



豐盛生活服務有限公司  
FSE LIFESTYLE SERVICES LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 331

Property & Facility  
Management Services



City Essential Services



E&M Services



# FSE Lifestyle Enriching Lifestyle

Annual Report 2022-2023



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### Our Core Values

#### QUALITY

We pursue Quality



#### INNOVATION

We are Innovative



#### INTEGRITY

We pursue Integrity



### Our Vision

# Better Life, Better Home, Better Quality to You Everyday

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## TEAMWORK

We work as a Team



## CARING

We Care



## PASSION

We are Passionate



### Our Mission

**We offer superior service, we create an integrated, convenient and safe living environment.**

We are devoted to serve:

**Our Customers** - We provide customised service and maintain long term partnership.

**Our Staff** - We promote work-life balance and create a strong sense of belonging.

**Our Community** - We maintain sustainable development and contribute to community.



## About FSE Lifestyle Services Limited

FSE Lifestyle Services Limited is a listed company in the Hong Kong Stock Exchange (Stock Code: 0331.HK), whose ultimate holding company is FSE Holdings Limited. We are a leading lifestyle services conglomerate with 3 major business segments: property & facility management services, city essential services and electrical and mechanical engineering (“E&M”) services.

Our services are being delivered through our below major groups of companies which have all been the market leaders in their respective industries. They include Urban Group (“Urban”), International Property Management Limited (“International Property Management”), Kiu Lok Service Management Group (“Kiu Lok”), Waihong Services Group (“Waihong”), Far East Engineering Services Group (“Far East Engineering Services”), Turning Technical Services Limited (“Turning Technical Services”), General Security Group (“General Security”), Perfect Event Services Limited (“Perfect Event”), Nova Insurance Group (“Nova”), FSE Environmental Solutions Group and FSE Engineering Group.

With their professionalism and expertise, together with the extensive synergies generated among the companies under FSE Lifestyle, we are able to build up a strong network and offer comprehensive “one-stop-shop” professional services to our clients who are engaged in a wide diversity of projects including property developments, public infrastructures, education and transportation facilities as well as entertainment and travel industries in Hong Kong, Macau and the Mainland China.

Our clientele includes the HKSAR Government, multinational corporations, owners and investors of properties, theme parks, universities, hotels and hospitals covering both private and public facilities. We devise solutions for our clients providing cost efficiency and service excellence at all stages of their projects.



### Property & Facility Management Services



Urban Group

- Property & Facility Management



International Property Management Limited

- Property Management



Kiu Lok Service Management Group

- Property Management, and Sales & Leasing



## City Essential Services



Waihong Services Group



Far East Engineering Services Group



Turning Technical Services Limited



General Security Group



Perfect Event Services Limited



Nova Insurance Group



FSE Environmental Solutions Group

- Cleaning & Pest Control Services
- Technical Support & Maintenance Services
- Security Guarding & Event Services
- Insurance Solutions
- Environmental Solutions



## E&M Services



FSE Engineering Group  
Majestic Engineering  
Young's Engineering

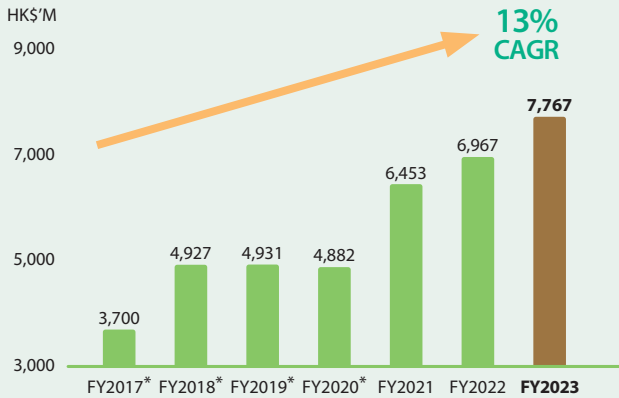
- Engineering and Consultancy on Installation



# 7-Year Achievements Since Listing

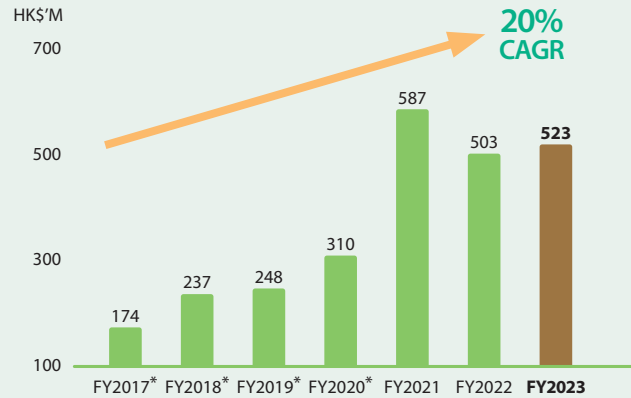
## Growth Trends

### Revenue



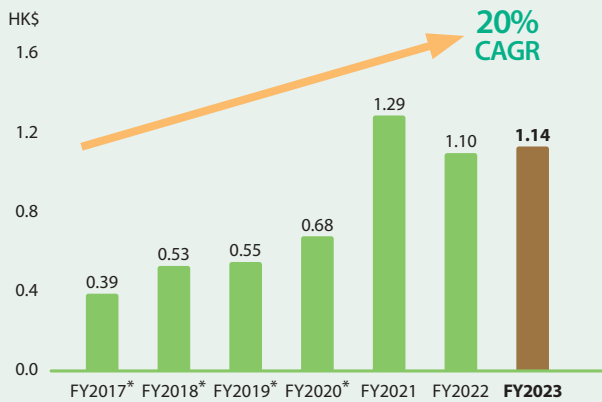
Through organic growth and acquisitions, consolidated revenue grew more than 100% from FY2017 to FY2023.

### Profit Attributable to Shareholders



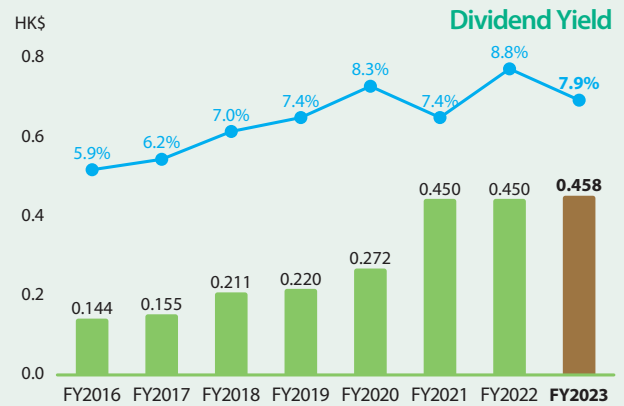
Compared with FY2017, consolidated profit attributable to shareholders for FY2023 tripled.

### Earnings per Share



Earnings per share surged more than 1.9 times from FY2017 to FY2023.

### Dividends per Share



Compared with FY2016, dividends per share for FY2023 increased more than 200% and was maintained at a stable dividend payout ratio of about 40%.

\* Reported figures per respective years' published annual results without including subsequent restatements caused by business acquisitions.

## Operational Performance



### Property & Facility Management Services

New and Renewed Contracts in FY2023\*

**30** Contracts  
**HK\$294** million

Remaining Works at 30 June 2023

**HK\$963** million



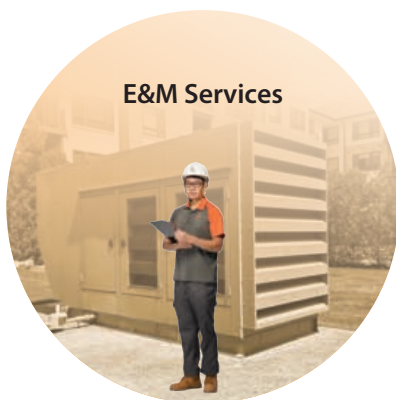
### City Essential Services

New and Renewed Contracts in FY2023\*

**358** Contracts  
**HK\$4,585** million

Remaining Works at 30 June 2023

**HK\$6,196** million



### E&M Services

New and Renewed Contracts in FY2023\*

**34** Contracts  
**HK\$3,288** million

Remaining Works at 30 June 2023

**HK\$5,857** million

\* With net contract sum not less than HK\$1 million for each contract.

## Environmental, Social and Governance

### Loyal and Sizeable Workforce

(As at 30 June 2023)

Number of Staff

**24,496**

(1,662 as at 30 June 2016)

### Environmental Targets

(FY2024 vs FY2023)

Fuel Consumption

▼ **0.5%**

Electricity Consumption

▼ **1.5%**

Paper Procured

▼ **8%**

### People Development and Corporate Social Responsibility

(Year ended 30 June 2023)

Total Training Hours Attended by Staff

**160,680**

Total Volunteer Service Hours

**6,404**

Number of Volunteering Participants

**1,907**

# Financial Highlights

For the year ended 30 June	2023 HK\$M	2022 HK\$M	% Change
Revenue	7,767.2	6,966.9	+11.5%
Gross profit	1,051.6	992.5	+6.0%
Profit attributable to shareholders of the Company <sup>(i)</sup>	522.9	502.9	+4.0%
Basic earnings per share	HK\$1.14	HK\$1.10	+3.6%

The Board recommended the declaration of a final dividend of HK21.3 cents (2022: HK24.1 cents) per ordinary share to the ordinary shareholders of the Company for the year ended 30 June 2023<sup>(ii)</sup>.

Notes:

- (i) If excluding the effects of government grants in the Group's results for both years to better illustrate the Group's financial results without such effects, the Group recorded an increase in adjusted net profit of 7.5% to HK\$445.9M (i.e. after excluding government grants of HK\$77.0M from profit attributable to shareholders of the Company of HK\$522.9M) for the year ended 30 June 2023 as compared to its adjusted net profit of HK\$414.7M (i.e. after excluding government grants of HK\$88.2M from profit attributable to shareholders of the Company of HK\$502.9M) for the year ended 30 June 2022. For details of the related government grants, please refer to the "Summary of government grants" table in the "Management Discussion and Analysis" section on page 46.
- (ii) Together with the interim dividend of HK24.5 cents (2022: HK20.9 cents) per ordinary share paid in March 2023, total distribution of ordinary share dividends made by the Company to its ordinary shareholders for the year ended 30 June 2023 will be HK45.8 cents (2022: HK45.0 cents) per share.

For the year ended 30 June 2023, the dividend payout ratio of the Company is 40.1%, calculated based on the Group's adjusted profit for the year ended 30 June 2023 attributable to ordinary shareholders of the Company of HK\$514.4M (i.e. after deducting preferred distribution to the holder of convertible preference shares of HK\$8.5M for the year ended 30 June 2023 from profit attributable to shareholders of the Company of HK\$522.9M).

