businesses.

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CTFJ Group

CTFJ is a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 1929). As at the Latest Practicable Date and based on publicly available information, Chow Tai Fook Capital Limited is interested in approximately 72.39% of the total issued share capital of CTFJ.

To the best knowledge of the Directors, the CTFJ Group is principally engaged in the business of manufacturing and selling of jewellery products, including gem-set, platinum and k gold jewellery, gold jewellery and products, as well as distribution of various watch brands.

CTFE Group

CTFE is a company incorporated in Hong Kong with limited liability. As at the Latest Practicable Date and based on publicly available information, CTFE is a wholly-owned subsidiary of Chow Tai Fook (Holding) Limited. Chow Tai Fook (Holding) Limited is an approximately 81.03% owned subsidiary of Chow Tai Fook Capital Limited. Chow Tai Fook Capital Limited is owned as to approximately 48.98% by Cheng Yu Tung Family (Holdings) Limited and approximately 46.65% by Cheng Yu Tung Family (Holdings II) Limited.

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

Doo's Associates Group

Doo's Associates Group includes FSE Management which is a company incorporated in Hong Kong with limited liability. As at the Latest Practicable Date and based on publicly available information, the entire issued share capital of FSE Management was held by FSE Holdings, which is in turn beneficially owned as to 88% by Mrs. Doo, 4% by Mr. Lam, 7% by Mr. Doo Jr. and 1% by Mr. Lee Kwok Bong.

To the best knowledge of the Directors, the principal businesses of the Doo's Associates Group are property investment and development, the provision of property leasing.

3. Reasons for, and benefits of, entering into the New Master Services Agreements

The Services Transactions contemplated under the New Master Services Agreements are of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group, as well as the relevant members of the Connected Parties.

The New Master Services Agreements serve to streamline the Services Transactions between members of the Group and members of the Connected Parties by providing a single basis upon which the Company could comply with the applicable reporting, announcement and independent shareholders' approval requirements under Chapter 14A and thereby reducing the administrative burden and costs of the Company in complying with these requirements.

The members of the relevant Connected Parties are with profound experience and reputation in their respective areas of services and solid financial standing and have demonstrated themselves as reliable service providers or customers of the 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 Group's growth in the long run. The Board does not consider that there is any disadvantage to the Group in entering into the New Master Services Agreements.

Based on the above and given that most of the Connected Parties are well-known companies in Hong Kong or mainland China, we concur with the Directors' view that entering into of the New Master Services Agreements is in the ordinary and usual course of business of the Group, and with most of the Services Transactions generating revenue to the Group, we consider that it is in the interests of the Company and Shareholders as a whole.

4. New Master Services Agreements and pricing policies

As set out in the letter from the Board, on 28 April 2023, the New Master Services Agreements have been entered into by the Company on the one hand and each of the Connected Parties on the other. Each of the New Master Services Agreements shall be for an initial term of three years commencing on the Effective Date and ending on 30 June 2026 (both days inclusive). Members of the Group and members of the Connected Parties will, from time to time during the term of the New Master Services Agreements, 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 New Master Services Agreements. All definitive agreements entered into in respect of the transactions contemplated under the Former Master Services Agreements which are subsisting as at the Effective Date will be treated as Definitive Agreements made pursuant to the New Master Services Agreements as from the Effective Date and continue in full force and effect until their termination in accordance with their respective terms. The type of services to be provided by the Group and members of the Connected Parties, the relevant pricing policies and our assessment are set out as follows:

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4.1 Services to be provided by the Group:

4.1.1 E&M Engineering and Environmental Services

As set out in the letter from the Board, as regards the electrical & mechanical engineering services to be provided by the Group as part of the E&M engineering and Environmental Services pursuant to the relevant New Master Services Agreements, members of the Group are typically engaged as subcontractor, contractor, management contractor or project manager of the E&M engineering and Environmental Services of the relevant projects after having been selected from participating tenderers or contractors by members of the relevant Connected Parties.

Pricing policy

- Where a member of the Group participates in a tender with all bidders (including independent third parties in the market), the winning bid of which will usually be the one with the lowest tender amount in accordance with the employer's tender procedures on the condition that the bidder conformed to all the essential requirements (including but not limited to relevant experience, capability and historical relationship) as set out in the bid invitation from the employer. For each potential project, the tender information is submitted to the Group's tender department for review. The preparation of tenders is a very important aspect of the Group's electrical and mechanical ("E&M") engineering operations and requires considerable experience in pricing the tender so that it is competitive while remaining profitable. The tender preparation process includes tender wrap-up meeting to perform a thorough analysis of the project to be undertaken including contract requirements and possible risks, followed by the collection of cost data. Such data include quotations from suppliers for materials to be used in the project, estimates on management resources, and material and labour costs.
- In pricing a tender, the Group also make references to recent job quotations, such as tender record, major material and equipment costs and subcontractor's labour costs, quotations, resources availability of the Group having taken into account projects completed or in progress which are stored in the Group's data system. In addition, related market information, such as material price trend (e.g. information from the website of London Material Exchange and external reports e.g. Arcadis Quarterly construction cost review) and potential contract opportunities are also retrieved for reference. Before submission, each tender has to be reviewed by the Group's contract managers and approved by the Group's project director in accordance with the Group's pricing policy and limits of authority. In the tender wrap up

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process as referred to above in the determination of the tender price as may be submitted by the Group, the project director and where the proposed tender sum is more than certain thresholds as set out in the Group's pricing policy from time to time, the top management committee, will review the reasonableness of the tender price which included a mark-up, by reference to the unit costs (such as cost per area, cost per capacity or rating, cost per number of flats or units, cost per equipment etc.) and to compare with the current and historical market prices of similar projects and tenders available and stored in the Group's data system (the current and historical market prices include successful tender prices by the Group and successful tender prices from other competitors if the relevant projects were not awarded to the Group, and recent tender prices submitted), to ensure that the tender price as may be submitted by the Group is fair, reasonable and competitive. The Group adopts the same pricing policy and procedures in the determination of the tender prices to connected persons of the Company as well as to independent third party customers of the Group in order to ensure that the tender prices as may be submitted by the Group to connected persons of the Company will be fair and reasonable and no less favourable to the Group than those offered to the independent third party customers.

- If the tender is from any connected person of the Company, the preparation and submission of the quotation should follow the same procedure as that with third party customer under a fair basis.
- In essence, the tender prices and terms of the Group's electrical & mechanical engineering services are project specific and will be at a fixed monetary amount and on terms assessed by the Group's contract managers, reviewed and approved by the Group's project director in charge of the relevant project in accordance with the Group's approved pricing policy which takes into account factors like the nature and complexity of the relevant project, the estimate of the costs and expenses of the Group, the requirements of the employer or main contractor of the relevant project.
- For non-tendering contracts of the Group's electrical & mechanical engineering services, the Group's contract sum and terms will be assessed and determined by adopting the same pricing policy and procedures as in the determination of the Group's tender prices and terms.

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- For other services which form part of the Group's electrical & mechanical engineering services, which are mainly in respect of the supply of E&M engineering equipment and building materials, the Group's contract sums will be at a fixed monetary amount based primarily on the Group's purchase costs which include mainly the costs of purchasing E&M engineering equipment and building materials, and all direct costs including applicable shipping or air freight costs with a reasonable mark-up over or close to the indicative benchmark rate (which is from time to time reviewed by the general manager of the building materials trading division of the Group annually or on an as needed basis and available to all relevant staff of the Group who is involved in the determination of the contract sums of the relevant projects to which supply of E&M engineering equipment and building materials are to be provided by the Group after considering external reports e.g. Arcadis Quarterly construction cost review) above or reflective of the current market prices of the relevant E&M engineering equipment and/or building materials to be supplied by the Group. The corporate development/sales manager of the building materials trading division of the Group is responsible for compiling and updating a list of the current market prices of the relevant E&M engineering equipment and/or building materials to be supplied by the Group and monitoring any change from time to time based on market prices information as is available from the markets including market prices or their trend as may be gathered from other service providers from projects in which the Group has made tenders and the price list provided to the Group by its suppliers at least annually or when there is a change in the price, against which the latest quote from the relevant supplier of a particular E&M engineering equipment or building material will be referenced to in the determination of the contract sums so that the contract sums provided by the Group are competitive while remaining profitable to the Group and on terms assessed on the Group's standard terms in general. The reasonable mark-up and the selling price for the relevant Services are approved by the general manager of the building materials trading division of the Group. The Group adopts the same pricing policy and procedures in the determination of the contract sums for the supply of E&M engineering equipment and building materials of the Group to connected persons of the Company as well as to independent third party customers of the Group which the general manager of the building materials division of the Group has to adhere to in the determination of the said contract sums, which are, as said, above or reflective of the market prices of the relevant E&M engineering equipment and/or building materials to be supplied by the Group and is therefore fair and reasonable and no less favourable to the Group than those offered to the independent third party customers.

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As regards the environmental management services to be provided by the Group as part of the E&M engineering and Environmental Services pursuant to the relevant New Master Services Agreements:

- In essence, the Group's contract sum and terms will be at a fixed monetary amount based primarily on the Group's purchase costs which include mainly the costs of purchasing environmental products and equipment and all direct costs including applicable shipping or air freight costs, and direct labour costs or subcontractor costs estimated based on the nature, complexity and the requirements of the property owner or main contractor of the relevant project with a mark-up as determined by reference to the latest market trend and acceptable pricing level which is monitored and assessed by the respective managers of environmental management services division of the Group from time to time based on market information available from the markets (e.g. information from Notice of the Award of Contract at the website of Environmental Protection Department of the government) or their trend as may be gathered from projects in which the Group had made tenders in the past, so that the contract sums or prices including the mark-up provided by the Group are reasonable, competitive while remaining profitable to the Group and on terms assessed on the Group's standard terms in general. The prices including the mark-up for the relevant services are reviewed and approved by the general manager of the environmental management division of the Group.
- If the job is from any connected person of the Company, the preparation and submission of the quotation should follow the same procedure as that with independent third party customer under a fair basis. The general manager of the environmental management services division of the Group is to adhere to the aforesaid pricing policy and procedures, which apply to all customers of the Group irrespective of whether or not they are independent third party customers or are connected persons of the Company, in the determination of the contract sum for the supply of environmental management services to ensure that the contract sums or prices are fair and reasonable and no less favourable to the Group than those offered to the independent third party customers.

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Our assessment

We have randomly selected and reviewed 25 samples of costing worksheets prepared for projects in relation to E&M Engineering and Environmental Services awarded by members of the Connected Parties in the past three years, covering all Connected Parties and all types of services under the E&M Engineering and Environmental Services, and compared the margins set out in them with those set out in samples of costing worksheets for those awarded by independent third parties for similar services, and noted that (i) the margins charged to members of the Connected Parties as set out in the costing worksheets were no less favourable to those charged to independent third parties; and (ii) all costing worksheets with margins have been reviewed and approved by managerial staff in accordance with the pricing policy under the New Master Services Framework Agreements.

4.1.2 Cleaning Services

Pricing policy

- In general, the fees payable by the Connected Parties will be determined by reference to comparables of fee quotations provided by the Group to other independent customers, taking into account factors including the nature and type of services to be rendered;
- The marketing department identifies business opportunities by reviewing public tender notices and through invitations from customers to submit tenders for potential work. The marketing department is responsible for the preparation of tenders according to the tender preparation policies and procedures.
- During such tendering process, the Group estimates the service charge of each service based on the estimated cost under each service contract, such as (i) the estimated manpower required according to the scope of services required by the customer; (ii) materials and consumables required; and (iii) equipment required, plus a profit margin. The estimated service charges may need to be adjusted in order to enhance the competitiveness of the Group's tenders.

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- The proposed profit margin for the cleaning services would be determined taking into account factors including the nature and complexity of the relevant project; the expected competitiveness of the tender based on the previous experience; the historical profit margin of similar type of existing contract; and the strategic consideration of the contract, etc. The Group adopts the same pricing policy and procedures in the determination of the service charge to the connected persons of the Group as well as to independent third party customers of the Group in order to ensure that the service charge as may be submitted by the Group to connected persons of the Group will be fair and reasonable and no less favourable to the Group than those offered to the independent third party customers. The reasonable profit margin and the service charge for the relevant services are approved by the marketing managers, deputy general manager, general manager and directors in accordance with the company's approval procedures with limits of authority.
- For non-tendering contracts of the Group's cleaning services, where a member of the Group is invited to provide a fee quotation, the contract sum and terms will be assessed and determined by adopting the same pricing policy and procedure as in the determination of the Group's tender prices and terms.

Our assessment

We have randomly selected and reviewed 8 samples of costing worksheets prepared for projects in relation to the Cleaning Services awarded by members of the Connected Parties in the past three years, covering all Connected Parties which have procured the Cleaning Services from the Group, and compared the margins or fee rates set out in them with those set out in samples of costing worksheets for those awarded by independent third parties for similar services, and noted that (i) the margins or fee rates charged to members of the Connected Parties as set out in the costing worksheets were no less favourable than those charged to independent third parties; and (ii) all costing worksheets with margins have been reviewed and approved by managerial staff in accordance with the pricing policy under the New Master Services Framework Agreements.

4.1.3 Facility and Property Management Services

Pricing policy

- The facility and property management services involve the administration, control, operation and oversight services of property by the owner itself or typically by another party (i.e. property manager), in order to preserve the value of the property and therefore to offer better environment for residents or users.
- Main types of facility and property management services include property, facilities and venue management, property sales, letting agency services, rental collection services, consultancy services, technical services, housekeeping and cleaning services, security and guarding services, repair and maintenance services, provision of carparking management and other services for building.
- The property management manager explores the possibility of business opportunities by reviewing public tender notices and through invitation from customers to submit tenders or quotations for potential property management project. The property management department is responsible for the preparation of tenders and quotations according to the tender and quotation preparation policies and procedures.
- During such process, the Group estimates the service charge of each service based on estimated cost under each service contract such as (i) the estimated manpower and qualified professional staff required according to the scope of services required by the customer; (ii) material and consumables required; (iii) equipment required plus a profit margin on normal commercial terms based on the prevailing market rate. The proposed profit margin for the facility and property management services would be determined taking into account factors including the nature and complexity of the relevant project; the expected competitiveness of the tender based on the previous experience; the historical profit margin of similar type of existing contract. Also, there are management service contracts which the Group receives the income by the way at a fixed manager's remuneration charge rate or fixed service charge rate based on the expenditure spent in the owners' property management building accounts on the market comparable charge rate and normal commercial terms. The Group adopts the same pricing policy and

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procedures in the determination of the service charge to the connected persons of the Group as well as to independent third party customers of the Group in order to ensure that the service charge as may be submitted by the Group to connected persons of the Group will be fair and reasonable and no less favorable to the Group than those offered to the independent third party customer. The reasonable profit margin and service charge (on normal commercial terms based on the prevailing market rate) for relevant service are approved by group manager, general manager and director in accordance with the company's approval procedures with limits of authority.

- For tendering contract, where a member of the Group is invited in a tender for a service project with all bidders (including independent third parties in the market), the winning bid of which will usually be the one with the lowest tender amount in accordance with the employer's tender procedures on the condition that the bidder conformed to all the essential requirements (including but not limited to relevant experience, capability and historical relationship) as set out in the tender invitation from the employer.
- For non-tendering contracts, where a member of the Group is invited to provide a fee quotation, the contract sum and terms will be assessed and determined by adopting the same pricing policy and procedure as in the determination of the Group's tender prices and terms.

Our assessment

We have randomly selected and reviewed 9 samples of contracts entered into with the Connected Parties in relation to the Facility and Property Management Services which are still valid in the past three years and their profit margins as provided by the management of the Group, covering all Connected Parties which have procured the Facility and Property Management Services from the Group, and compared their profit margins with those of the contracts entered into with independent third parties for similar services, and noted that (i) the profit margins charged to members of the Connected Parties were no less favourable than those charged to independent third parties; and (ii) those contracts have been approved by managerial staff in accordance with the pricing policy under the New Master Services Framework Agreements.

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4.1.4 Security, Guarding and Event Servicing Services

Pricing policy

- The fees payable by the Connected Parties to the Group will be determined by reference to comparable of fee quotations provided by the Group to other independent customers, taking into account factors including the nature and type of services to be rendered.
- Where the Group participates in a tender alongside a main contractor or a tenderer, the Group would conduct a detailed analysis which begins with a throughout study of the tender requirements. Factors that the Group takes into account include the number of staff required for the project, the qualifications of the staff required for the project (both academic qualification and experience), the location of the project, the nature of work and the type of premises (such as whether it is a residential estate, a commercial complex or a public facility). The Group would then analyse such factors and tailor the specific solution applicable for the tender. Once such solutions are prepared, the Group would be able to assess the costs related to such project.
- In assessing the costs of the project, the labour cost plays a significant factor given the Security, Guarding and Event Servicing Services are labour intensive. The Group would consider the prevailing statutory minimum wage level and the wages offered by itself or its competitors for similar type of projects. For certain projects in certain geographical area or projects that require higher service standard, additional allowance and wage adjustments would be taken into account in assessing the cost base of the tender. The Group would also consider other costs such as equipment and other overheads.
- The Group would also consider the proposed profit margin for the projects before the tender submission, which would include factors such as the geographical area of the project, the contract duration, the nature of work, the complexity of the project, the expectation of the service level and the historical profit margin for similar type of projects. The Group would also consider the recent tender submissions by its competitors in order to remain competitive in the market.

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- The tender requirements are examined with inputs from operations and marketing staff of the Group, the latter will also prepare a costing with all costs elements and profit margins as illustrated above. The proposal, including the costing, will then be approved and signed by a general manager/assistant general manager of the relevant business group.
- For non-tendering contracts where the Group's customers invite it to provide fee quotations, the Group will assess the work required and the costs in a similar manner in a tendering process before confirming the service fees and the terms of the contracts.
- The Group adopts the same pricing policy and procedures in the determination of the service charge across all of its customers (whether to its connected persons or to independent third party customers) for its Security, Guarding and Event Servicing Services in order to ensure that the service charge as may be submitted by the Group to such connected persons of the Group will be fair and reasonable and no less favourable to the Group than those offered to the independent third party customers.

Our assessment

We have randomly selected and reviewed 31 samples of costing worksheets prepared for projects in relation to the Security, Guarding and Event Servicing Services awarded by members of the Connected Parties in the past three years, covering all Connected Parties and all types of services of the Security, Guarding and Event Servicing Services, and compared the margins set out in them with those set out in the samples of costing worksheets for those awarded by independent third parties for similar services, and noted that (i) the margins charged to members of the Connected Parties set out in the costing worksheets were no less favourable to those charged to independent third parties; and (ii) all costing worksheets with margins have been reviewed and approved by managerial staff in accordance with the pricing policy under the New Master Services Framework Agreements.

4.1.5 Insurance Solutions Services

Pricing policy

- The fees payable by the relevant Connected Parties to the Group will be determined by reference to comparable of fee quotations provided by the Group to other independent customers, taking into account factors including the nature and type of services to be rendered.

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- In most circumstances, the Group serves as an intermediary between the insurers and the end customers and its revenue arises from the commission received from the insurers. The Group is remunerated for its services by the receipt of the brokerage paid by the insurer. It is generally a certain percentage of the premium paid by the end consumer. The brokerage rate received by the Group is in line with the normal level of commission paid in the insurance market. On this basis, the Group does not charge its customers in providing its Insurance Solutions Services. The commission received by the Group from the insurers depend on various factors, including, among others, the amount of premium, the type of the insurance policy and the insurance market practice.
- After understanding the customers' needs, the Group would prepare the quotation slips with proposed insurable terms and conditions and invite insurers to submit quotations. The Group would present the quotations received to the customers with its recommendations. The customers would then make their own choices accordingly. The internal documents (including but not limited clients' proposal, quotation slips, confirmation slips and debit notes) are prepared by the relevant account manager or executive, the document will then be reviewed by his or her supervisors as per the Group's policy. Reviewing record is documented in the form of a checklist in order to minimize any errors and/or omission incurred. Depending on the premium level and total insured values, approval from senior staff is needed as per the signing authority matrix of the Group. For scheme products, the terms and pricing are proposed by the department head and approved by the general manager of the Group. For other insurance policy with small premium and/or insured values, the senior staff is informed during the procurement process.
- Generally speaking, the amount of insurance premium is determined by the insurer, normally as a certain percentage of the sum insured or a flat premium after consideration of the risk exposure by the underwriters.
- Notwithstanding the above, certain customers of the Group instructs the Group to provide Insurance Solutions Services or consultancy services and the Group would charge such customers for such services based on the scope of services, the complexity of the instructions, the time, manpower required for the Group to provide such services and the strategic consideration of the relevant client's account.

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- The Group adopts the same pricing policy and procedures in the determination of the service charge across all of its customers (whether to its connected persons or to independent third party customers) for its Insurance Solutions Services in order to ensure that the service charge as may be submitted by the Group to such connected persons of the Group will be fair and reasonable and no less favourable to the Group than those offered to the independent third party customers.

Our assessment

We have randomly selected and reviewed 8 samples of debit notes issued to members of the Connected Parties in the past three years for provision of the Insurance Solutions Services, covering all Connected Parties which have procured the Insurance Solutions Services from the Group and two types of the Insurance Solutions Services procured by the Connected Parties. For provision of insurance brokerage services and consultancy services under the Insurance Solutions Services, as advised by the management of the Group, no similar services have been provided to independent third parties and therefore no price comparison can be made due to the uniqueness of those types of services but instead the price charged in relation to those insurance brokerage services and consultancy services will be reviewed and approved by supervisors to ensure the price has been determined after taking into account the scope of services, complexity, time and manpower required to arrive at an acceptable profit margin. We have reviewed the review records for those sample debit notes in relation to insurance brokerage services and consultancy services provided to the Connected Parties and noted that they have all been reviewed and approved by managerial staff in accordance with the pricing policy under the New Master Services Agreements. In addition, we have been further advised by the management of the Group that same internal review and approval procedures are also applicable to customised services to be provided to independent third parties.

4.1.6 Landscaping Services

Pricing policy

- The fees payable by the relevant Connected Parties to the Group will be determined by reference to comparable of fee quotations provided by the Group to other independent customers, taking into account factors including the nature and type of services to be rendered.
- In assessing the service fees for its Landscaping Services, factors that the Group would consider include the relevant costs, the market reference and its strategic development in the relevant contracts.