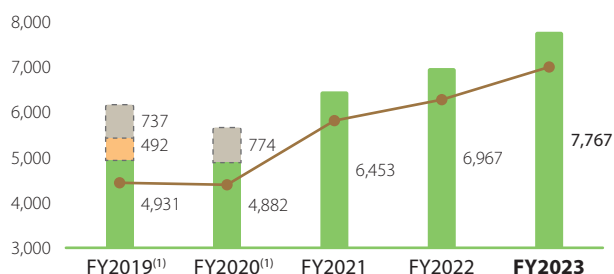
For the year ended 30 June 2022, the dividend payout ratio of the Company was 41.0%, calculated based on the Group's adjusted profit for the year ended 30 June 2022 attributable to ordinary shareholders of the Company of HK\$494.4M (i.e. after deducting preferred distribution to the holder of convertible preference shares of HK\$8.5M for the year ended 30 June 2022 from profit attributable to shareholders of the Company of HK\$502.9M).

## FSE Lifestyle — Consolidated

### Revenue

For the year ended 30 June

HK\$'million

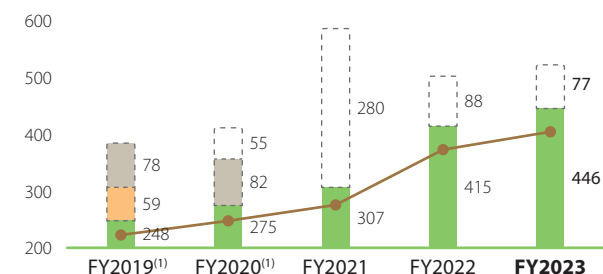


- Reported figures with no restatements<sup>(2)</sup>
- Restatements for property & facility management<sup>(3)</sup>
- Restatements for security guarding & event services, insurance solutions and landscaping<sup>(4)</sup>

### Profit Attributable to Shareholders of the Company

For the year ended 30 June

HK\$'million



- Reported figures with no restatements, excluding non-recurring items<sup>(6)</sup>
- Restatements for property and facility management<sup>(3)</sup>
- Restatements for security & guarding, insurance solutions and landscaping, excluding non-recurring items<sup>(7)</sup>

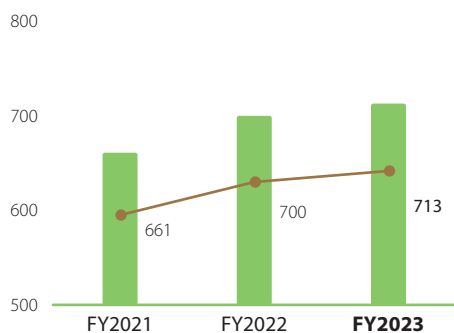
- (1) Restated for the Group's application of merger accounting for business combinations under common control
- (2) Reported figures per respective year's published annual results without including subsequent restatements caused by business acquisitions
- (3) Restatements for the amounts of property & facility management services business acquired in December 2019
- (4) Restatements for the amounts of security guarding & event services, insurance solutions and landscaping services businesses acquired in April 2021
- (5) Non-recurring items comprising (i) government grants of HK\$67.0M and one-off professional fees for acquisition of HK\$12.1M for FY2020; (ii) government grants of HK\$340.0M, losses related to laundry business of HK\$45.8M and one-off professional fees for acquisition of HK\$14.1M for FY2021; (iii) government grants of HK\$88.2M for FY2022 and (iv) government grants of HK\$77.0M for FY2023
- (6) Reported figures per respective year's published annual results without including subsequent restatements caused by business acquisitions, excluding non-recurring items per item (5) above
- (7) Restatements for the amounts of security guarding & event services, insurance solutions and landscaping services businesses acquired in April 2021, excluding non-recurring items per item (5) above



## Property & Facility Management Services Segment

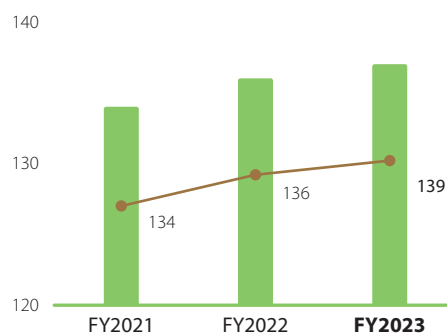
### Revenue

For the year ended 30 June  
HK\$'million



### Profit Attributable to Shareholders of the Company<sup>(8)</sup>

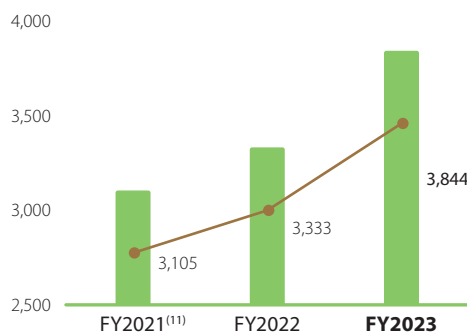
For the year ended 30 June  
HK\$'million



## City Essential Services Segment

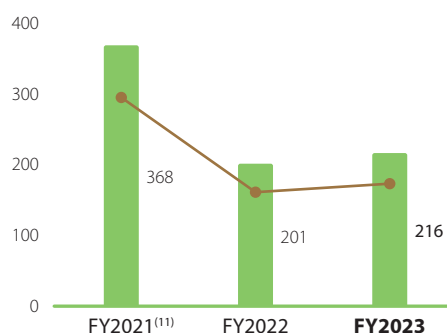
### Revenue

For the year ended 30 June  
HK\$'million



### Profit Attributable to Shareholders of the Company<sup>(9)</sup>

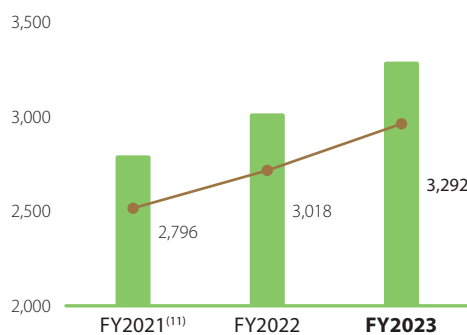
For the year ended 30 June  
HK\$'million



## E&M Services Segment

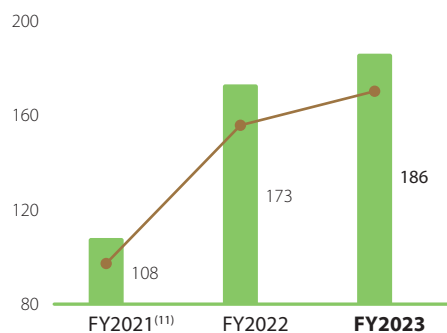
### Revenue

For the year ended 30 June  
HK\$'million



### Profit Attributable to Shareholders of the Company<sup>(10)</sup>

For the year ended 30 June  
HK\$'million



(8) Included government grants of HK\$62.5M for FY2021, HK\$54.9M for FY2022 and HK\$55.1M for FY2023

(9) Included government grants of HK\$240.9M for FY2021, HK\$15.2M for FY2022 and HK\$8.3M for FY2023. In addition, FY2021 included non-recurring items of losses related to laundry business of HK\$45.8M and one-off professional fees for acquisition of HK\$14.1M

(10) Included government grants of HK\$36.6M for FY2021, HK\$18.1M for FY2022 and HK\$13.6M for FY2023

(11) Restated for the Group's reclassification of Extra Low Voltage ("ELV") business from the E&M Services segment to the City Essential Services segment during the year ended 30 June 2022

# Major Events and Accolades

## 2022



### Aug The 2nd International Property Management and Procurement Expo

FSE Lifestyle joined the three days Expo to showcase the connection of our professional people with the innovative IoT systems and the modern information technologies, attracting over 8,500 visitors.



### Aug Won the "Best Property and Facility Management Services Award"

Urban Group obtained the award in the programme of "iMoney Enterprise Brand Awards 2022", in recognition of the Group's outstanding commitment to the organisation of both properties and facilities.



### Aug Won the "Management Award for Business Resilience and Community Contribution (Innovation for Excellence)"

Urban Group obtained the award in the "HKQAA Recognition Awards for Organisations 2022" while Dr. Edmond Cheng, Managing Director of Urban Group and Ms. Ng Ying Kwan, Assistant Community Relations Manager, won the "Leadership Award for Business Resilience and Community Contribution" and the "Frontline Award for Business Resilience and Community Contribution" respectively.



### Aug Sustainable Partnership with the Hong Kong Disneyland

Waihong celebrated two winning of miracle awards by receiving both the "Supplier of the Year 2021" and "Vendor Appreciation" awards, in recognition of its outstanding efforts in cleaning, recycling, waste minimisation and conservation.

### Sep Excellence Performance in Security Services

Kiu Lok received both "Honorable Managed Property Award" and "Outstanding Managed Public Carpark Award" for its managed properties of The Masterpiece and the K11 Carpark respectively from the Hong Kong Police Force in recognition of its outstanding performance in providing property management and security services which prevent crimes.





**Oct Embraces Sustainability across Business Operations, Winning two UNSDG Achievement Awards**

FSE Lifestyle won both “Sustainable Organisation Award” and “Recognised Project Award” organised by the Green Council, by adopting the United Nations Sustainable Development Goals as a framework for our daily business practices.



**Oct FSE Grand Awards Presentation marked the Exceptional Achievements of our Colleagues**

The theme of this year was “Stars of the Year, Striving for Excellence”, signifying that we will continue to progress and pursue excellence. Gathering with over 250 guests, awardees and colleagues to recognise and witness the outstanding performance of our elites.



**Oct Won the “Outstanding Listed Companies Award” for the 7th consecutively years**

The award was hosted by the Hong Kong Institute of Financial Analysts and Professional Commentators Limited and co-organised by Metro Finance Radio, a testimony to the Group’s sustained excellence in enhancing corporate governance, transparency and investor relations over the years.

**Oct Great achievement by winning the Grand Award of the “Best Employee Health & Safety Programme Award”**

General Security won this Grand Award at the “Best HR Awards 2022” organised by CTgoodjobs in recognition of its outstanding achievements in providing a health and safety workplace for employees.



**Nov Won the “Quality Property and Facility Management Award 2022”**

Seven properties managed by Urban Group obtained the awards, co-organised by The Hong Kong Association of Property Management Companies and The Hong Kong Institute of Surveyors Property and Facility Management Division, in recognition of their extensive efforts on delivering premium property management services and striving for improvements by innovative methods.



**Dec 2022 FSE Sustainable Seminar outlines “The Recovery and Rebound of the Economy”**

This annual event of FSE Lifestyle invited over 200 guests and executives of FSE Group to attend. We are inspired by the sharing and discussion on the global and Hong Kong economic environments and the winning formula for customer engagement by the experts.

# 2023



**Dec** **Won the “2022 Listed Company Awards of Excellence”**  
 FSE Lifestyle was highly recognised by the capital market by winning the award presented by the Hong Kong Economic Journal. The awards demonstrated the achievement of our efforts in striving for high standard in corporate governance to enhance our investment value.

**Dec** **Maximising the safety level in working environment is our top priority**  
 Majestic Engineering won the “Sub-contractor Safety Performance Award of December 2022” from Paul Y. General Contractors Limited in recognition of its outstanding performance in safety in the project of Mixing Housing Development at Pak Wo Road, Fanling.



**Jan** **FSE Young Executive Training Programme Broadens ESG Horizon**  
 An outing activity for our 45 YETP members to visit T · PARK and Baguio Waste Glass Bottle Recycling Plant enabled them to learn about the latest developments in the industry and to widen their horizon in the environmental, social and governance in Hong Kong.



**Mar** **FSE Caring Day 2023**  
 This is our signature ESG event, our kickoff ceremony for a series of social services programmes was launched on 16 March 2023 at the CIC-Zero Carbon Park in Kowloon Bay. We were delighted to work with Tung Wah Group of Hospitals, our long-term social service partner, and Food Angel, to serve the elderly and needy people.



**Mar** **Staying at the forefront of ESG Enhancement**  
 FSE Lifestyle obtained the ESG Enterprise Award organised by Sing Tao Daily for integrating environmental, social and governance considerations into our core corporate strategies, and establishing a clear and sound governance structures to review sustainability policies and performance progress.



**Jun** **Clinched three outstanding HKIRA Investor Relations Awards**  
 FSE Lifestyle won three major awards at the 9th Investor Relations Awards launched by the Hong Kong Investor Relations Association, namely the “Best IR Company”, “Best IR Team” and “Best IR by CFO”. The awards reaffirmed our unwavering commitment to communicating with the investment market as a role model for our industry peers.



**Jun** **The Successful 2nd FSE Executive Development Programme**  
 FSE Lifestyle’s EDP launched its crisis prevention and management workshop to share the knowledge and practical crisis handling solutions with a total of 35 EDP participants and senior executives to strengthen their operational and management capabilities. The workshop was inspiring and effective in communicating the crucial and essential elements in crisis management.



**Jun** **The inaugural “HKET Excellence Awards” Presentation**  
 FSE Lifestyle won the award by the Hong Kong Economic Times, demonstrating our excellence throughout a turbulent economic climate over the last few years.

# Chairman's Statement



The Group has remained committed to driving organic growth, diversifying our service offerings through proactive marketing efforts and ensuring effective cost management, highlighting the resilience of our businesses and enabling us to better withstand current challenges.

## To Our Shareholders:

On behalf of the board of directors (the "Board") of FSE Lifestyle Services Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the annual results of the Company for the year ended 30 June 2023 ("FY2023" or the "Year").

## Substantial Revenue and Profit Growth Since The Company's Listing

The year 2023 marks the seventh anniversary of the Company's listing in Hong Kong. Since then, we have remained committed to driving organic growth, diversifying our service offerings through proactive marketing efforts and ensuring effective cost management, highlighting the resilience of our businesses and enabling us to better withstand current challenges.

At a strategic level, this business ecosystem is central to our future development, which is based on essential governance and diversification. The Group will be uniquely positioned to provide high-quality and complementary integrated services, create cross-selling opportunities, and leverage advanced technologies and smart solutions such as Artificial Intelligence ("AI") and the Internet of Things ("IoT") to enhance the satisfaction of our valued customers.

In addition to our asset-light structural approach, service quality has been the cornerstone of the Group's development. On this basis, we have been able to rapidly diversify our business lines through organic growth and acquisitions, and optimise our management team as part of a succession plan to reposition the Group as a large and unique lifestyle services conglomerate offering the following comprehensive range of services to clients:



**Property & Facility Management Services**

including Property & Facility Management, Carparks Management and Sales & Leasing



**City Essential Services** including Cleaning & Pest Control, Technical Support & Maintenance, Security Guarding & Event Services, Insurance Solutions and Environmental Solutions



**E&M Services** including Engineering Works, Design & Consultancy

In 2023, the pandemic has largely subsided and the city's operating environment is gradually improving. Compared with our financial performance for the year ended 30 June 2016, the Group achieved more than doubled consolidated revenue, more than tripled profit attributable to shareholders, and increased earnings per share by more than 170% for FY2023. The increase in revenue was primarily driven by our established business ecosystem which creates cross-selling synergies and strengthens customer loyalty. This enabled us to achieve our goal of balancing growth in scale with cash flow. The Property & Facility Management Services and City Essential Services segments accounted for more than half of the Group's revenue, gross and net profit for the Year. The Group has continued to practise prudent financial management. It had a zero net gearing ratio during the Year.

To support the continued growth of our businesses, we have broadened our management bandwidth by optimising organisational structures within our various business units. Under our people-centred approach, we are actively

promoting occupational health and safety and will continue to invest in our people through diversified and targeted training to develop our colleagues, especially young talents.

As a result of adopting appropriate risk management strategies and the efforts of our management team, the Group achieved profit attributable to shareholders of HK\$522.9 million for FY2023 and maintained a net cash position at the end of the Year. Excluding the impact of government grants in both years, the Group's adjusted net profit for the Year would have increased by 7.5%. The Board has proposed a final dividend of HK21.3 cents per share for the Year. Including the interim dividend of HK24.5 cents per ordinary share for the six months ended 31 December 2022, the total dividend payout for the Year is HK45.8 cents per ordinary share, representing a payout ratio of 40.1%.



**The Group achieved more than doubled consolidated revenue and more than tripled profit attributable to shareholders for FY2023 compared to FY2016.**

**Property & Facility Management Services**

Our Property & Facility Management Group, which comprises Urban, International Property Management and Kiu Lok, is one of the largest independent property and car park management service providers in Hong Kong. We currently have more than 300 property management contracts covering no less than 140,000 residential units, 3.1 million square metres of commercial property and 60,000 car park spaces. With the paradigm shift and the normalisation of the pandemic, it is expected that there will be a growing trend of outsourcing non-core operations in the real estate sector.

With more than 50 years of experience, we are able to improve people's living conditions through property management services, building renovation and refurbishment, and leasing and tenancy management, some of which provide significant cross-selling opportunities for our City Essential Services segment. With the Hong Kong Government determined to increase housing and land supply, the property management market is expected to expand in line with the increase in property development in Hong Kong. Urban renewal is another government priority that will drive the growth momentum of the property management industry in the coming years. The Group has one of the strongest and most professionally qualified service teams with over 300 Tier 1 and Tier 2 property management professionals, making it well prepared to capitalise on business opportunities and fully compliant with the Property Management Services Ordinance.

To meet the growing customer demand for smart, sustainable and green living, our Property & Facility Management Group is committed to the continuous application of new and modern management standards and information technology in its operations.



**Have more than 300 property management contracts covering no less than 140,000 residential units, 3.1 million square metres of commercial property and 60,000 car park spaces.**

### City Essential Services

Building on our recognisable brands, high service quality and strong cross-selling synergies created by our business ecosystem, the Group continued to successfully promote its City Essential Services during the Year:

**Cleaning & Pest Control Services** – Waihong is one of the top two players in the environmental hygiene services market in Hong Kong. With the current emphasis on hygiene and environmental control, the Hong Kong Government is currently issuing cleaning service contracts worth an estimated HK\$5 billion per year. Against this backdrop, Waihong has strategically allocated more resources to strengthen its competitiveness in this sector. It has recently been awarded several sizeable contracts from the Food and Environmental Hygiene Department and the Leisure and Cultural Services Department totalling over HK\$1,700 million for the provision of cleaning and pest control services, thereby diversifying its revenue sources and increasing the proportion of revenue from the government and quasi-government sectors to more than 50%. The value of these newly awarded contracts almost equates the annual revenue of Waihong in FY2023. In addition, the Group has adopted new information technology and robotic applications in its operations to improve efficiency and work safety.

With its extensive experience, high-quality customised services and distinctive brand, Waihong will continue to increase its participation in the green waste disposal business to better align with the Hong Kong Government's environmental policies. In addition, with the implementation of the Solid Waste Charging Scheme in 2024 and the government's promotion of the Waste Blueprint 2035 and the Climate Action Plan 2050, we are exploring different recycling business opportunities. Given the increasing public awareness of environmental hygiene and demand for preventive disinfection services, we are optimistic about the future of the industry.

**Technical Support & Maintenance Services** – A research by the Urban Renewal Authority reported that there are more than 10,000 buildings in Hong Kong that are over 50 years old, in addition to no less than 300 hotels and 50 shopping malls. Thus, this division, which comprises Far East Engineering Services and Turning Technical Services, anticipates a growing demand for term maintenance



contracts, major alterations, additions and system upgrades for various commercial and residential buildings, hospitals, government properties and educational institutions. This division will also continue to play a complementary role in supporting our Property & Facility Management Services business.

**Security Guarding & Event Services** – General Security holds all three licences for security services companies in Hong Kong and is one of the top two players in the security guarding services sector. The demand for security services has grown steadily over the years, most notably in the residential sector, and is likely to expand at a similar pace. However, the highly localised and labour-intensive nature of these services has led to industry-wide difficulties in recruitment. As a result, automation and effective staff deployment will be required to improve operational efficiency. With the revival of the exhibition and entertainment industry, Perfect Event is actively responding to demand for services in the conference, convention, exhibition and leisure and cultural sectors. It aims to acquire service contracts for large-scale events in the events and exhibitions sector. Technological advances have also created more demand for advanced electronic security equipment such as alarm controls and video surveillance cameras. To capture these business opportunities, the Group will expand the product range of its security systems business. It will also widely adopt cloud technology and AI for patrol and manpower planning to improve operational efficiency.

**Insurance Solutions** – Nova is the leading local insurance broker in Hong Kong in terms of gross insurance brokerage revenue. It provides one-stop risk management and insurance solutions to corporate and individual clients, including but not limited to property, casualty, construction and employee benefits. During the Year, Nova secured several sizeable contracts for construction-related and general insurance solutions from new corporate clients. Earlier this year, the government released a development

roadmap for the insurance sector, outlining its vision and mission, as well as targeted policy initiatives to strengthen the city's status as a global risk management centre and sophisticated insurance hub. Given Nova's extensive experience, the large number of construction projects expected in the near term, and the strong demand for specialty insurance such as cyber insurance and professional indemnity insurance, the Group expects to see further growth in its insurance solutions business.