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- For its cost analysis, the Group would consider the labour costs, administrative costs, the required materials and the costs of the plantations. If specific plants are required by the customer that are harder to source or are more perishable, it would increase the costs in sourcing, acquiring and maintaining such plantations. Further, the Group would also consider more case specific factors, including the location of services (such as whether such location is easily reachable) and the potential risk exposure associated with extreme weather conditions as some locations in Hong Kong are more susceptible to natural hazards such as typhoons.
- For market reference, given the landscaping industry has low entry barrier and is very competitive, the Group will need to stay on top of the competition and consider if its quotation is attractive comparing to other market players while maintaining an acceptable profit margin. The Group would consider its historical fee quotations and profit margin for similar type of projects as well as the recent fees charged by its competitors in coming into a competitive quotation.
- Strategic consideration is also important for the Group in assessing its services fees in the Landscaping Services business, it will consider the contract size, the length of the contract and any potential business growth (such as whether there will be future opportunities in other sites from the customers) from a strategic perspective. For strategic customers that entered into service contracts with the Group for a longer period and/or for a number of locations, the Group may offer more attractive terms in securing and strengthening such business relationships.
- Procedural wise, the project officer or senior operation manager/deputy general manager/assistant general manager would calculate the expected costs as the base line for the tender proposal, depending on the tender requirement and the background of customers, the changes offered for existing client with similar nature will be compared. In most cases, the charges offered to two existing clients will be compared if available. Other factors include but not limited to nature and complexity of the relevant project, the expected competitiveness of the tender based on the previous experience and the historical profit margin of similar type of existing contract and the strategic consideration of the contract, etc. Finally, proposal for tender is concluded by the project officer or senior operation manager/deputy general manager/assistant general manager after consolidation of all information mentioned above and the proposal will then be reviewed and approved by the general manager of such business or senior operation manager/deputy general manager/assistant general manager in accordance with the Company's approval procedures with limits of authority.

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- The Group adopts the same pricing policy and procedures in the determination of the service charge across all of its customers (whether to its connected persons or to independent third party customers) for its Landscaping Services in order to ensure that the service charge as may be submitted by the Group to such connected persons of the Group will be fair and reasonable and no less favourable to the Group than those offered to the independent third party customers.

Our assessment

We have randomly selected and reviewed 7 samples of costing worksheets prepared for projects in relation to the Landscaping Services awarded by members of the Connected Parties in the past three years, covering all Connected Parties, and compared the margins set out in them with those set out in the samples of costing worksheets for those awarded by independent third parties for similar services, and noted that (i) the margins charged to members of the Connected Parties set out in the costing worksheets were no less favourable to those charged to independent third parties; and (ii) all costing worksheets with margins have been reviewed and approved by managerial staff in accordance with the pricing policy under the New Master Services Framework Agreements.

4.2 Services to be provided by the members of the Connected Parties:

4.2.1 Contracting Services

Pricing policy

- Comparables of a sufficient number of fee quotations, a minimum of two comparables will be obtained from other independent service providers which are on the list of the service providers of the Group and hold relevant qualification with the Works Bureau or the Buildings Department if applicable for the services and assessed (including assessing whether the comparables obtained are appropriate ones after taking into account of financial capability, workload, scope and standard of Contracting Services offered which meet the requirements of the Group and the past performance and relevant experience of the independent service providers) and reviewed by the manager of tender department of the Group upon which the fairness and reasonableness of the prices and terms as may be offered by members of the NWD Group can be compared and assessed by the Group in determining if they are fair and reasonable and comparable to those offered by independent third parties, taking into account factors like reputation, quality and reliability of the Connected Party concerned as compared to independent service providers. If a member of the NWD Group offers the price and terms equal to or better than those offered by the independent service providers and conforms to

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all the essential requirements (including but not limited to relevant experience, compliance with specifications, capability and historical relationship) of the services to be provided, the Group may award the contract to such member of the NWD Group.

Our assessment

As advised by the management of the Group, the Group only procured engineer secondment service under the Contracting Services from the NWD Group in the past three years. We have randomly selected and reviewed 5 samples of contracting service invoices issued by NWD Group to the Group in the past three years and noted that the monthly contracting service fees per head charged by NWD Group fall within the range of average monthly salary of chief engineer and engineer as published by JobsDB (one of the largest recruitment portals in Asia Pacific which provides market salary information on its website) and thus consider the Contracting Service fees to be in line with market rates. We understand from the management of the Group that, for other possible types of Contracting Services, their prices would be determined in accordance with the pricing policy as stated above. Upon further enquiry, we understand from the management of the Group that the Group will only procure other types of Contracting Services from the NWD Group when the fees payable by the Group for the other types of Contracting Services are no less favourable than the quotations obtained from other independent service providers.

4.2.2 Facility and Property Management Services

Pricing policy

- The fees payable by the Group will be determined by reference to the market prices provided to the Group by quotations obtained from other independent service providers which are on the list of service providers of the Group and hold the property management company licence if applicable and a minimum of two relevant quotations will be obtained if available, taking into account factors including the nature, type of services to be rendered and the venue or locations and requirements of the event, functions or activities as determined by the Group that if a member of the NWD Group offers the price and terms equal to or better than those offered by the independent service providers and conforms to all the essential requirements (including but not limited to relevant experience, compliance with specifications, capability and historical relationship) of the services to be provided, the Group may award the contract to such member of the NWD Group.

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Our assessment

We have randomly selected and reviewed 2 samples of facility management service agreements entered into with the NWS Group in the past three years and compared the service fees set out in the agreements with the facility management service fees published on the websites of some independent service providers, and noted that the service fees paid by the Group to the NWS Group fall within the range of those on the websites of independent service providers.

4.2.3 IT Support Services

Pricing policy

- The fees payable by the Group will be determined based on arm's length negotiations between the service provider and the service recipient, taking into account factors including the number of users, types of functions and the replacement costs of the relevant IT systems or software, and where comparables are available for the type of service concerned then two quotations from other independent service providers will be obtained, they would also be taken into account when the service charges are determined that if a member of the NWD Group offers the price and terms equal to or better than those offered by the independent service providers and conforms to all the essential requirements (including but not limited to relevant experience, compliance with specifications, capability and historical relationship) of the services to be provided, the Group may award the contract to such member of the NWD Group.
- Administration and support department manager considers the above factors, and submits the proposal to the general manager — IT and the general manager of the relevant business group for approval.

Our assessment

As advised by the management of the Group, the Group procures IT Support Services for maintaining its internal human resource software. We have obtained and reviewed the latest IT support service agreement entered into with the NWD Group in October 2022 for a 9-month service period and the latest one entered into with an independent third party service provider for similar services in August 2018 for a 72-month service period, and noted that the service fees charged by the NWD Group is no less favourable than those charged by the independent third party service provider during the overlapped service period. Moreover, the IT support service agreement entered into with the NWD Group has been reviewed and approved by the general manager in accordance with the pricing policy under the New Master Services Framework Agreements.

4.2.4 Material Supply Services

Pricing policy

- Comparable of at least two quotations will be obtained from other independent service providers on the relevant list of service providers of the Group and assessed (including assessing whether the comparable obtained is appropriate after taking into account of financial capability, workload, scope and standard of Materials Supply Services offered which meet the requirements of the Group and the past performance and relevant experience of the independent service providers) and reviewed by the manager of tender and procurement department of the Group upon which the fairness and reasonableness of the prices and terms as may be offered by members of the NWD Group can be compared and assessed by the manager of the tender and procurement department of the Group in determining if they are fair and reasonable and comparable to those offered by independent third parties, taking into account factors like reputation, quality and reliability of the NWD Group as compared to independent service providers before approving the pricing of the Materials Supply Services. If a member of the NWD Group offers the price and terms equal to or better than those offered by the independent service providers and conforms to all the essential requirements (including but not limited to relevant experience, compliance with specifications, capability and historical relationship) of the services to be provided, the Group may award the contract to such member of the NWD Group.

Our assessment

As advised by the management of the Group, in provision of project management services to the NWD Group, the Group sometimes is instructed by the NWD Group as project owner to procure materials with certain specifications from a designated supplier which might be a member of the NWD Group. As the project manager, the Group will be fully reimbursed by the NWD Group for the costs incurred from such procurement. There is only one Material Supply Service contract entered into with the NWD Group in the past three years and it was entered into in the scenario as discussed above. We have obtained and reviewed the employer instruction document, the quotation provided by the supplier and the quotation provided by the Group for procurement of such material for the NWD Group, and noted that the Group as the project manager made such purchase in accordance with the instruction of the NWD Group as the project owner and such procurement costs had been included in the project management fee payable by the NWD Group. In other words, such procurement cost was borne by the NWD Group as the project owner in the end. Given the procurement was made based on the specific

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requirements (i.e. designated supplier and/or specific products) of the NWD Group as the project owner, we consider Material Supply Service fee charged by the NWD Group as supplier which was included in the project management fee payable by the NWD Group as the project owner to the Group as its project manager has not impaired the interests of the Company and its Shareholders as a whole. We understand from the management of the Group that, for other possible types of Material Supply Services, their prices would be determined in accordance with the pricing policy as stated above. Upon further enquiry, we understand from the management of the Group that the Group will only procure other types of Material Supply Services from the NWD Group when the fees payable by the Group for the other types of Material Supply Services are no less favourable than the quotations obtained from other independent suppliers.

4.2.5 Rental Services

Pricing policy

As regards the Rental Services to be provided to the Group by members of the NWD Group, the CTFJ Group, the CTFE Group and the Doo's Associates Group pursuant to the NWD Master Services Agreement, the CTFJ Master Services Agreement, the CTFE Master Services Agreement and the Doo's Associates Group Master Services Agreement respectively:

- The rental payable by the Group will be determined by reference to the market rental of the properties, carparking spaces, vehicle and vessels concerned current at or close to the lease commencement date by reference to two rentals comparables of similar properties and carparking spaces, in similar locations and where applicable, with comparable facilities, and rentals comparables of vehicle and vessels obtained from independent property agencies or parties which are on the register of Estate Agents Authority;
- The existing rental paid by the Group under each existing lease agreement was determined by reference to the market rental of the property concerned current at or close to the lease commencement date; and
- The rental payable by the Group under each new lease agreement, whether or not in relation to property currently leased by the Group from members of the relevant Connected Parties, 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 a minimum of two rentals comparables of similar properties in similar locations and where applicable, with comparable facilities, obtained from independent

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property agencies or other parties, including reputable independent professional property valuers, collected, assessed (including assessing whether the comparables collected are appropriate ones) and reviewed by the administration manager of the Group (who has experience in administration and is responsible for the office administrative work including but not limited to the administration of rental arrangement) for approval of the pricing of the Rental Services by the Directors that if a member of the NWD Group, CTFE Group, CTFJ Group or Doo's Associates Group offers the rental and terms equal to or better than those offered by the independent owners and conforms to all the essential requirements (including but not limited to locations, user, area, facilities) of the properties to be provided, the Group may enter into agreement with such member of the NWD Group, CTFE Group, CTFJ Group or Doo's Associates Group.

Our assessment

We have randomly selected and reviewed 6 samples of lease agreements entered into with members of the Connected Parties in the past three years, covering all Connected Parties which have provided the Rental Services to the Group, and compared the rents set out in them with those of the same buildings or carparking spaces if such market rents information are publicly available or those of the buildings in similar locations as published on the websites of independent third party property agents or website of the carparking space management company (the "**Market Rents**"). It is noted that the rents paid by the Group to members of the Connected Parties were no less favourable than those Market Rents.