**The Group uniquely positioned to provide high-quality and complementary integrated services, create cross-selling opportunities, and leverage advanced technologies and smart solutions such as AI and IoT to enhance the satisfaction of our valued customers.**

**Environmental Solutions** – The Hong Kong Government has placed great emphasis on green development and this is a key development focus for the Group. Environmental Solutions, which comprises three business lines: Environment Solutions, Smart Solutions and Green Solutions, intends to seize the numerous opportunities arising from the growing public awareness of environmental issues. Recognising the demand for high standards of living environment and hygiene, the Group will focus on developing integrated facility management solutions, including smart offices, smart toilets, real-time indoor air quality ("IAQ") monitoring and rodent control.

The division's extra-low voltage team will apply advanced technologies such as AI, IoT and various 5G mobile applications to develop new and innovative businesses and strengthen our building management and environmental monitoring system to help improve building sustainability and environmental quality.

Furthermore, in view of the government's consistent greening policies, urban planning initiatives and various support schemes, as a landscape service provider, we are able and willing to contribute to the development of the industry by providing high-quality arboriculture and horticulture services to our prestigious clients.

### E&M Services

#### Hong Kong

With the Hong Kong Government's initiatives to boost economic growth and its commitment to maintaining a stable supply of commercial and residential land, the average expenditure on E&M construction works is expected to exceed HK\$29 billion in the public sector and HK\$24 billion in the private sector in the fiscal year 2023/24, according to data from the Construction Industry Council. The Group's E&M Services segment, which comprises Young's Engineering Group, Majestic Engineering Group and FSE Engineering Group, is currently one of the two dominant players in the Hong Kong market. Although the Group has large-scale projects in the pipeline, including the Kai Tak Sports Park, the Immigration Headquarters in Tseung Kwan O, the District Court at Caroline Hill Road, expansion of the Legislative Council Complex and the New Public Markets in Tin Shui Wai, it is well positioned to take on even larger infrastructure and construction projects. Among the more notable of our major design and construction bid is the District Cooling System at Kwu Tung North New Town Extension, which is currently under negotiation. Tender preparations are also underway for the new MTR

Railway Lines and Light Public Housing. In addition, the Northern Metropolis Development Strategy, which provides opportunities to upgrade the city's urban space, is set to become the most important urban development initiative. The Group will continue to leverage its technological strengths and differentiated competencies, such as Building Information Modelling ("BIM") and Modular Integrated Construction ("MiC"), to expand its signature contracting business in the future.

#### Mainland China

In Mainland China, the overall business sentiment, which had been affected by the pandemic, recovered rapidly in early January 2023 as the spread of the disease subsided, contributing to the economic recovery along with the increasing urbanisation rate. Given our proximity to the Greater Bay Area, another strategic focus of the Chinese government, the Group expects its business to gain new growth momentum. As one of the few Hong Kong-based E&M general engineering contractors with Class I Qualification in Mainland China, the Group is well positioned to optimise its project coverage in this vast market. In addition, with its experience accumulated over 30 years, extensive goodwill and reputable brands, the Group has a strong platform to win new contracts in this market. Its Qianhai and Guangzhou projects are progressing well and are nearing completion, which will help strengthen the Group's foundation for future development. In addition,



**The Group has large-scale projects in the pipeline, and it is well positioned to take on even larger infrastructure and construction projects.**

over the past year, we have secured sizeable mixed-use development projects in other major cities such as Shanghai, Hangzhou, Kunming and Ningbo. To this end, the Group will continue its efforts to strengthen its business presence in Mainland China, driven by its dual-core engine, supply/installation and project management expertise and well-established brand. With extensive E&M experience in Mainland China, the Group is also exploring opportunities in the Greater Bay Area through strategic collaborations and mergers and acquisitions.



**The Group will continue to seek new business opportunities to expand its operations and maximise shareholder value.**

#### **Macau**

Macau's economy stands at a new starting point in 2023 with the relaxation of mandatory quarantine measures, the resumption of ferry and air services and, most importantly, the granting of new 10-year concessions to six casino companies. These six companies have subsequently agreed to jointly invest nearly US\$15 billion to help rebalance the local economy towards international tourism. We expect this new investment and related E&M tenders to be underway soon. In addition, the increased use of the Hong Kong-Zhuhai-Macau Bridge will fuel economic recovery and related construction contracts in Macau.

As one of the major players in Macau's E&M industry for over 20 years, we are well positioned to capture business opportunities as they arise.

## **CONCLUSION**

It is expected that the pandemic will continue to subside, which will be beneficial to Hong Kong's economic recovery. In this new development phase in the post-pandemic era, the Group will continue to grow. It will also continue to seek new business opportunities to expand its operations and maximise shareholder value.

On behalf of the Board, I would like to express my sincere gratitude to all shareholders, customers and business partners for their unwavering support of the Group. I would also like to thank the management team and all staff members for their tireless efforts. As always, we remain fully committed to ensuring the Group's long-term development and providing fair returns to our shareholders.

**Dr. Cheng Kar Shun, Henry**  
Chairman

Hong Kong, 27 September 2023

# Board of Directors and Senior Management



## Board of Directors

### **Dr. Cheng Kar Shun, Henry** *GBM, GBS*

#### **Chairman and Non-executive Director**

Dr. Cheng, aged 76, was appointed the Chairman and Non-executive Director of the Company in August 2015. Dr. Cheng assumes an advisory role in respect of the overall strategic planning of the Group. Dr. Cheng has substantial corporate management experiences in a wide range of industries and has been assuming management roles in various listed public companies in Hong Kong, including the Chairman and an executive director of New World Development Company Limited, NWS Holdings Limited and Chow Tai Fook Jewellery Group Limited, and the Chairman and a non-executive director of i-CABLE Communications Limited. He was the Chairman and a non-executive director of New World Department Store China Limited up to his resignation on 13 May 2021 and a non-executive director of DTXS Silk Road Investment Holdings Company Limited up to his resignation on 19 March 2021, both being listed public companies in Hong Kong. Dr. Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation. He was a Standing Committee Member of the Twelfth Chinese People's Political Consultative Conference of The People's Republic of China. Dr. Cheng was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 2001 and 2017 respectively by the Government of the Hong Kong Special Administrative Region. Dr. Cheng is the brother and brother-in-law of Mrs. Doo Cheng Sau Ha, Amy and Mr. Doo Wai Hoi, William respectively, with Mrs. Doo Cheng Sau Ha, Amy being one of the controlling shareholders of the Company. He is also the uncle of Mr. Doo William Junior Guilherme and the cousin of Mr. Poon Lock Kee, Rocky's spouse.



### **Mr. Doo Wai Hoi, William** *BBS, JP*

#### **Alternate Director to Dr. Cheng Kar Shun, Henry**

Mr. Doo, aged 79, was appointed as alternate director to Dr. Cheng Kar Shun, Henry in December 2021. He is the vice-chairman and non-executive director of New World Development Company Limited and an independent non-executive director of Shanghai Industrial Urban Development Group Limited, both being listed public companies in Hong Kong. Mr. Doo is also a non-executive director of Lifestyle International Holdings Limited which was a listed public company in Hong Kong where its listing was withdrawn on 20 December 2022.

Mr. Doo is the chairman and director of Fung seng Prosperity Holdings Limited. He is a Justice of the Peace appointed by the Government of the Hong Kong Special Administrative Region, and was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2021. He is also the Honorary Consul General of the Kingdom of Morocco in Hong Kong and Macau, and a Governor of the Canadian Chamber of Commerce in Hong Kong. He was promoted to the Officier de l'Ordre National de la Légion d'Honneur by the Republic of France in 2019. Mr. Doo is the spouse of Mrs. Doo Cheng Sau Ha, Amy, being one of the controlling shareholders of the Company. He is also the brother-in-law of Dr. Cheng Kar Shun, Henry and father of Mr. Doo William Junior Guilherme.



**Mr. Lam Wai Hon, Patrick**  
**Executive Vice-Chairman**

Mr. Lam, aged 61, was appointed an Executive Director of the Company and a member of the Remuneration Committee of the Board in April 2016, became the Vice-Chairman of the Company in January 2017, and was redesignated as Executive Vice-Chairman of the Company in June 2022. He is on the boards of various companies within the Group, and is responsible for the overall strategic planning of the Group. Mr. Lam is currently an executive director and the Chief Executive Officer of FSE Holdings Limited, a controlling shareholder of the Company. He was a non-executive director of NWS Holdings Limited, a listed public company in Hong Kong, up to his retirement on 25 November 2020 when he was appointed as the alternate director to Mr. Doo William Junior Guilherme, a non-executive director of NWS Holdings Limited. Mr. Lam is a Fellow of the Hong Kong Institute of Certified Public Accountants and of the Institute of Chartered Accountants in England and Wales, and a Member of the Chartered Professional Accountants of Ontario, Canada. He is Acting Chairman of the Asia Advisory Board of the Ivey Business School, Western University, Canada, a founding director of the University of Edinburgh Hong Kong Foundation, and a Member of the Hong Kong Essex Global Leader Network, University of Essex. As well, Mr. Lam is a Governor of the Canadian Chamber of Commerce in Hong Kong. In 2021, he was made a Chevalier of the Order of National Merit of France in recognition of his contribution to France. In 2022, he was awarded an honorary Doctor of Laws by the Ivey Business School, Western University, Canada.



**Mr. Poon Lock Kee, Rocky** *MH*  
**Chief Executive Officer and Executive Director**

Mr. Poon, aged 67, joined the Group in February 1989 and is the Chief Executive Officer and Executive Director of the Company, and a member of each of the Nomination Committee and the Remuneration Committee of the Board. He also sits on the boards of various companies within the Group. He is primarily responsible for overseeing daily operational management and business performance of the Group and leading our E&M engineering business units in Hong Kong, Macau and the PRC. Mr. Poon is a member of the American Society of Mechanical Engineers, a Chartered Engineer of the Engineering Council in the United Kingdom, and a fellow of the Chartered Institution of Building Services Engineers in the United Kingdom, the Hong Kong Institute of Engineers and Hong Kong Institute of Construction Managers. Mr. Poon is the Life President of the Hong Kong Federation of Electrical & Mechanical Contractors Limited, Past President of the Hong Kong E&M Contractors' Association Limited, appointed Council Member of Construction Industry Council, President of the Macau Air-Conditioning & Refrigeration Chamber of Commerce, President of Macau Electrical Chamber of Commerce and Vice President of the 11th Council (2023-2026) of Macau Construction Association. Mr. Poon was awarded the Medal of Merit - Professions by the Macau SAR Government in September 2019 and awarded the Medal of Honour by the Hong Kong SAR Government in July 2023. Mr. Poon is a Deputy Chairman of the Shaoguan Overseas Friendship Association (Hong Kong & Macau Region), a member of the Trust Committee of the Henry Fok Foundation, and a director of Macau Urban Renewal Limited. Mr. Poon is the cousin-in-law of Dr. Cheng Kar Shun, Henry and Mrs. Doo Cheng Sau Ha, Amy, with Mrs. Doo Cheng Sau Ha, Amy being one of the controlling shareholders of the Company.