4.2.6 Sundry Services

Pricing policy

- The fees payable by the Group will be determined by reference to at least two comparables if available of the market prices obtained by the Group from other independent suppliers, taking into account factors including the nature, locations and type of services to be rendered that if a member of the NWD Group offers the fee and terms equal to or better than those offered by the independent service providers and conforms to all the essential requirements (including but not limited to relevant experience, capability and historical relationship) of the services to be provided, the Group may enter into agreement with such member of the NWD Group.

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Our assessment

As advised by the management of the Group, there are only two contracts in relation to the Sundry Services entered into with the Connected Parties which are still valid in the past three years. We have obtained and reviewed the two contracts entered into with the Connected Parties and compared the rates set out thereunder with those set out in samples of contracts entered into with independent third parties for similar services, and noted that the rates charged by the Connected Parties were no less favourable than those charged by independent third parties.

4.2.7 Insurance Medical and Health Care Services

Pricing policy

- The premium or fees payable by the Group will be determined by reference to the quotations obtained from other independent insurers which are on the register of Authorised Insurers of the Insurance Authority and a minimum of two relevant quotations will be obtained and followed by detailed analysis of the pricing, service quality, policy coverage, any unacceptable policy exclusions or conditions, infrastructure (like e-claims or Apps for submission of claims, number of clinics under their network (for medical insurance), financial standing of the insurers (like A rated or above by Standard & Poors)) that if a member of the NWD Group offers the price and terms equal to or better than those offered by the independent service providers and conforms to all the essential requirements (including but not limited to relevant experience, compliance with specifications, capability and historical relationship) of the services to be provided, the Group may award the contract to such member of the NWD Group.

Our assessment

As advised by the management of the Group, the Insurance Medical and Health Care Services is a new type of NWD Services to be provided by the NWD Group to the Group and thus no transactions in relation to such services have been entered into with the NWD Group in the past three years. We have reviewed the pricing policy above regarding the Insurance Medical and Health Care Services and noted that the premium or fees payable by the Group for the Insurance Medical and Health Care Services will be compared with the quotations obtained from other independent insurers. Upon further enquiry, we understand from the management of the Group that the Group will only procure such Insurance Medical and Health Care Services from the NWD Group when the premiums or fees payable by the Group for the Insurance Medical and Health Care Services are no less favourable than the quotations obtained from other independent insurers.

4.3 Our view

Given that (i) the terms of the sample transactions under the Former Master Services Agreements, which covered all types of FSE Services and Insurance Solutions Services, NWD Services, CTFJ Services, CTFE Services and Doo's Associates Services in the past three years, were no less favourable to the Group than those offered by/to independent third parties or market rates for similar services; and (ii) the terms of the New Framework Agreements are substantially the same as those of the Former Master Services Agreements, we are of the view that the Services Transactions contemplated under the New Master Service Agreements shall be conducted on normal commercial terms and thus the pricing basis and terms are fair and reasonable.

5. The proposed Annual Caps

5.1 Caps projection basis

We have discussed with the management of the Group on the Annual Caps projection basis and were advised that the Annual Caps under the New Master Services Agreements are determined with reference to (i) existing projects (the "**Existing Projects**") which are based on contracts secured, contract sum agreed and their respective expected income schedule; and (ii) potential projects (the "**Potential Projects**") which are based on (a) the tender sums under the tenders having been submitted; or (b) the estimated tender sums under tenders to be submitted pursuant to forecast of invitations to tender issued by customers; or (c) estimated future demand for the FSE Services and the Insurance Solutions Services or the services provided by Connected Parties and estimated service fees taking into account the projected costs for provision of such services and projected profit margins (the "**Project-based Projection Method**").

To assess the fairness and reasonableness of the Project-based Projection Method, we have obtained and reviewed the calculations of the Annual Caps and samples (e.g. contracts, tenders submitted, forecast of invitations to tender, or internal worksheets) randomly selected from the full lists of Existing Projects and Potential Projects. For the Existing Projects, we noted that the estimated transaction amounts for the Existing Projects have been determined based on the contract sums as set out in the contracts plus additional fees arising from possible variation works which, in return, are estimated with reference to the historical splits of the transaction amounts under variation works and the contract sums in its other similar projects. For the Potential Projects from tenders, we noted that the estimated transaction amounts for the Potential Projects have been determined based on tender sums set out in the tenders submitted by the Group or estimated tender sums set out in the internal worksheets prepared for tenders to be submitted by the Group. The estimated transaction amounts for the remaining Potential Projects which account for 38%, 55% and 66% of the Annual Caps under NWD Master Services Agreement in FY2024, FY2025 and FY2026 respectively, 38%, 94% and 92% of the Annual Caps under CTFJ Master Services Agreement in FY2024, FY2025 and FY2026

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respectively, 91%, 93% and 94% of the Annual Caps under CTFE Master Services Agreement in FY2024, FY2025 and FY2026 respectively, and 94%, 92% and 95% of the Annual Caps under Doo's Associates Master Services Agreement in FY2024, FY2025 and FY2026 respectively, have been arrived at following the discussion between the Group and the relevant Connected Parties. As advised by the management of the Group, the remaining Potential Projects have been determined following the discussion with the Connected Parties having taken into account factors including the business and operations, and development plans of the Connected Parties, which are considered reasonable for producing the Annual Caps. We have also reviewed the email correspondences between the Company and the Connected Parties and noted that the Company has sent out the Annual Cap projection to all Connected Parties following their discussion and the Annual Caps have been concluded based on either the confirmations collected from the Connected Parties or "no further comments" received therefrom. Given the efforts having been made by the management of the Group to seek the written confirmation or "no further comments" from the Connected Parties, we have no reason to doubt the accuracy of the estimated transaction amounts for the Potential Projects which have been arrived at following the discussion with the Connected Parties.

Given that (i) the Group operates a project-driven business model as advised by the management of the Group; (ii) the Annual Caps have been determined based on existing contracts and estimated variation works, tenders submitted, internal estimated bidding prices for tenders to be submitted and following the discussion between the Group and the relevant Connected Parties; and (iii) the projected amounts having been determined after discussion with the connected counterparties are not uncommon in the market, we consider the Project-based Projection Method adopted by the management of the Group for estimation of the Group's revenue to be generated and costs to be incurred under the New Master Services Agreements to be fair and reasonable.

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5.2 Caps under New Master Services Agreements

5.2.1 NWD Master Services Agreement

The historical transaction amounts for FY2021, FY2022 and six months ended 31 December 2022 in respect of provision of (i) the FSE Services and the Insurance Solutions Services to NWD Group; and (ii) the NWD Services by NWD Group are set out as follows:

TABLE 1: HISTORICAL TRANSACTION AMOUNTS UNDER FORMER NWD MASTER SERVICES AGREEMENT, FORMER NWS MASTER SERVICES AGREEMENT AND FORMER NWDS SERVICES AGREEMENT (THE “FORMER NWD GROUP MASTER SERVICES AGREEMENTS”)

	Historical transaction amounts		
	FY2021 (HK\$'000)	FY2022 (HK\$'000)	First half of FY2023 (HK\$'000)
Categories			
<i>FSE Services and Insurance Solutions Services to NWD Group provided by the Group to:</i>			
NWD Group (excluding NWS Group and NWDS Group)	1,105,769	1,356,884	793,489
NWS Group	893,934	1,190,231	738,016
NWDS Group	<u>16</u>	<u>23,880</u>	<u>4</u>
Total	<u>1,999,719</u>	<u>2,570,995</u>	<u>1,531,509</u>
Sum of the previous caps under the Former NWD Group Master Services Agreements	3,901,808	5,950,760	6,773,091 ^(Note 2)
Cap utilisation	<u>51%</u>	<u>43%</u>	<u>n.a.</u> ^(Note 2)

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	Historical transaction amounts		
	FY2021	FY2022	First half of FY2023
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
<i>Services provided to the Group by:</i>			
NWD Group (excluding NWS Group and NWDS Group)	2,838	3,428	1,455
NWS Group	5,547	7,651	2,747
NWDS Group	179	92	—
 Total	 8,564	 11,171	 4,202
 Sum of the previous caps under the Former NWD Group Master Services Agreements	 77,376	 112,107	 112,516 ^(Note 2)
Cap utilisation	11%	10%	n.a. ^(Note 2)

Notes:

1. The historical aggregate transaction amounts in respect of provision of the Security, Guarding and Event Servicing Services, the Insurance Solutions Services to NWD Group and the Landscaping Services by the Group commenced from 19 April 2021 when the Group completed its acquisition of the group of companies providing such services as per the Company's announcements dated 26 February 2021 and 19 April 2021 and the circular dated 19 March 2021.
2. It refers to the sum of the caps for the full year of FY2023.

The historical transaction amounts for the FSE Services and Insurance Solutions Services to NWD Group provided by the Group exhibited a positive growth trend in FY2021, FY2022 and the first half of FY2023. It increased by 28.6% in FY2022, from HK\$1,999.7 million in FY2021 to HK\$2,571.0 million in FY2022 and its first half of FY2023 exceeded half of the that for full year of FY2022 by 19.1%. The cap utilisation rate regarding provision of the FSE Services and Insurance Solutions Services to NWD Group in FY2021 is 51% and FY2022 is 43%, which, as advised by the management of the Group, were mainly due to (i) the Group failing to win some E&M Engineering and Environmental Service tenders for some residential development projects and hospital projects in Hong Kong and for some commercial complex projects, department store projects and residential development projects in mainland China; (ii) some E&M Engineering and Environmental Service and Cleaning Service tenders having been postponed due to COVID-19 pandemic; (iii) less than expected demand from the NWS Group for the Group's Cleaning Services

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after it disposed of bus and ferry businesses in August 2020; and (iv) the disposal of laundry service business by the Group in December 2020. The historical transaction amounts for the NWD Services provided by the NWD Group recorded a 30.4% increase in FY2022 from HK\$8.6 million in FY2021 to HK\$11.2 million in FY2022, before it suffered a 24.8% decrease in the first half of FY2023 as compared to half of that for the full year of FY2022. The cap utilisation rates in FY2021 and FY2022 are below 15%, which, as advised by the management of the Group, were mainly due to less than expected demand for the NWD Group's Rental Services for site offices and Materials Supply Services and Contracting Services as a result of the Group failing to win some tenders and some tenders having been delayed as aforementioned.

The Annual Caps under the NWD Master Services Agreement in respect of provision of (i) the FSE Services and the Insurance Solutions Services to NWD Group; and (ii) the NWD Services by NWD Group for the three years ending 30 June 2026 are set out as follows:

TABLE 2: ANNUAL CAPS UNDER THE NWD MASTER SERVICES AGREEMENT

	Proposed Annual Caps		
	FY2024 <i>(HK\$'000)</i>	FY2025 <i>(HK\$'000)</i>	FY2026 <i>(HK\$'000)</i>
Categories			
FSE Services and the Insurance Solutions Services to NWD Group to be provided by the Group ^(Note)	4,065,618	5,432,592	6,724,236
NWD Services to be provided by the NWD Group	77,993	93,067	112,337
Total	4,143,611	5,525,659	6,836,573

Note: approximately HK\$1,745.8 million (FY2024), HK\$3,468.8 million (FY2025) and HK\$5,500.1 million (FY2026) of the Annual Caps are from estimated potential projects.