## Board of Directors and Senior Management



### **Mr. Doo William Junior Guilherme** *BBS, JP* Executive Director

Mr. Doo, aged 49, joined the Group in June 2014 and is an Executive Director of the Company and a member of the Nomination Committee of the Board. He also sits on the boards of various companies within the Group, and is primarily responsible for the overall strategic planning, overseeing business development and major management decisions for the Group. Mr. Doo is also an executive director and Deputy Chief Executive Officer of FSE Holdings Limited, a controlling shareholder of the Company. Mr. Doo is a solicitor admitted in Hong Kong and is currently a non-practising solicitor in England and Wales. Mr. Doo is a Member of the National Committee of the Fourteenth Chinese People's Political Consultative Conference. He is a Justice of the Peace of Hong Kong, and is awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region. Prior to joining the Group, Mr. Doo had legal practice experience in one of the largest global law firms specialising in finance and corporate transactions. Mr. Doo is also a non-executive director of NWS Holdings Limited and an independent non-executive director of The Bank of East Asia, Limited, both being listed public companies in Hong Kong. Mr. Doo is the son of Mr. Doo Wai Hoi, William and Mrs. Doo Cheng Sau Ha, Amy, with Mrs. Doo Cheng Sau Ha, Amy being one of the controlling shareholders of the Company. Mr. Doo is also the nephew of Dr. Cheng Kar Shun, Henry and his mother is the cousin of Mr. Poon Lock Kee, Rocky's spouse.



### **Mr. Lee Kwok Bong** Executive Director

Mr. Lee, aged 52, joined the Group in July 2010 and is an Executive Director of the Company, Chairman of the Risk Management Committee and a member of the ESG Committee of the Board. He is also on the boards of various companies within the Group. Mr. Lee is primarily responsible for the overall financial management of the Group. He has been the Chief Financial Officer of FSE Holdings Limited, a controlling shareholder of the Company, since August 2010.

Mr. Lee holds a Bachelor's degree in Business Administration in Accounting, a Master of Science degree in Finance and a Bachelor's degree in Chinese Legal System. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a member and a Chartered Global Management Accountant of the American Institute of Certified Public Accountants. Mr. Lee has more than 25 years of experience in auditing, financial management, accounting and corporate governance in Hong Kong and the PRC.



### **Mr. Soon Kweong Wah**

#### **Executive Director**

Mr. Soon, aged 64, joined the Group in May 1983 and is an Executive Director of the Company and a member of the ESG Committee and the Risk Management Committee of the Board. Mr. Soon also sits on the boards of various companies within the Group, and is primarily responsible for the overall operational management and business performance control of the Group's E&M engineering installation business in Hong Kong, as well as directing the research and analysis on the business opportunities and assessing potential markets and projects for this business unit.

Mr. Soon holds a Bachelor's degree in engineering and a Master's degree in engineering from the University of Hong Kong. He also holds a Master's degree in finance from The City University of Hong Kong and an Executive Master of Business Administration degree in management from the Richard Ivey School of Business (Asia) (now known as Ivey Business School), the University of Western Ontario (also known as Western University) in Canada. Mr. Soon has over 35 years of experience in the building services sector and installation of construction industries, and has handled various renowned engineering and construction projects of the Group in Hong Kong, Macau and the PRC.

Mr. Soon is an active member of various academic institutions and external associations. He is now a director and a Council Member of the Hong Kong Federation of Electrical and Mechanical Contractors Limited and a Council Member of the Hong Kong E&M Contractors' Association Limited. He is a chartered engineer of the Engineering Council in the United Kingdom, a registered professional engineer in building services and electrical engineering of the Hong Kong Engineers Registration Board, and a fellow member of the Hong Kong Institution of Engineers, where he also served as the appointed member of its Building Services Discipline Advisory Panel from 2011 to 2017. Mr. Soon was the Chairman of the Chartered Institution of Building Services Engineers (Hong Kong Region) from 2007 to 2008 and is now a fellow member of the institution and a director of The Chartered Institution of Building Services Engineers Hong Kong Limited.



### **Mr. Wong Shu Hung (alias, Vong Hong)**

#### **Executive Director**

Mr. Wong, aged 72, joined the Group in October 1986 and was appointed as an Executive Director of the Company in December 2017. He is on the boards of certain subsidiaries of the Group. Mr. Wong is mainly responsible for the operation and management of the Group's E&M engineering projects, and supervision of contracts managers, project managers and engineers. Mr. Wong obtained a Bachelor's degree in Mechanical Engineering from National Cheng Kung University, Taiwan and a Master of Science Degree in Heat Transfer Engineering from the Imperial College of Science and Technology, U.K. He has over 40 years' experience in the E&M engineering business in Hong Kong.

## Board of Directors and Senior Management



### **Dr. Cheng Chun Fai**

#### **Executive Director**

Dr. Cheng, aged 65, joined the Group in April 2018 and was appointed as an Executive Director of the Company and the Chairman of the ESG Committee of the Board in January 2021 and February 2022 respectively, and is primarily responsible for business development and operation of the Group. He is also a director of certain subsidiaries of the Company and Director of Operations and Corporate Development in FSE Holdings Limited, a controlling shareholder of the Company. Dr. Cheng obtained a Master of Business Administration from the University of South Australia in 2008, a Master of Laws in Chinese Business Law from the Open University of Hong Kong in 2010 and a Doctor of Philosophy in Business Administration from the Bulacan State University in 2012. He has over 20 years' experience in operational management in different industries. He is also the chairman of the Executive Committee of The Council of Hong Kong Professional Associations Limited and a member of the executive committee, the chairperson of the corporate communications & fundraising committee and the vice chairperson of the committee on social enterprise and employment of The Hong Kong Society for Rehabilitation. Dr. Cheng is the chairman of Program Think Tank on Property Management of City University of Hong Kong.



### **Mr. Kwong Che Keung, Gordon**

#### **Independent Non-executive Director**

Mr. Kwong, aged 74, was appointed an Independent Non-executive Director of the Company and the Chairman of the Audit Committee of the Board in November 2015. Mr. Kwong is also an independent non-executive director of a number of listed public companies in Hong Kong, including Agile Group Holdings Limited, Chow Tai Fook Jewellery Group Limited, COSCO SHIPPING International (Hong Kong) Co., Ltd., Henderson Investment Limited and Henderson Land Development Company Limited. He is also an independent non-executive director of Piraeus Port Authority S.A., a listed public company in Athens, Greece. He was an independent non-executive director of NWS Holdings Limited (up to his retirement on 21 November 2022) and China Power International Development Limited (up to his retirement on 3 June 2021), both being listed public companies in Hong Kong. Mr. Kwong graduated with a Bachelor of Social Science degree from the University of Hong Kong in 1972 and was qualified as a Chartered Accountant in the Institute of Chartered Accountants in England and Wales. He was a partner of Price Waterhouse (now known as PricewaterhouseCoopers) from 1984 to 1998 and an independent member of the Council of the Stock Exchange from 1992 to 1997, during which he had acted as the convener of both the Compliance Committee and the Listing Committee of the Stock Exchange. Mr. Kwong is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.





**Mr. Hui Chiu Chung, Stephen JP**  
**Independent Non-executive Director**

Mr. Hui, aged 76, was appointed an Independent Non-executive Director of the Company, and the Chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee of the Board in November 2015. Mr. Hui has 50 years of experience in the securities and investment industry. He had for years been serving as a member and Second Vice-chairman of Council of the Stock Exchange, a member of the Advisory Committee of the Hong Kong Securities and Futures Commission, a director of the Hong Kong Securities Clearing Company Limited, a member of the Listing Committee of the Stock Exchange, an appointed member of the Securities and Futures Appeal Tribunal, a member of Standing Committee on Company Law Reform, a member of the Committee on Real Estate Investment Trusts of the Hong Kong Securities and Futures Commission, an appointed member of the Hong Kong Institute of Certified Public Accountants Investigation Panel A and also a government appointed independent non-executive director of Hong Kong Exchanges and Clearing Limited. He was also an appointed member of Zhuhai Municipal Committee of the Chinese People's Political Consultative Conference from 2006 to 2017 and was a member of Hengqin New Area Development Advisory Committee, and Hong Kong and Macao Legal Issues Expert Group of The Administrative Committee of Hengqin New Area, Zhuhai. Mr. Hui is an independent non-executive director of a number of listed public companies in Hong Kong, including Agile Group Holdings Limited, China South City Holdings Limited, Gemdale Properties and Investment Corporation Limited, SINOPEC Engineering (Group) Co., Ltd, HK Acquisition Corporation, a Special Purpose Acquisition Company (SPAC) and Lifestyle International Holdings Limited (where its listing was withdrawn on 20 December 2022). He is also a non-executive director of Luk Fook Holdings (International) Limited, also a listed public company in Hong Kong. Mr. Hui was an independent non-executive director of Zhuhai Holdings Investment Group Limited, a listed public company in Hong Kong until its listing was withdrawn on 18 June 2021, up to his resignation on 6 September 2021. Mr. Hui is a fellow of The Hong Kong Institute of Directors and a senior fellow of the Hong Kong Securities and Investment Institute.

## Board of Directors and Senior Management



### **Mr. Lee Kwan Hung, Eddie** **Independent Non-executive Director**

Mr. Lee, aged 58, was appointed an Independent Non-executive Director of the Company, and the Chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee of the Board in November 2015. He is also a member of the ESG Committee of the Board. Mr. Lee is an independent non-executive director of a number of listed public companies in Hong Kong, including Embry Holdings Limited, NetDragon Websoft Holdings Limited, Newton Resources Ltd, Ten Pao Group Holdings Limited and Tenfu (Cayman) Holdings Company Limited. He was an independent non-executive director of Red Star Macalline Group Corporation Ltd. (up to his retirement on 15 August 2023), Glory Sun Financial Group Limited (up to his resignation on 17 July 2022) and China BlueChemical Ltd. (up to his resignation on 27 May 2021), all being listed public companies in Hong Kong. He obtained a Bachelor of Laws (Honours) degree from the University of Hong Kong in 1988 and was admitted as a solicitor in Hong Kong in 1991 and in the United Kingdom in 1997. He was a partner of Woo, Kwan, Lee & Lo and is currently a consultant of Howse Williams. Mr. Lee was successively a manager and a senior manager of the Listing Division of the Stock Exchange from December 1992 to April 1994.