Based on the information set out in the letter from the Board and our discussion with the management of the Group, we noted that (i) the FSE Services and Insurance Solutions Services to NWD Group to be provided by the Group consist of Security, Guarding and Event Servicing Services, Insurance Solutions Services, Landscaping Services, E&M Engineering and Environmental Services, Cleaning Services and Facility and Property Management Services; and (ii) the NWD Services to be provided by the NWD Group to the Group consist of Rental Services, Material Supply Services, Sundry Services, IT Support Services and Insurance Medical and Health Care Services.

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We have reviewed the full list of the Existing Projects and Potential Projects and their respective income schedule for the next three years, and noted (i) the projected revenue from provision of the FSE Services and Insurance Solutions Services to NWD Group by the Group agreed to HK\$4,065.6 million in FY2024, HK\$5,432.6 million in FY2025 and HK\$6,724.2 million in FY2026; and (ii) the projected costs from procurement of the NWD Services from the NWD Group by the Group agreed to HK\$78.0 million in FY2024, HK\$93.1 million in FY2025 and HK\$112.3 million in FY2026 as shown in the table above.

The majority of the Annual Caps for the FSE Services and the Insurance Solutions Services to NWD Group provided by the Group is attributable to the provision of the E&M Engineering and Environmental Services in respect of certain sizable potential and existing development projects in Hong Kong and mainland China (with the revenue expected to be contributed by these Existing Projects and Potential Projects based on their estimated percentage of completion), which include the followings:

TABLE 3: MAJOR PROJECTS UNDER THE NWD MASTER SERVICES AGREEMENT

	FY2024 <i>(HK\$'million)</i>	FY2025 <i>(HK\$'million)</i>	FY2026 <i>(HK\$'million)</i>
<i>Existing Projects</i>			
A commercial development project in the SKYCITY at Hong Kong International Airport	220.1	—	—
An engineering installation project for the Immigration Headquarters in Tseung Kwan O	396.9	37.5	2.0
A commercial development in Wan Chai	98.2	10.4	—
Four commercial & residential development projects in Kai Tak	277.7	230.5	—
A sport complex in Kai Tak	312.6	173.6	5.1
Construction projects for two government buildings in Central and Causeway Bay	281.2	929.9	510.1
Sub-total	1,586.7	1,381.9	517.2

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	FY2024	FY2025	FY2026
	<i>(HK\$'million)</i>	<i>(HK\$'million)</i>	<i>(HK\$'million)</i>
<i>Potential Projects</i>			
19 residential projects in Yuen Long, Fanling, Sai Kung, Tseung Kwan O, Tsim Sha Tsui, Kowloon East, North Point, Kai Tak, Happy Valley and Chai Wan	382.9	1,396.5	2,455.3
Government building, exhibition and institutional development projects	269.5	399.6	1,318.9
Certain potential projects of the NWD Group in Wuhan, Beijing, Shanghai, Hangzhou and Guangzhou of the mainland China	52.6	256.5	236.8
Certain potential projects of the NWD Group's existing department stores in Beijing and Shanghai in the mainland China for renovation, fitting out and decoration works	44.7	128.7	55.1
Sub-total	<u>749.7</u>	<u>2,181.3</u>	<u>4,066.1</u>
Total	<u>2,336.4</u>	<u>3,563.2</u>	<u>4,583.3</u>

We have reviewed interim reports of NWD and NWS for the six months ended 31 December 2022 and the annual report of NWDS for the year ended 30 June 2022, and noted that (i) the NWD Group (excluding NWS Group and NWDS Group) is developing the SKYCITY complex “11 SKIES” and will successively launch a number of major residential projects in phases and provide over 5,000 units, including four projects at Kai Tak area in Kowloon East, the Phase V development project of “THE SOUTHSIDE” atop Wong Chuk Hang MTR Station and the project of the original State Theatre in North Point in Hong Kong and have several residential, commercial and office projects located in various cities in mainland China including Guangzhou, Foshan, Shenyang and Beijing; (ii) the NWS Group is participating in the construction of Immigration Headquarters at Tseung Kwan O and has been awarded projects including design and construction of expansion of the Legislative Council Complex and main contract works for office development at 20 Des Voeux Road Central and design and construction of a new public market in Tin Shui Wai and the NWS Group expects an increase in tender invitation from Hong Kong government and the private sector; and (iii) the NWDS Group, as at 30 June 2022, operated 26 department stores and shopping malls in mainland China, covering 15 key locations including Beijing,

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Shanghai, Wuhan, etc.. It is noted that the major projects set out in table 3 above are in line with those stated in the latest interim reports or annual report of NWD, NWS and NWDS.

As advised by the management of the Group, the NWD Services provided by the NWD Group to the Group include (i) certain Rental Services and IT Support Services to meet the Group's daily operation needs; and (ii) project-related services like short-term Rental Services, Contracting Services and supply of construction and building equipment and materials based on the Existing Projects awarded and Potential Projects to be awarded by the NWD Group, other Connected Parties and independent third party customers. Based on the projection provided by the Group and our discussion with the management of the Group, the Annual Caps for the NWD Services provided by the NWD Group to the Group are largely attributable to the Material Supply Services, Contracting Services and Insurance Medical and Health Care Services which have been arrived at based on (i) the committed amounts under the existing contracts and the expected amounts assuming that the contracts will be renewed upon expiries; (ii) the committed amounts relating to the projects awarded by the NWD Group as discussed above where the Group needs to procure the materials and services from the NWD Group for undertaking the projects; (iii) the estimated amounts to be incurred relating to the Potential Projects to be awarded by the NWD Group, other Connected Parties and independent third party customers; and (iv) the estimated market prices of such services with reference to current market prices after having taken into account the expected increase in service cost and inflation.

The major Existing Projects and Potential Projects in relation to the E&M Engineering and Environmental Services as set out in the table 3 have accounted for 56%, 64% and 67% of the Annual Caps for FY2024, FY2025 and FY2026, respectively. The remaining amounts of the Annual Caps are determined, following the discussion between the Group on one hand and NWD Group, NWS Group and NWDS Group on the other, based on the projected income derived from relatively smaller projects in relation to the Group's possible provision of the E&M Engineering and Environmental Services, Facility and Property Management Services, Cleaning Services, Security, Guarding and Event Servicing Services, Insurance Solutions Services and Landscaping Services. We have reviewed the relatively smaller projects and noted that their estimated transaction amounts equal to the difference between the Annual Caps and the estimated transaction amounts of major Existing Projects and Potential Projects.

Given that the Annual Caps under the NWD Master Services Agreement have adopted the Project-based Projection Method that the Existing Projects have been substantiated with existing contracts and the Potential Projects have been in line with (i) in general, the positive growth trend of historical transaction amounts; (ii) the NWD Group's business plans; and (iii) the recovery of Hong Kong and mainland China consumer markets following the relaxation of COVID-19 restrictions in both Hong Kong and mainland China and reopening of border between them, we consider the Annual Caps under the NWD Master Services Agreement to be fair and reasonable.

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5.2.2 CTFJ Master Services Agreement

The historical transaction amounts for FY2021 and FY2022 and six months ended 31 December 2022 in respect of provision of (i) the FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services) and the Insurance Solutions Services to Others to CTFJ Group and (ii) the CTFJ Services by CTFJ Group are set out as follows:

TABLE 4: HISTORICAL TRANSACTION AMOUNTS UNDER THE FORMER CTFJ MASTER SERVICES AGREEMENT

Categories	Historical transaction amounts		
	FY2021 <i>(HK\$'000)</i>	FY2022 <i>(HK\$'000)</i>	First half of FY2023 <i>(HK\$'000)</i>
FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services) and the Insurance Solutions Services to Others provided by the Group	6,538	10,070	4,184
CTFJ Services provided by the CTFJ Group	—	—	—
Total	<u>6,538</u>	<u>10,070</u>	<u>4,184</u>
The cap under the Former CTFJ Master Services Agreement	22,461	67,494	37,247 ^(Note 2)
Cap utilisation	<u>29%</u>	<u>15%</u>	<u>n.a.</u> ^(Note 2)

Notes:

1. The historical aggregate transaction amounts in respect of provision of the Security, Guarding and Event Servicing Services, the Insurance Solutions Services and the Landscaping Services by the Group commenced from 19 April 2021 when the Group completed its acquisition of the group of companies providing such services as per the Company's announcements dated 26 February 2021 and 19 April 2021 and the circular dated 19 March 2021.
2. It refers to the caps for the full year of FY2023.

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The historical transaction amounts for the FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services) provided by the Group increased by 54% in FY2022, from HK\$6.5 million in FY2021 to HK\$10.1 million in FY2022. For the first half of FY2023, the historical transaction amounts decreased by 17% as compared to half of that for the full year of FY2022. No CTFJ Services have been provided by the CTFJ Group to the Group in FY2021 and FY2022 and the first half of FY2023, which, as advised by the management of the Group, was due to the budget planned for equipment storage services provided by the CTFJ Group having not been utilised. The cap utilisation rates for FY2021 and FY2022 ranged from 15% to 29%. The lower than expected cap utilisation rates, as advised by the management of the Group, were mainly due to delayed progress for some E&M Engineering and Environmental Service projects.

The Annual Caps under the CTFJ Master Services Agreement in respect of provision of (i) the FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services) and the Insurance Solutions Services to Others by the Group and (ii) the CTFJ Services by CTFJ Group for the three years ending 30 June 2026 are set out as follows:

TABLE 5: ANNUAL CAPS UNDER THE CTFJ MASTER SERVICES AGREEMENT

	Proposed Annual Caps		
	FY2024 <i>(HK\$'000)</i>	FY2025 <i>(HK\$'000)</i>	FY2026 <i>(HK\$'000)</i>
Categories			
FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services) and the Insurance Solutions Services to Others to be provided by the Group	68,287	69,186	77,840
CTFJ Services to be provided by the CTFJ Group ^(Note)	80	85	90
Total	68,367	69,271	77,930

Note: approximately HK\$24.7 million (FY2024), HK\$64.9 million (FY2025) and HK\$71.8 million (FY2026) of the Annual Caps are from estimated potential projects.

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Based on the information set out in the letter from the Board and our discussion with the management of the Group, we noted that (i) the FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services) to be provided by the Group to the CTFJ Group consist of E&M Engineering and Environmental Services, Cleaning Services and Facility and Property Management Services; and (ii) the CTFJ Services to be provided the CTFJ Group to the Group represent the Rental Services.

We have reviewed the full list of the Existing Projects and Potential Projects and their respective income schedule for the next three years, and noted (i) the projected revenue from provision of the FSE Services and Insurance Solutions Services to Others by the Group to the CTFJ Group agreed to HK\$68.3 million in FY2024, HK\$69.2 million in FY2025 and HK\$77.8 million in FY2026; and (ii) the projected costs from procurement of the CTFJ Services from the CTFJ Group by the Group agreed to HK\$80,000 in FY2024, HK\$85,000 in FY2025 and HK\$90,000 in FY2026 as shown in the table above.