### **Dr. Tong Yuk Lun, Paul** **Independent Non-executive Director**

Dr. Tong, aged 82, was appointed an Independent Non-executive Director of the Company and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board in April 2016. He is also a member of the ESG Committee of the Board. Dr. Tong holds a Bachelor of Science degree in Engineering and a Master of Science degree in Engineering from the University of Hong Kong, and a Doctor of Philosophy degree from the Victoria University of Manchester. Dr. Tong is a member of the Institute of Civil Engineers, London and the Hong Kong Institution of Engineers, and has solid and extensive experience in the construction industry.

## Senior Management

### Corporate Management

#### Mr. Chan Ju Wai

##### Chief Financial Officer and Company Secretary

Mr. Chan, aged 55, is the Chief Financial Officer and Company Secretary of the Company. Mr. Chan is also a director of certain subsidiaries of the Company. Mr. Chan is principally responsible for overseeing the Group's financial management, treasury, investor relations, legal and corporate governance functions.

Mr. Chan holds a Master's degree with distinction in accountancy from the Lingnan University in Hong Kong and a Master's degree with credit in Business Administration from the University of Sunderland in the United Kingdom. Mr. Chan is currently a fellow of the Institute of Public Accountants in Australia, the Institute of Certified Management Accountants in Australia and the Institute of Financial Accountants in the United Kingdom. He was also inducted as a member of the Lingnan University Chapter of Beta Gamma Sigma, the international honor society for collegiate schools of business.

Mr. Chan has more than 30 years' professional experience in auditing, finance and accounting in an international accounting firm, multi-national and listed companies. Mr. Chan joined the Group in May 2001 and has been a financial controller in the E&M engineering business for over 20 years.

#### Mr. Kwan Chun Kit, Terry

##### Director of Human Resources

Mr. Kwan, aged 53, rejoined the Group in November 2021 and is the Director of Human Resources of the Company and the E&M Engineering Group. Mr. Kwan is also a member of the ESG Committee of the Board and he first joined the Group in 2019. Mr. Kwan is responsible for the overall human resources management, strategic human capital planning, talent development and management, employer branding, compensation and benefits, and performance management.

Mr. Kwan has over 30 years of human resources management experience in hotel, convention and exhibition fields. He graduated from the hotel management school "Les Roches" of Switzerland and completed a professional development program in Human Resources Management from Cornell University of New York. He was a member of the Industry Advisory Committee of the School of Hotel and Tourism Management of The Hong Kong Polytechnic University from 2014 to 2019.



## Board of Directors and Senior Management



### Property & Facility Management, Agency Services

#### Urban Group and International Property Management

#### **Dr. Cheng Kam Wah**

##### **Managing Director**

Dr. Cheng, aged 64, has been the Managing Director of Urban Group since February 2002. Dr. Cheng has over 40 years substantial experiences in real estate, property asset management and facility services. He is responsible for the formulation of strategic directions, corporate business development, operations and management systems enhancement as well as new market development activities of Urban Group.

Dr. Cheng holds a Bachelor of Science Degree (Hons) in Estate Management from the University of Reading, UK, a Master Degree in Business Administration from the University of Hull, UK, and a Doctor of Philosophy Degree in Business and Management from the University of South Australia, Australia. He is a Fellow of the Hong Kong Institute of Housing, the Chartered Institute of Housing, the Hong Kong Institute of Surveyors, the Royal Institution of Chartered Surveyors, the Hong Kong Institute of Directors, the Hong Kong Institute of Facility Management, the Hong Kong Institute of Real Estate Administrators. He is also a Registered Professional Housing Manager, a Registered Professional Surveyor (General Practice) (Property and Facility Management), a Fellow Professional Facility Manager and a Licensed Estate Agent.

Currently, Dr. Cheng is the Chairman of Registration Committee of The Housing Managers Registration Board and the President of The Hong Kong Association of Property Management Companies.

#### Kiu Lok Service Management Group

#### **Mr. Chan Wing Wah**

##### **Director and General Manager**

Mr. Chan, aged 67, is the Director and General Manager of Kiu Lok Service Management Group and is responsible for the overall management of Kiu Lok. He joined Kiu Lok in 1994 and has over 40 years' experience in property management field.

Mr. Chan is currently a Chartered Member of Chartered Institute of Housing, Member of Hong Kong Institute of Housing, Ordinary Member of Hong Kong Institute of Real Estate Administration and a Licensed Tier 1 Property Management Practitioner (PMP), Licensed Estate Agent.



## City Essential Services

### Waihong Services Group

#### **Mr. Chung Wai Man** Managing Director



Mr. Chung, aged 65, is the Managing Director of Waihong Services Group. He joined Waihong in 1978 which has become a member of the Group since April 2018. Mr. Chung has accumulated over 40 years' experience in the cleaning and environmental industry, and is responsible for the stipulation of business directions, management control and operation systems enhancement as well as new market development activities of the Group's sanitation, cleaning and environmental services businesses.

Mr. Chung holds a Bachelor of Business Administration in Corporate Administration. He was the Executive Committee and the Chairperson of Tendering Principles Sub-Committee of the Environmental Contractors Management Association (2013–2017). He was also the Chief Secretary of Environmental Services Contractors Alliance (Hong Kong) in 2013–2017.

#### **Ms. Sze Kut** General Manager



Ms. Sze, aged 50, is the General Manager of Waihong Services Group. Ms. Sze is primarily responsible for the finance, procurement and operations function of Waihong.

Ms. Sze joined Waihong in 2010. Before joining Waihong, Ms. Sze has worked for an international audit firm. She has also worked for New World Group in the Merger and Acquisition division and also worked for NWS Holdings Group's subsidiaries as financial controller.

Ms. Sze graduated from The University of Maryland at College Park with a Bachelor's degree in Accounting and obtained a Master of Science Degree in Finance from The University of Michigan-Dearborn.

## Board of Directors and Senior Management



### Technical Support and Maintenance Group

#### Mr. Yu Shek Chung

##### Director and General Manager

Mr. Yu, aged 51, joined the Group in 1996 and is the Director and General Manager of Far East Engineering Services Limited. He is mainly responsible for the overall management and business performance control of the technical support and maintenance business in both Hong Kong and Macau, as well as operating the research and analysis on the business opportunities and assessing potential markets and projects for the business units. Mr. Yu has over 25 years' experience in the E&M engineering business in Hong Kong.

Mr. Yu holds a Bachelor's degree in Manufacturing Engineering from McMaster University, Canada and a Master's degree in Building Services Engineering from The University of Hong Kong. He is currently a member of The Hong Kong Institution of Engineers, a member of Chartered Institution of Building Services Engineers, a fellow member of Society of Operations Engineers, a chartered environmentalist of Society of the Environment, a member of Hong Kong Institute of Facility Management, a registered energy assessor of Electrical and Mechanical Services Department and a registered professional engineer in the Engineers Registration Board of Hong Kong. Besides, Mr. Yu is an Authorised Signatory of Registered Specialist Contractors (Ventilation Works Category) in Hong Kong.

### General Security Group

#### Mr. Lai Yuk Tim

##### Director and General Manager

Mr. Lai, aged 63, joined the General Security Group in 2011 and is the Director and General Manager of General Security Group and Perfect Event Services Limited, and is also the General Manager – Corporate Development of FSE Holdings Limited, a controlling shareholder of the Company. He is responsible for formulating strategic planning, corporate business development and management of the security services and event services of the Group.

Mr. Lai has over 40 years of extensive experience in security and facility management field. Prior to joining General Security Group, Mr. Lai was the Senior Group Manager of Urban Group and the Director and General Manager of Urban Parking Limited under NWS Holdings Limited.

Mr. Lai is the Vice-Chairman of Chamber of Security Industry since 2016 and is appointed by Education Bureau as the member of Industry Training Advisory Committee of Qualifications Framework from January 2022 to December 2024. He is currently a fellow member of Hong Kong Institute of Housing, fellow member of Chartered Institute of Housing, Registered Professional Housing Manager and full member of Institute of Shopping Centre Management.



## Nova Insurance Group

### **Mr. Chan Chi Kong, Patrick** Managing Director

Mr. Chan, aged 58, joined Nova Insurance in 2003 and is the Managing Director of Nova Insurance Group managing its operations in Hong Kong, Macau as well as mainland China under an affiliated company of the Group.

Mr. Chan holds a Bachelor's degree of Business Administration with major in Marketing from the Chinese University of Hong Kong. He is a Senior Associate of the Australian and New Zealand Institute of Insurance and Finance and sits on their Hong Kong Member Advisory Board. He is also a member of the Hong Kong Academy of Finance (AoF) which was set up with full collaboration amongst the Hong Kong Monetary Authority, the Securities and Futures Commission, the Insurance Authority and the Mandatory Provident Fund Schemes Authority.

Mr. Chan has more than 35 years of experience in the insurance industry in Hong Kong and the PRC. He was a past Chairman of the Hong Kong Confederation of Insurance Brokers (CIB) which was an approved body of insurance brokers to implement self-regulation of insurance brokers in Hong Kong. He is currently a General Committee Member of CIB. Prior to joining the Group, he had worked for the insurance brokerage of a British conglomerate for over a decade.

## Environmental Solutions Group

### **Mr. Ko Ngai Chun** Director and General Manager

Mr. Ko, aged 38, joined the Group in July 2016 and is the Director and General Manager of Environmental Solutions Group. He is responsible for the overall management and business development of the environmental and landscaping business and trading of building materials of the Group.

Mr. Ko holds a Bachelor's degree in Science in Accounting and Finance from the University of Warwick in the United Kingdom. He is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, he had worked in an international accounting firm and financial institution.



## Board of Directors and Senior Management

### E&M Services

#### FSE Engineering Group

#### **Mr. Cheung Chi Wai** Deputy Managing Director



Mr. Cheung, aged 59, joined the Group in 1989 and is the Deputy Managing Director of the FSE Engineering Group. He is mainly responsible for the overall management and business performance control of the Group's E&M engineering projects, and supervision of contracts managers, project managers and engineers as well as operating the research and analysis on the business opportunities and assessing potential markets and projects for the business units. Mr. Cheung has over 35 years' experience in the E&M engineering business in Hong Kong, Macau and Mainland China.

Mr. Cheung holds a Bachelor's degree in Building Services Engineering and a Master's degree in Fire and Safety Engineering from The Hong Kong Polytechnic University. He is currently a member of The Hong Kong Institution of Engineers, a member of Chartered Institution of Building Services Engineers, a fellow member of Society of Operations Engineers, a chartered environmentalist of Society of the Environment, a member of Institution of Fire Engineers, a registered energy assessor of Electrical and Mechanical Services Department and a registered professional engineer in the Engineers Registration Board of Hong Kong. Besides, Mr. Cheung is an Authorized Signatory of Registered Specialist Contractors (Ventilation Works Category) and a registered licensed plumber in Hong Kong.