The majority of the Annual Caps for the FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services) and the Insurance Solutions Services to Others provided by the Group to the CTFJ Group is attributable to the provision of the E&M Engineering and Environmental Services, Cleaning Services and Security, Guarding and Event Servicing Services in respect of a commercial building and retail shops in Hong Kong (with the revenue expected to be contributed by these Existing Projects and Potential Projects), which include the followings:

TABLE 6: MAJOR PROJECTS UNDER THE CTFJ MASTER SERVICES AGREEMENT

	FY2024 <i>(HK\$'million)</i>	FY2025 <i>(HK\$'million)</i>	FY2026 <i>(HK\$'million)</i>
<i>Existing Project</i>			
An existing E&M project for system replacement works for a commercial building in Kwai Chung and a number of existing E&M projects for system modification and repairing works for shops of the CTFJ Group in various locations in Hong Kong	38.0	—	—
Sub-total	38.0	—	—

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	FY2024 <i>(HK\$'million)</i>	FY2025 <i>(HK\$'million)</i>	FY2026 <i>(HK\$'million)</i>
<i>Potential Projects</i>			
Potential system upgrading works for a commercial building in Kwai Chung	—	35.0	40.0
Potential system installation, modification and repairing works for shops of the CTFJ Group in various locations in Hong Kong	14.0	15.0	16.0
Potential projects in relation to cleaning and general security services for shops of the CTFJ Group in various locations in Hong Kong	4.3	6.4	7.2
Sub-total	18.3	56.4	63.2
Total	56.3	56.4	63.2

We have reviewed the CTFJ's annual report for the year ended 30 June 2022 and the interim report for the six months ended 31 December 2022. The resurgence of COVID-19 cases and social-distancing measures caused a sharp slump in consumer traffic and thus hammered Hong Kong consumer markets in the past years. As disclosed in CTFJ's annual report and interim report, the number of retail shops of the CTFJ Group in Hong Kong has decreased from 87 as at 31 March 2020 to 72 as at 30 September 2022. The border between Hong Kong and mainland China reopened in January 2023 and Hong Kong government scrapped social-distancing measures in March 2023. According to CTFJ's announcement dated 14 April 2023, it registered a 71.2% increase in the retail sales value and a 70% increase in same store sales in Hong Kong & Macau of China and other markets in the three months ended 31 March 2023 as compared to the same period last year. In view of recent revitalisation in Hong Kong consumer market as evidenced by the substantial increase in the CTFJ Group's retail sales as stated in the CTFJ's announcement, the CTFJ Group's demand for the FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services) and Insurance Solutions Services to Others for its retail shops in various locations in Hong Kong and mainland China as stated in its latest annual report and interim report may increase.

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As advised by the management of the Group, the Annual Caps for the CTFJ Services have been arrived at based on the estimated amounts to be incurred relating to the Potential Projects to be awarded by the CTFJ Group as discussed above where the Group needs to procure the Rental Services for potential leases of carparks and store rooms at a commercial building in New Territories South and a retail jewelry group and its branches in Hong Kong.

The major Existing Projects and Potential Projects in relation to the E&M Engineering and Environmental Services, Cleaning Services and Security, Guarding and Event Servicing Services as set out in the table 6 have accounted for 82%, 81% and 81% of the Annual Caps for FY2024, FY2025 and FY2026, respectively. The remaining amounts of the Annual Caps are determined, following discussion between the Group and CTFJ Group, based on the projected income derived from relatively smaller in relation to the Group's possible provision of the E&M Engineering and Environmental Services, Facility and Property Management Services, Cleaning Services, Security, Guarding and Event Servicing Services, Insurance Solutions Services and Landscaping Services. We have reviewed the relatively smaller projects and noted that their estimated transaction amounts equal to the difference between the Annual Caps and the estimated transaction amounts of major Existing Projects and Potential Projects.

Given that the Annual Caps under the CTFJ Master Services Agreement has adopted the Project-based Projection Method that the Existing Projects have been substantiated with existing contracts and the Potential Projects have been in line with the recovery of Hong Kong consumer market following the relaxation of COVID-19 restrictions and reopening of border between Hong Kong and mainland China, we consider the Annual Caps under the CTFJ Master Services Agreement to be fair and reasonable.

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5.2.3 CTFE Master Services Agreement

The historical transaction amounts for FY2021 and FY2022 and six months ended 31 December 2022 in respect of provision of (i) the FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services) and the Insurance Solutions Services to Others by the Group and (ii) the CTFE Services provided by CTFE Group are set out as follows:

TABLE 7: HISTORICAL TRANSACTION AMOUNTS UNDER THE FORMER CTFE MASTER SERVICES AGREEMENT

Categories	Historical transaction amounts		
	FY2021 <i>(HK\$'000)</i>	FY2022 <i>(HK\$'000)</i>	First half of FY2023 <i>(HK\$'000)</i>
FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services) and the Insurance Solutions Services to Others provided by the Group	47,659	41,087	4,881
CTFE Services provided by the CTFE Group	—	—	—
Total	<u>47,659</u>	<u>41,087</u>	<u>4,881</u>
The cap under the Former CTFE Master Services Agreement	115,708	156,406	163,551 ^(Note 2)
Cap utilisation	<u>41%</u>	<u>26%</u>	<u>n.a.</u> ^(Note 2)

Notes:

1. The historical aggregate transaction amounts in respect of provision of the Security, Guarding and Event Servicing Services, the Insurance Solutions Services to Others and the Landscaping Services by the Group commenced from 19 April 2021 when the Group completed its acquisition of the group of companies providing such services as per the Company's announcements dated 26 February 2021 and 19 April 2021 and the circular dated 19 March 2021.
2. It refers to the caps for the full year of FY2023.

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The historical transaction amounts ranged from HK\$40 million to HK\$50 million in FY2021 and FY2022. In the first half of FY2023, the historical transaction amounts dropped to HK\$5 million. The cap utilisation rate was 41% in FY2021 and 26% in FY2022. As advised by the management of the Group, the relatively low utilisation was mainly due to the termination of a contract in relation to the E&M Engineering and Environment Service in December 2021.

The Annual Caps under the CTFE Master Services Agreement in respect of provision of (i) the FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services) and the Insurance Solutions Services to Others by the Group and (ii) the CTFE Services by CTFE Group for the three years ending 30 June 2026 are set out as follows:

TABLE 8: ANNUAL CAPS UNDER THE CTFE MASTER SERVICES AGREEMENT

	Proposed Annual Caps		
	FY2024 <i>(HK\$'000)</i>	FY2025 <i>(HK\$'000)</i>	FY2026 <i>(HK\$'000)</i>
Categories			
FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services) and the Insurance Solutions Services to Others to be provided by the Group ^(Note)	120,378	135,814	222,062
CTFE Services to be provided by the CTFE Group	260	312	374
Total	120,638	136,126	222,436

Note: approximately HK\$109.7 million (FY2024), HK\$125.6 million (FY2025) and HK\$208.8 million (FY2026) of the Annual Caps are from estimated potential projects.

Based on the information set out in the letter from the Board and our discussion with the management of the Group, we noted that (i) the FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services) to be provided by the Group to the CTFE Group mainly consist of the E&M Engineering and Environmental Services and the Cleaning Services; and (ii) the CTFE Services to be provided by the Group represent the Rental Services.

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We have reviewed the full list of the Existing Projects and Potential Projects and their respective income schedule for the next three years, and noted that (i) the projected revenue from provision of the FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services) and Insurance Solutions Services to Others by the Group to the CTFE Group agreed to HK\$120.4 million in FY2024, HK\$135.8 million in FY2025 and HK\$222.6 million in FY2026; and (ii) the projected costs from procurement of the CTFE Services from the CTFE Group by the Group agreed to HK\$260,000 in FY2024, HK\$312,000 in FY2025 and HK\$374,000 in FY2026 as shown in the table above.

The majority of the Annual Caps for the FSE Services (not including (a) lift repair and maintenance services under the E&M and Environmental Services; and (b) recycling and environmental services under the Cleaning Services) and the Insurance Solutions Services provided by the Group to the CTFE Group is attributable to the provision of the Cleaning Services and E&M Engineering and Environmental Services in respect of several kindergarden campuses in Hong Kong, commercial complex and commercial construction projects in mainland China (with the revenue expected to be contributed by these Potential Projects based on their estimated percentage of completion), which include the followings:

TABLE 9: MAJOR PROJECTS UNDER THE CTFE MASTER SERVICES AGREEMENT

	FY2024 <i>(HK\$'million)</i>	FY2025 <i>(HK\$'million)</i>	FY2026 <i>(HK\$'million)</i>
<i>Potential Projects</i>			
Cleaning services to several kindergarden campuses in Hong Kong and three commercial complex in mainland China	70.1	76.8	85.1
Electrical & mechanical engineering services for two potential commercial construction projects in Wuhan and Shenzhen of the mainland China	20.0	23.8	95.2
Total	90.1	100.6	180.3

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As advised by the management of the Group, the CTFE Group has engaged in the property development in mainland China. The Chinese government in the past years took measures including curbing property developer debt to rein in property prices in mainland China. Chinese government in 2023 has partially unwind some of the restrictions imposed on real estate industry. Moreover, given that certain members of the Group are qualified to carry out the electrical & mechanical engineering works in mainland China, the management of Group considers that the Group is well poised to succeed in winning tenders for the provision of the E&M Engineering and Environmental Services for these development projects undertaken by the CTFE Group, which contributed majority of the Potential Project transaction amounts in FY2026.

As advised by the management of the Group, the Annual Caps for the CTFE Services have been arrived at based on the estimated amounts to be incurred relating to the Potential Projects to be awarded by the CTFE Group as discussed above where the Group needs to procure the Rental Services for potential leases of carparks and store rooms at various kindergarden campuses in Hong Kong.

The major Potential Projects in relation to the Cleaning Services and E&M Engineering and Environmental Services as set out in the table 9 have accounted for 75%, 74% and 81% of the Annual Caps for FY2024, FY2025 and FY2026, respectively. The remaining amounts of the Annual Caps are determined, following the discussion between the Group and CTFE Group, based on the projected income derived from relatively smaller projects in relation to the Group's possible provision of the E&M Engineering and Environmental Services, Facility and Property Management Services, Cleaning Services, Security, Guarding and Event Servicing Services, Insurance Solutions Services. We have reviewed the relatively smaller projects and noted that their estimated transaction amounts equal to the difference between the Annual Caps and the estimated transaction amounts of major Existing Projects and Potential Projects.

Given that the Annual Caps under the CTFE Master Services Agreement has adopted the Project-based Projection Method that the Existing Projects have been substantiated with existing contracts and the Potential Projects have been generally in line with the change of government policies in real estate industry and the CTFE Group's business plans, we consider the Annual Caps for the CTFE Master Services Agreement to be fair and reasonable.

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5.2.4 Doo's Associates Group Master Services Agreement

The historical transaction amounts for FY2021 and FY2022 and six months ended 31 December 2022 in respect of provision of (i) the FSE Services and the Insurance Solutions Services to Others by the Group; and (ii) the Doo's Associates Services by the Doo's Associates Group are set out as follows:

TABLE 10: HISTORICAL TRANSACTION AMOUNTS UNDER THE FORMER DOO'S ASSOCIATES MASTER SERVICES AGREEMENT

Categories	Historical transaction amounts		
	FY2021 <i>(HK\$'000)</i>	FY2022 <i>(HK\$'000)</i>	First half of FY2023 <i>(HK\$'000)</i>
FSE Services and the Insurance Solutions Services to Others provided by the Group	5,175	17,311	4,289
Doo's Associates Services provided by the Doo's Associates Group	28,908	94,909	1,630
Total	34,083	112,220	5,919
The cap under the Former Doo's Associates Master Services Agreement	199,746	384,955	283,910 ^(Note 2)
Cap utilisation	17%	29%	n.a. ^(Note 2)

Notes:

1. The historical aggregate transaction amounts in respect of provision of the Security, Guarding and Event Servicing Services, the Insurance Solutions Services and the Landscaping Services by the Group commenced from 19 April 2021 when the Group completed its acquisition of the group of companies providing such services as per the Company's announcements dated 26 February 2021 and 19 April 2021 and the circular dated 19 March 2021.
2. It refers to the caps for the full year of FY2023.