#### **Mr. Lee Wa Yip** Director and General Manager (Mainland China)



Mr. Lee, aged 58, first joined the Group in December 1992 and had worked for the Group for over 15 years during the period from 1992 to 2009. Mr. Lee rejoined the Group in June 2012 and is the Director and General Manager of our E&M Engineering operations in Mainland China. He is responsible for the overall project administration and business marketing for Mainland China projects. He has over 30 years' experience in quantity surveying and E&M project administration in Mainland China.

Mr. Lee holds a Bachelor's degree of Science in Quantity Surveying from the University of Hong Kong and a Postgraduate Certificate in Construction Project Management from the City University of Hong Kong. Mr. Lee is a member of the Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors.



# Corporate Governance Report

## Corporate Governance Practice

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and enhance the corporate value of the Group. The Company has applied the principles of the corporate governance code (the “Corporate Governance Code”) contained in Appendix 14 to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) to its corporate governance structure and practices in the manner as described in this report. Throughout the Year, the Company had complied with all the code provisions set out in the Corporate Governance Code, with the exception of code provision F.2.2.

Code provision F.2.2 requires the chairman of the board to attend the annual general meeting. Dr. Cheng Kar Shun, Henry, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 18 October 2022 (the “2022 AGM”) due to his prior commitment to another important engagement. Mr. Doo Wai Hoi, William, alternate director to Dr. Cheng Kar Shun, Henry, who took the chair of the 2022 AGM, together with members of the Board who attended the 2022 AGM, were of sufficient caliber for answering questions at the 2022 AGM.

## Vision and Values

The Company instils a corporate culture across the Group based on its commitment to quality, innovation, integrity, teamwork, caring and passion. The Board plays a leading role in defining the vision, setting strategy in alignment with these core values for sustainability and continuous development of the Group.

### Our Vision

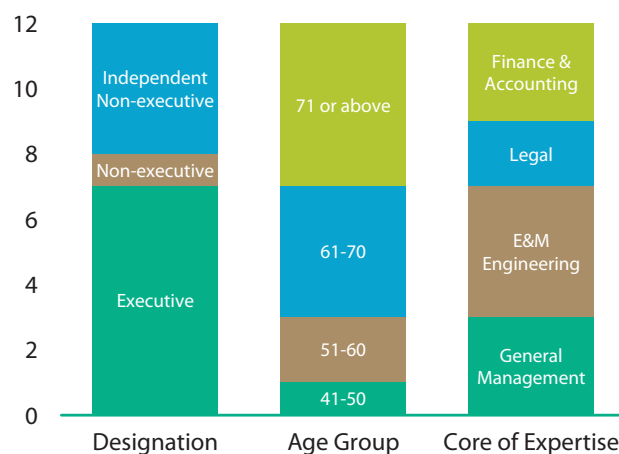
**Better Life, Better Home,  
Better Quality to You Everyday**

## Board of Directors

### Composition and responsibilities

The Board currently comprises 12 Directors, including 1 Non-executive Director, 7 Executive Directors and 4 Independent Non-executive Directors. An analysis of the current Board composition is set out in the following chart:

## No. of Directors



The names, biographical details and relationship amongst them, if any, are set out on pages 18 to 24 in the section “Board of Directors and Senior Management”.

While the Board is collectively responsible for the management and operations of the Company, the Chairman of the Board provides leadership to the Board in carrying out its duties. The Executive Directors, together with the senior management of the Company, are delegated with responsibilities in the day-to-day management of the Company and make operational and business decisions.

## Diversity policy

The Board has adopted a Board diversity policy which recognises and embraces the benefits of a Board that possess a balance of skills, knowledge, professional experience, expertise and diversity of perspectives appropriate to the requirement of the businesses of the Group. In ensuring diversity of the Board, gender, age, cultural and educational background will also be taken into account. All Board appointments are based on meritocracy and considered with due regard for the benefits of diversity on the Board.

The Nomination Committee and the Board recognise the importance and benefits of gender diversity at the Board level and the Company is committed to improving gender diversity as and when suitable candidates are identified. The Company will take initiatives to identify suitable candidate with priority to have female representation at the Board before 31 December 2024.

# Corporate Governance Report

The Board also places emphasis on diversity (including gender diversity) across all levels of the Group. The gender diversity of the overall workforce of the Group is balanced, with a slightly higher number of female employees. While female representation at the senior management level only accounts for 8%, the Company is taking initiatives to improve gender diversity across senior management. Further details on the gender ratio of the Group can be found in the Environmental, Social and Governance Report (the “ESG Report”) for FY2023 of the Group which will be published together with this annual report.

## Nomination policy

A nomination policy (the “Nomination Policy”) for documenting the current procedures and practices for the nomination of Directors was approved by the Board in December 2018, which is applicable to both new appointments and re-appointments.

In accordance with the Nomination Policy, the procedures and process in respect of the nomination of Directors are summarised below:

1. The Nomination Committee shall invite nomination of candidates from the members of the Board, if any, for its consideration. The Nomination Committee may also put forward candidates who are not proposed by members of the Board.
2. For filling a casual vacancy or appointing an additional member to the Board, the Nomination Committee shall make recommendations for the Board’s consideration and approval.
3. For proposing candidates to stand for election or re-election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation to shareholders of the Company.
4. Shareholders of the Company may also propose candidate for election as a Director at a general meeting in accordance with the procedures posted on the Company’s website.

The following factors would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

- reputation for integrity;
- qualifications, skills and experience that are relevant to the business of the Group;
- commitment in respect of available time to carry out duties as a director;
- independence in character and judgement to act in the best interest of all shareholders of the Company;
- contribution to the Company’s Board diversity policy; and
- any other perspectives that meet the current and anticipated needs of the Board.

In case of nominating the candidate for appointment/re-appointment as an Independent Non-executive Director, in addition to the above selection criteria, the independence of the candidate would be assessed with reference to the independence criteria as set out in the Listing Rules.

## Corporate governance functions

The Board is collectively responsible for performing the corporate governance duties which have been formalised into written terms of reference approved by the Board, including but not limited to developing, reviewing and monitoring the Group’s policies, systems and practices in relation to its corporate governance and compliance with legal and regulatory requirements. The Board has reviewed the disclosures in this Corporate Governance Report.

## Independent views to the Board

The Company has established mechanisms to ensure independent view are available to the Board, a summary of which is set out below:

### (i) Composition

The Board ensures the appointment of at least one-third of its members being Independent Non-executive Directors. Further, Independent Non-executive Directors will be appointed to Board Committees as far as practicable to ensure independent views are available.

(ii) Independence assessment

The Company strictly adheres to the Nomination Policy with regard to the appointment of Independent Non-executive Directors, and is mandated to assess annually the independence of Independent Non-executive Directors to ensure that they can continually exercise independent judgement. During the Year, The Company has assessed the independence of all Independent Non-executive Directors and considers all of them to be independent having regard to (i) their annual confirmation on independence as required under the

Listing Rules; (ii) the absence of involvement in the daily management of the Company; and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgment.

(iii) Board decision making

Directors (including Independent Non-executive Directors) are entitled to seek further information from management on the matters to be discussed at Board and Board committee meetings and, where necessary, independent advice from external professional advisers at the Company's expense.

### Directors' continuous professional development

Directors are encouraged to participate in continuous professional development. A record of participation in various professional development programs provided by each Director is kept by the Legal and Company Secretarial Department. Based on the details so provided, a summary of training received by the Directors for the Year is set out as follows:

	Giving talks or attending seminars/conferences/forums	Reading journals and updates on relevant rules and regulations and the Company's industry
<b>Non-executive Director</b>		
Dr. Cheng Kar Shun, Henry ( <i>Chairman</i> )	✓	✓
<b>Executive Directors</b>		
Mr. Lam Wai Hon, Patrick ( <i>Executive Vice-Chairman</i> )	✓	✓
Mr. Poon Lock Kee, Rocky ( <i>Chief Executive Officer</i> )	✓	✓
Mr. Doo William Junior Guilherme	✓	✓
Mr. Lee Kwok Bong	✓	✓
Mr. Soon Kweong Wah	✓	✓
Mr. Wong Shu Hung	✓	✓
Dr. Cheng Chun Fai	✓	✓
<b>Independent Non-executive Directors</b>		
Mr. Kwong Che Keung, Gordon	✓	✓
Mr. Hui Chiu Chung, Stephen	✓	✓
Mr. Lee Kwan Hung, Eddie	✓	✓
Dr. Tong Yuk Lun, Paul	✓	✓
<b>Alternate Director</b>		
Mr. Doo Wai Hoi, William (alternate to Dr. Cheng Kar Shun, Henry)	✓	✓

# Corporate Governance Report

## Board performance

To provide opportunities for improvement to the Board's effectiveness, the Board conducted a self-assessment evaluation in December 2022 by way of inviting Directors to complete a questionnaire on an anonymous basis. The findings and recommendations from the evaluation were presented to the Board. Based on the overall positive responses from the evaluation, the Board considered that the Board performed effectively.

## Roles of Chairman, Vice-Chairman and Chief Executive Officer

Dr. Cheng Kar Shun, Henry, the Non-executive Chairman, leads the Board and ensures that the Board works effectively. Mr. Lam Wai Hon, Patrick, the Executive Vice-Chairman and Mr. Poon Lock Kee, Rocky, the Chief Executive Officer jointly manage the Company's day-to-day businesses and implement major strategies and policies of the Company. The positions of the Chairman, the Executive Vice-Chairman and the Chief Executive Officer are held by separate individuals so as to maintain an effective segregation of duties.

## Non-Executive Directors

Non-executive Directors (including Independent Non-executive Directors) serve the relevant function of bringing independent views and judgement for the Board's deliberation and decisions. They have the same duties of care and skill and fiduciary duties as the Executive Directors. Each Non-executive Director has signed a letter of appointment with the Company for a fixed term of one year, subject to retirement by rotation in accordance with the Company's articles of association.

## Board Committees

The Board is supported by various Board committees, including the Executive Committee, the Audit Committee, the Risk Management Committee, the Remuneration Committee, the Nomination Committee and the ESG Committee. Each Board committee is provided with sufficient resources to discharge its duties in accordance with its terms of reference adopted by the Board. Other Board committees are established by the Board as and when necessary to take charge of specific tasks.

## Executive Committee

The Board has delegated to the Executive Committee comprising all Executive Directors with authority and responsibility in handling the day-to-day businesses of the Company, while reserving the authority for the Board to approve, amongst other matters, the Company's long-term objectives, changes in capital structure, interim and annual financial statements, dividend policy, and significant operational matters. The Executive Committee meets regularly as and when necessary.

## Audit Committee

The Audit Committee was established in November 2015. It currently comprises all the four Independent Non-executive Directors, namely, Mr. Kwong Che Keung, Gordon (as Chairman), Mr. Hui Chiu Chung, Stephen, Mr. Lee Kwan Hung, Eddie and Dr. Tong Yuk Lun, Paul.