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In FY2022, it has seen a 235% increase in FSE Services and Insurance Solutions Services to Others provided by the Group and a 228% increase in Doo's Associates Services provided by the Doo's Associates Group as compared to FY2021. For the first half of FY2023, the historical transaction amounts regarding the FSE Services and Insurance Solutions Services to Others provided by the Group amounted to HK\$4 million while the Doo's Associates Services provided by the Doo's Associates Group amounted to HK\$2 million. The cap utilisation rates were 17% in FY2021 and 29% in FY2022. As advised by the management of the Group, the relatively low utilisation was mainly due to (i) certain tenders in relation to the E&M Engineering and Environmental Services having not taken place as expected; (ii) some contracts awarded in relation to the E&M Engineering and Environmental Services with less contract sums than expected; and (iii) a decrease in connected transaction amounts between the Group and Doo's Associates Group after the Group's disposal of laundry business in December 2020 and the Group's acquisition of Security, Guarding and Event Servicing Services business from Mr. Doo in April 2021.

The Annual Caps under the Doo's Associates Master Services Agreement in respect of provision of (i) the FSE Services and the Insurance Solutions Services to Others by the Group; and (ii) the Doo's Associates Services by the Doo's Associate Group for the three years ending 30 June 2026 are set out as follows:

TABLE 11: ANNUAL CAPS UNDER THE DOO'S ASSOCIATES MASTER SERVICES AGREEMENT

Categories	Proposed Annual Caps		
	FY2024 (HK\$'000)	FY2025 (HK\$'000)	FY2026 (HK\$'000)
FSE Services and the Insurance Solutions Services to Others to be provided by the Group ⁽¹⁾	280,791	356,559	422,082
Doo's Associates Services to be provided by the Doo's Associates Group	33,887	104,619	18,690
Total	314,678	461,178	440,772

Notes:

1. Approximately HK268.2 million (FY2024), HK\$346.4 million (FY2025) and HK\$410.5 million (FY2026) of the Annual Caps are from estimated potential projects.

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2. The Annual Caps relating the leasing services to be provided by Doo's Associates Group include the lease expenses to be paid/payable by the Group under short term leases (with lease term not exceeding 12 months) and the total value of the addition of right-of-use assets to be recognised by the Group for long term leases (with lease term more than 12 months) in compliance with HKFRS 16.

Based on the information set out in the letter from the Board and our discussion with the management of the Group, we noted that (i) the FSE Services and Insurance Solutions Services to Others provided by the Group to the Doo's Associate Group mainly consist of E&M Engineering and Environmental Services, Cleaning Services, Security, Guarding and Event Servicing Services and Facility and Property Management Services; and (ii) the Doo's Associates Rental Services provided by the Doo's Associates Group to the Group mainly consist of the Rental Services, and other related services.

We have reviewed the full list of the Existing Projects and Potential Projects and their respective income schedule for the next three years, and noted that (i) the projected revenue from provision of the FSE Services and the Insurance Solutions Services to Others by the Group to the Doo's Associates Group agreed to HK\$280.8 million in FY2024, HK\$356.6 million in FY2025 and HK\$422.1 million in FY2026; and (ii) the projected costs from procurement from the Doo's Associates Services by the Group agreed to HK\$33.9 million in FY2024, HK\$104.6 million in FY2025 and HK\$18.7 million in FY2026 as shown in the table above.

The majority of the Annual Caps for the FSE Services and the Insurance Solutions Services to Others provided by the Group to the Doo's Associate Group is attributable to the provision of the E&M Engineering and Environmental Services and Facility and Property Management Services in respect of some residential, commercial and hotel development projects and

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commercial buildings in Hong Kong and mainland China (with the revenue expected to be contributed by these Potential Projects based on their estimated percentage of completion), which include the followings:

TABLE 12: MAJOR PROJECTS UNDER THE DOO'S ASSOCIATES MASTER SERVICES AGREEMENT

	FY2024 <i>(HK\$'million)</i>	FY2025 <i>(HK\$'million)</i>	FY2026 <i>(HK\$'million)</i>
<i>Potential Projects</i>			
Electrical & mechanical engineering services to be provided for various potential commercial and hotel development projects in Shanghai in the mainland China and residential and commercial development projects in Hong Kong	104.4	140.6	152.7
Property and facility management services for three multi-purposes commercial buildings and a hotel development in Shanghai in the mainland China	<u>124.2</u>	<u>161.5</u>	<u>209.9</u>
Total	<u>228.6</u>	<u>302.1</u>	<u>362.6</u>

As set out in the letter from the Board, the Doo's Associates Group is engaged in property investment and development and the provision of property leasing. Chinese Government in 2023 has relaxed some restrictions in real estate industry. Given that certain members of the Group have qualifications to carry out the electrical & mechanical engineering works in both Hong Kong and mainland China, the management of the Group considers that the Group is well poised to succeed in winning tenders for the provision of electrical & mechanical engineering services for the above development projects undertaken by the Doo's Associates Group, which contributed majority of the Potential Project transaction amounts.

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As advised by the management of the Group, the Doo's Associates Services mainly include certain Rental Services and other related services to meet the Group's daily operation needs including the leasing of the Group's head office and other offices at Kowloon Bay, To Kwa Wan and Wan Chai in Hong Kong and various offices in Macau and Shanghai. Based on the projection provided by the Group and our discussion with the management of the Group, the Annual Caps for the Doo's Associates Services have been arrived at based on (i) the committed amounts under the existing contracts and the expected amounts assuming that the contracts will be renewed upon expiry; (ii) the committed amounts relating to the projects awarded by the Doo's Associates Group as discussed above where the Group needs to procure services from the Doo's Associates Group for undertaking the projects; (iii) the estimated amounts to be incurred relating to the Potential Projects to be awarded by the Doo's Associates Group, other Connected Parties or independent third party customers where the Group needs to procure services from the Doo's Associates Group for undertaking the projects; and (iv) the estimated market prices of such services with reference to current market prices after having taken into account the expected increase in service cost and inflation.

The major Potential Projects in relation to the E&M Engineering and Environmental Services and Facility and Property Management Services as set out in the table 12 have accounted for 73%, 66% and 82% of the Annual Caps for FY2024, FY2025 and FY2026, respectively. The remaining amounts of the Annual Caps are determined, following the discussion between the Group and Doo's Associates Group, based on the projected income derived from relatively smaller projects in relation to the Group's possible provision of the E&M Engineering and Environmental Services, Facility and Property Management Services, Cleaning Services, Security, Guarding and Event Servicing Services, and Insurance Solutions Services. We have reviewed the relatively smaller projects and noted that their estimated transaction amounts equal to the difference between the Annual Caps and the estimated transaction amounts of major Existing Projects and Potential Projects.

Given that the Annual Caps under the Doo's Associates Group Master Services Agreement has adopted the Project-based Projection Method that the Existing Projects have been substantiated with existing contracts and the Potential Projects have been generally in line with the change of government policies in real estate industry and Doo's Associates Group's business plans, we consider the Annual Caps for the Doo's Associates Group Services Agreement to be fair and reasonable.

6. Internal Control Measures

As set out in the letter from the Board, the Group has established internal control measures for reporting and monitoring on continuing connected transactions to ensure compliance with Chapter 14A.

According to the Group's prevailing internal accounting policy and procedure manual which covers the identification, approval and execution, registration, reconciliation and checking, reporting and monitoring of the continuing connected transactions, the designated officer of operation department and supporting department who will ensure that the continuing connected transactions are on normal commercial terms and no less favourable to those offered to/by independent third parties, will immediately report to the legal and company secretarial manager and senior finance manager with details of the possible notifiable or connected transactions to be entered by the Group for review and checking in order to determine the appropriate type of disclosure in compliance with Chapter 14A for final confirmation by the Company Secretary. For a transaction that falls within the scope of continuing connected transactions in the ordinary and usual course of business of the Group, the legal and company secretarial manager will check with the actual monthly continuing connected transaction and ensure the transaction amounts of the potential connected transactions should not exceed the annual caps of the continuing connected transaction.

Meanwhile, the internal audit department of the Group will carry out annual assessment of the continuing connected transactions conducted by the Group for each financial year and report to the board of Directors by examining records and documents of the continuing connected transactions to check whether the policy and procedures on the identification, approval and execution, registration, reconciliation and checking, reporting and monitoring of the continuing connected transactions are in order and effective to ensure that the continuing connected transactions were carried out at arm's length and the terms are comparable to those projects of independent third parties. For further details of the Group's internal procedures in place which help to ensure that the Definitive Agreements will be entered into in accordance with the terms of the New Master Services Agreements, on normal commercial terms and no less favourable to those offered to/by independent third parties, please refer to the section headed "Internal control measures" in the letter from the Board.

Furthermore, pursuant to Chapter 14A, (i) the independent non-executive Directors of the Company shall, on an annual basis, review the transactions contemplated under the New Master Services Agreements and confirm, among other matters, such transactions have been entered into according to the agreement governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) the external auditors of the Group shall, on an annual basis, report on the transactions contemplated under the New Master Services Agreements and confirm, among other matters, whether anything has come to their attention that causes them to believe such transactions were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions.

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To assess whether the internal control measures of the Group are sufficient and put in place effectively, we have reviewed circulars in relation to continuing connected transactions released by other Hong Kong listed companies (the “**Similar Circulars**”) and noted that the internal control measures adopted by the Group as stated above are similar to those disclosed in the Similar Circulars. Furthermore, we have randomly selected sample transactions under the Former Master Services Agreements and noted that the terms of those sample transactions entered into with the Connected Parties were no less favourable than those entered into with independent third parties or market rates. For details of our work done in this regard, please refer to section 4 above. Given that (i) the Group has established internal accounting policy and procedure manual to monitor the Services Transactions contemplated under the New Master Services Agreements; (ii) the designated officers including but not limited to legal and company secretarial manager and the internal audit department of the Group would monitor and review the Services Transactions contemplated under the New Master Services Agreements; (iii) the independent non-executive Directors and the auditors of the Group will, pursuant to Chapter 14A, review, among other matters, whether the Services Transactions contemplated under the New Master Services Agreements are conducted on normal commercial terms; (iv) those internal control measures adopted by the Group are similar to those adopted by other Hong Kong listed companies; and (v) the terms of the transactions contemplated under the Former Master Services Agreements were no less favourable than those entered into with the independent third parties as discussed in section 4 above, we are of the view that adequate internal control measures have been in place to monitor the Services Transactions contemplated under the New Master Services Agreements.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the entering into of the New Master Services Agreements is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the New Master Services Agreements are on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the EGM in relation to the New Master Services Agreements and the Services Transactions contemplated thereunder, and the proposed Annual Caps.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Jenny Leung
Director

Ms. Jenny Leung is a licensed person and a responsible officer of Somerley Capital Limited registered with the SFC to carry out type 6 (advising on corporate finance) regulated activities under the SFO and have participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

2. INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or chief executives of the Company were taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of listed issuers to be notified to the Company and the Stock Exchange:

(a) Long position in ordinary shares of the Company

Name of Director	Capacity/ Nature of interest	Number of ordinary shares in issue (Note 1)	Number of underlying shares (Note 1)	Total number of ordinary shares interested in (Note 1)	Approximate percentage of shareholding (Note 2)
Mr. Doo	Interest of spouse (Note 3)	337,500,000 (L)	43,676,379 (L)	381,176,379 (L)	84.71%

Notes:

- (1) The letter "L" denotes the long position of the Director in the shares of the Company.
- (2) The percentage of shareholding is calculated on the basis of 450,000,000 shares in issue of the Company as at the Latest Practicable Date.
- (3) These shares are beneficially owned by Mrs. Doo, spouse of Mr. Doo. By virtue of Part XV of the SFO, Mr. Doo is taken to be interested in all the shares in which his spouse is interested.

(b) Long position in ordinary shares of associated corporation — FSE Holdings

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding (Note 2)
Mr. Doo	FSE Holdings (Note 3)	Interest of spouse (Note 4)	440,000,000 shares of HK\$0.10 each (L)	88%
Mr. Lam	FSE Holdings (Note 3)	Interest of controlled corporation (Note 5)	20,000,000 shares of HK\$0.10 each (L)	4%
Mr. Doo Jr	FSE Holdings (Note 3)	Interest of controlled corporation (Note 6)	35,000,000 shares of HK\$0.10 each (L)	7%
Mr. Lee Kwok Bong	FSE Holdings (Note 3)	Interest of controlled corporation (Note 7)	5,000,000 shares of HK\$0.10 each (L)	1%

Notes:

- (1) The letter “L” denotes the long position of the Director in the shares of the relevant associated corporation of the Company.
- (2) The percentage of shareholding is calculated on the basis of 500,000,000 shares in issue of FSE Holdings as at the Latest Practicable Date.
- (3) FSE Holdings is the holding company of the Company and falls under the definition of “associated corporation” within the meaning under Part XV of the SFO.
- (4) These shares are held by Sino Spring Global Limited as to 315,000,000 shares, Power Victory Global Limited as to 90,000,000 shares and Frontier Star Limited as to 35,000,000 shares, the entire issued share capital of each of which is beneficially owned by Mrs. Doo, spouse of Mr. Doo. By virtue of Part XV of the SFO, Mr. Doo is taken to be interested in all the shares in which his spouse is interested.
- (5) These shares are held by Equal Merit Holdings Limited, the entire issued share capital of which is solely and beneficially owned by Mr. Lam.
- (6) These shares are held by Master Empire Group Limited, the entire issued share capital of which is solely and beneficially owned by Mr. Doo Jr.
- (7) These shares are held by Lagoon Treasure Limited, the entire issued share capital of which is solely and beneficially owned by Mr. Lee Kwok Bong.

3. DISCLOSURE OF OTHER INTERESTS

(1) Interests in contract or arrangement

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

Name of Director	Contracts which were significant in relation to the business of the Group in which the Director had a material interest as at the Latest Practicable Date
Dr. Cheng	<ul style="list-style-type: none"> ● the Former Master Services Agreements ● the New Master Services Agreements
Mr. Doo	<ul style="list-style-type: none"> ● the Former Doo's Associates Group Master Services Agreements ● the Former NWD Master Services Agreements ● the NWD Master Services Agreement ● the Doo's Associates Group Master Services Agreement
Mr. Lam	<ul style="list-style-type: none"> ● the Former NWS Master Services Agreements ● the Former Doo's Associates Group Master Services Agreements ● the NWD Master Services Agreement ● the Doo's Associates Group Master Services Agreement
Mr. Doo Jr.	<ul style="list-style-type: none"> ● the Former NWS Master Services Agreements ● the Former Doo's Associates Group Master Services Agreements ● the NWD Master Services Agreement ● the New Master Services Agreements
Mr. Lee Kwok Bong	<ul style="list-style-type: none"> ● the Former Doo's Associates Group Master Services Agreements ● the Doo's Associates Group Master Services Agreement

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

(2) Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which, since 30 June 2022, being the date to which the latest published audited consolidated accounts of the Company were made up, had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group.

(3) Interests in competing business

As at Latest Practicable Date, the following Directors have interests in the following businesses apart from the Group's businesses which competed or would likely to compete, either directly or indirectly, with the businesses of the Group.

Name of Director	Entity whose business is considered to compete or likely to compete with the businesses of the Group	Description of business of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Dr. Cheng	NWD Group	property and carpark management and landscaping	director
Mr. Doo	NWD Group	property and carpark management and landscaping	director
Mr. Lam	NWS	carpark management	alternate director to Mr. Doo Jr.
Mr. Doo Jr.	NWS	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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective close associates have interests in any business apart from the businesses of the Group, which was considered to compete or is likely to compete, either directly or indirectly, with those of the Group.

4. DIRECTOR'S SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with any member of the Group which was not determinable by the Company within one year without payment of compensation other than statutory compensation.

5. QUALIFICATIONS AND CONSENT OF EXPERTS

The following are the qualifications of the experts whose opinions or advice are contained in this Circular:

Name	Qualifications
Somerley Capital Limited	A corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Somerley Capital:

- (1) had no direct or indirect shareholdings in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group; and
- (2) had no interests, direct or indirect, in any assets which had been, since 30 June 2022 being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any of member of the Group, or are proposed to be acquired or disposed of by or leased to any of member of the Group.

Somerley Capital has given and has not withdrawn its written consent to the issue of this Circular with the inclusion therein of its letter dated 5 June 2023 in the form set out in the Letter from Somerley Capital in this Circular, report or opinion and reference to its name in the form and context in which they respectively appear.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position or outlook of the Group since 30 June 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. DOCUMENTS ON DISPLAY

Copies of the New Master Services Agreements will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fse.com.hk) from the date of this circular up to and including 14 days (except public holidays).

NOTICE OF EGM



FSE LIFESTYLE SERVICES LIMITED

豐盛生活服務有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 331)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of **FSE LIFESTYLE SERVICES LIMITED** (the “**Company**”) will be held at 17th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong on Wednesday, 28 June 2023 at 12:00 noon for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions each to be proposed as an ordinary resolution of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the NWD Master Services Agreement dated 28 April 2023 entered into between NWD and the Company (a copy of which has been produced to the meeting marked “A” and initialled by the chairman of the meeting for identification purpose), the Services Transactions contemplated thereunder and the proposed annual caps in respect of the Service Transactions contemplated thereunder for each of the three financial years ending 30 June 2026 as more particularly set out in the “Letter from the Board” in the circular of the Company dated 5 June 2023 (the “**Circular**”) be and are hereby approved (capitalised terms defined in the Circular have the same meanings when used in this resolution); and
- (b) the directors (the “**Directors**”) of the Company acting together or by committee, or any Director acting individually, be and is/are hereby authorised to take all steps necessary on behalf of the Company whatever as he or they may, in his/their absolute discretion, consider necessary, desirable or expedient for the purpose of, or in connection with, implementing and/or giving effect to the above matters”.

2. “**THAT:**

- (a) the CTFJ Master Services Agreement dated 28 April 2023 entered into between CTFJ and the Company (a copy of which has been produced to the meeting marked “B” and initialled by the chairman of the meeting for identification purpose), the Services Transactions contemplated thereunder and the proposed annual caps in respect of the Service Transactions contemplated thereunder for each of the three financial years ending 30 June 2026 as more particularly set out in the “Letter from the Board” in the Circular be and are hereby approved (capitalised terms defined in the Circular have the same meanings when used in this resolution); and

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(b) the Directors acting together or by committee, or any Director acting individually, be and is/are hereby authorised to take all steps necessary on behalf of the Company whatever as he or they may, in his/their absolute discretion, consider necessary, desirable or expedient for the purpose of, or in connection with, implementing and/or giving effect to the above matters”.

3. **“THAT:**

(a) the CTFE Master Services Agreement dated 28 April 2023 entered into between CTFE and the Company (a copy of which has been produced to the meeting marked “C” and initialled by the chairman of the meeting for identification purpose), the Services Transactions contemplated thereunder and the proposed annual caps in respect of the Service Transactions contemplated thereunder for each of the three financial years ending 30 June 2026 as more particularly set out in the “Letter from the Board” in the Circular be and are hereby approved (capitalised terms defined in the Circular have the same meanings when used in this resolution); and

(b) the Directors acting together or by committee, or any Director acting individually, be and is/are hereby authorised to take all steps necessary on behalf of the Company whatever as he or they may, in his/their absolute discretion, consider necessary, desirable or expedient for the purpose of, or in connection with, implementing and/or giving effect to the above matters”.

4. **“THAT:**

(a) the Doo’s Associates Group Master Services Agreement dated 28 April 2023 entered into between FSE Management and the Company (a copy of which has been produced to the meeting marked “D” and initialled by the chairman of the meeting for identification purpose), the Services Transactions contemplated thereunder and the proposed annual caps in respect of the Service Transactions contemplated thereunder for each of the three financial years ending 30 June 2026 as more particularly set out in the “Letter from the Board” in the Circular be and are hereby approved (capitalised terms defined in the Circular have the same meanings when used in this resolution); and

(b) the Directors acting together or by committee, or any Director acting individually, be and is/are hereby authorised to take all steps necessary on behalf of the Company whatever as he or they may, in his/their absolute discretion, consider necessary, desirable or expedient for the purpose of, or in connection with, implementing and/or giving effect to the above matters”.

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

Hong Kong, 5 June 2023

NOTICE OF EGM

Registered office:
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place
of business in Hong Kong:*
Units 801–810, 8th Floor
Chevalier Commercial Centre
8 Wang Hoi Road
Kowloon Bay, Kowloon
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more ordinary shares (the “Shares”) of HK\$0.10 each in the Company may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy needs not be a member of the Company.
2. In the case of joint registered holders of any Share, any one of such joint holders may vote at the Meeting (or any adjournment thereof), either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders are present at the Meeting (or any adjournment thereof) personally or by proxy, that one of the said joint holders so present whose name stands first on the Company’s register of ordinary shareholders in respect of such Share shall alone be entitled to vote in respect thereof.
3. A form of proxy for use at the Meeting is enclosed. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the Meeting (or any adjournment thereof) if you so wish, and in such event, the form of proxy shall be deemed to be revoked.
4. To be valid, the instrument appointing a proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the Meeting (or any adjournment thereof).
5. In order to determine entitlement of a member of the Company to attend and vote at the Meeting (or any adjournment thereof), the Company’s register of ordinary shareholders will be closed from Friday, 23 June 2023 to Wednesday, 28 June 2023 (both days inclusive) during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 21 June 2023.
6. Voting on the above resolutions will be taken by poll.

As at the date of this notice, the board of directors of the Company comprises Dr. Cheng Kar Shun, Henry (Chairman) (Mr. Doo Wai Hoi, William as his alternate) as non-executive director, Mr. Lam Wai Hon, Patrick (Executive 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 and Dr. Cheng Chun Fai as executive directors, Mr. Kwong Che Keung, Gordon, Mr. Hui Chiu Chung, Stephen, Mr. Lee Kwan Hung, Eddie and Dr. Tong Yuk Lun, Paul as independent non-executive directors.