The Audit Committee is responsible for the review of the Company's financial information, financial reporting system, risk management and internal control systems. The Committee also oversees the Company's relationship with the external auditors and makes recommendations to the Board on the appointment and reappointment of external auditor.

During the Year, the Audit Committee held two meetings and reviewed, amongst other matters, the Company's audit plans, internal control procedure, financial reporting system, continuing connected transactions, risk management policy and the adequacy of resources, qualifications and experience of staff in the Group's accounting, financial reporting and internal audit functions. The Committee also reviewed the interim results for the six months ended 31 December 2022 and the annual results for the Year and submitted recommendations to the Board for its approval, and discussed the Reports to the Audit Committee prepared by external auditor relating to accounting issues and major findings in the course of review and audit.

### Risk Management Committee

The Risk Management Committee was established in February 2016 under the supervision of the Audit Committee. The Risk Management Committee comprises representatives from the divisional and functional management including operations, human resources, finance and other supporting departments and is chaired by Mr. Lee Kwok Bong, an Executive Director, who was appointed in April 2023 in place of Mr. Soon Kweong Wah, also an Executive Director. The Risk Management Committee reports to the Audit Committee which supports the Board by monitoring and guiding the activities of the risk management and internal control systems.

During the Year, the Risk Management Committee held four meetings to regularly review, assess and monitor all major risks identified in different departments.

### Remuneration Committee

The Remuneration Committee was established in November 2015. It currently comprises three Independent Non-executive Directors and two Executive Directors, namely, Mr. Hui Chiu Chung, Stephen (as Chairman), Mr. Lee Kwan Hung, Eddie, Dr. Tong Yuk Lun, Paul, Mr. Lam Wai Hon, Patrick and Mr. Poon Lock Kee, Rocky.

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management, and on the establishment of a formal and transparent procedure for developing such policy. Prior to making its recommendations, the Committee consults the Chairman, the Executive Vice-Chairman and/or the Chief Executive Officer of the Board. Whilst the Board retains its power to determine the remuneration of Non-executive Directors, the responsibility for reviewing and determining the remuneration packages of individual Executive Directors and senior management of the Group is delegated to the Remuneration Committee.

During the Year, the Remuneration Committee held one meeting and reviewed the Company's remuneration policy and structure, including that for the Directors and senior management of the Company. The Committee also reviewed and approved the yearly salary adjustments effective 1 January 2023 and the bonus payment for FY2022.

### Nomination Committee

The Nomination Committee was established in November 2015. It currently comprises three Independent Non-executive Directors and two Executive Directors, namely, Mr. Lee Kwan Hung, Eddie (as Chairman), Mr. Hui Chiu Chung, Stephen, Dr. Tong Yuk Lun, Paul, Mr. Poon Lock Kee, Rocky and Mr. Doo William Junior Guilherme.

The Nomination Committee is responsible for reviewing the structure, size, composition and diversity of the Board regularly and makes recommendations on any proposed changes to the Board to complement the Company's corporate strategy. Its duties include but are not limited to identifying individuals suitably qualified to become members of the Board, maintaining a level of diversity of the Board based on its diversity policy to ensure it possesses a balance of skills, knowledge, professional experience, expertise, objectivity and perspectives appropriate to the requirement of the business of the Group, monitoring the succession planning of Directors and assessing the independence of Independent Non-executive Directors.

During the Year, the Nomination Committee held one meeting and reviewed the structure, size, composition of the Board with due consideration to the appropriate balance of skill and experience required by the Company. It also assessed and confirmed the independence of all the four Independent Non-executive Directors having regard to the criteria as set out in Rule 3.13 of the Listing Rules, and recommended to the Board the nomination of Mr. Lam Wai Hon, Patrick, Mr. Doo William Junior Guilherme, Mr. Wong Shu Hung and Dr. Tong Yuk Lun, Paul for reappointment as Directors by the shareholders at the 2022 AGM. The Committee also reviewed the board diversity policy and the nomination policy of the Company.

# Corporate Governance Report

## ESG Committee

The ESG Committee (formerly known as the Sustainability Committee) was established in December 2020. It currently comprises three Executive Directors and two Independent Non-executive Directors, namely, Dr. Cheng Chun Fai (as Chairman), Mr. Lee Kwok Bong, Mr. Soon Kweong Wah, Mr. Lee Kwan Hung, Eddie and Dr. Tong Yuk Lun, Paul.

The ESG Committee is responsible for the oversight of the Group's sustainability and environmental, social and

governance issues. It formulates the Group's sustainability strategies, priorities and policies, and advises the Board on the adoption, progress and achievement of sustainability targets and measures.

During the Year, the ESG Committee held three meetings to discuss, review and monitor the preparation of the ESG Report for FY2023. It also discussed and decided the KPIs and target settings for the ESG Report for FY2024.

## Attendance of meetings

The attendance records of the Directors at Board meetings, committee meetings and general meetings of the Company during the Year are as follows:

	Number of meetings attended/eligible to attend							
	Board Meeting	Executive Committee Meeting	Audit Committee Meeting	Risk Management Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	ESG Committee Meeting	General Meetings
<b>Non-executive Director</b>								
Dr. Cheng Kar Shun, Henry	1/6 <sup>(i)</sup>	–	–	–	–	–	–	0/2 <sup>(i)</sup>
<b>Alternate Director</b>								
Mr. Doo Wai Hoi, William	5/5 <sup>(i)</sup>	–	–	–	–	–	–	2/2 <sup>(i)</sup>
	6/6 <sup>(i)</sup>	–	–	–	–	–	–	2/2 <sup>(i)</sup>
<b>Executive Directors</b>								
Mr. Lam Wai Hon, Patrick	6/6	3/3	–	–	1/1	–	–	2/2
Mr. Poon Lock Kee, Rocky	5/6	3/3	–	–	1/1	1/1	–	2/2
Mr. Doo William Junior Guilherme	6/6	3/3	–	–	–	1/1	–	2/2
Mr. Lee Kwok Bong	6/6	3/3	–	1/1	–	–	3/3	2/2
Mr. Soon Kweong Wah	6/6	3/3	–	4/4	–	–	3/3	2/2
Mr. Wong Shu Hung	5/6	3/3	–	–	–	–	–	2/2
Dr. Cheng Chun Fai	6/6	3/3	–	–	–	–	3/3	2/2
<b>Independent Non-executive Directors</b>								
Mr. Kwong Che Keung, Gordon	6/6	–	2/2	–	–	–	–	2/2
Mr. Hui Chiu Chung, Stephen	6/6	–	2/2	–	1/1	1/1	–	2/2
Mr. Lee Kwan Hung, Eddie	5/6	–	2/2	–	1/1	1/1	3/3	2/2
Dr. Tong Yuk Lun, Paul	6/6	–	2/2	–	1/1	1/1	3/3	2/2

Note:

- (i) A total of six board meetings were held during the Year. Mr. Doo Wai Hoi, William, as the alternate director to Dr. Cheng Kar Shun, Henry, attended five board meetings and two general meetings at which Dr. Cheng Kar Shun, Henry was not available. All board meetings and general meetings held during the Year were attended by Dr. Cheng Kar Shun, Henry or Mr. Doo Wai Hoi, William as his alternate.

## Directors' Securities Transactions

The Company has adopted its own Securities Dealing Code, with terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, as the code for dealing in securities of

the Company by its directors (the "Directors"). All Directors confirmed, following specific enquiry by the Company, that they had complied with the required standard set out in the Securities Dealing Code adopted by the Company throughout the Year.

## Auditor's Remuneration

During the Year, the total fees paid/payable in respect of audit and non-audit services provided by the Group's external auditor is set out below:

Type of services	Fees paid/payable for the year ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Audit services	6,843	6,672
Non-audit services*	587	575
Total	7,430	7,247

\* Non-audit services include tax advisory and other related services

## Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for presenting a balanced, clear and understandable financial statements and other disclosures in respect of each financial period of the Company required under the Listing Rules and other regulatory requirements.

The following statement, which should be read in conjunction with the independent auditor's report, is made with a view to distinguishing for shareholders how the responsibilities of the Directors differ from those of the external auditor in relation to the financial statements.

### Annual report and financial statements

The Directors are responsible for the preparation of financial statements, which give a true and fair view of the state of affairs of the Group at the end of the financial year and of the profit or loss for the financial year. The Directors have prepared the financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

### Accounting policies

The Directors consider that in preparing the financial statements, the Company has used appropriate accounting policies, which have been consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed.

### Accounting records

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the requirements of the Hong Kong Companies Ordinance and the Listing Rules.

### Safeguarding assets

The Board is responsible for safeguarding the assets of the Company and for taking reasonable steps for preventing and detecting fraud and other irregularities.

# Corporate Governance Report

## Going concern

After making appropriate enquiries and examining major areas which could give rise to significant financial exposures, the Board is satisfied that no material or significant exposures exist, other than as reflected in this annual report. The Board therefore has a reasonable expectation that the Company has adequate resources to continue in operational existence in the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing the financial statements.

The reporting responsibilities of PricewaterhouseCoopers, the Company's external auditor, are stated in the Independent Auditor's Report on pages 101 to 104 of this annual report.

## Risk Management and Internal Control

### Risk management policy

The Board has overall responsibility for the maintenance of sound risk management and internal control systems within the Group and reviewing their effectiveness.

The Board has entrusted the Audit Committee with the responsibility to review the risk management and internal control systems of the Group, which include financial, operational and compliance controls. Procedures have been set up for, inter alia, safeguarding assets against unauthorised use or disposition, controlling capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publications. Management throughout the Group maintains and monitors the risk management and internal control systems on an ongoing basis.

The Board conducts reviews of the Group's risk management and internal control systems semi-annually. During the year, the review covered the aspects of financial, operational and compliance controls, and assessed the effectiveness of such systems by considering the work performed by the Audit Committee, executive management, external and internal auditors. The Board was satisfied that the Group's risk management and internal control systems are effective and adequate for their purposes.

A whistleblowing policy has also been adopted by the Board and is implemented in the Company's website and the intranet, which allows the Group's staff members and related third parties to raise concerns, in confidence, about misconduct, malpractices or irregularities in any matters related to the Group.

### Risk management objectives

The Group aims to ensure that risks are controlled within the overall objectives corresponding to the Group's risk tolerance levels. Effective risk management ascertains that proper compliance of relevant laws and regulations and that significant measures for achieving the operating objectives are consistently applied.

Through a risk management process, both internally and externally, effective communication between the Group and the shareholders, and the preparation of true and reliable financial statements can be achieved.

### Risk management culture

The Group emphasises the building of company culture around risk awareness, enhancing the staff's quality of risk management so as to ensure the realisation of the Group's risk management objectives.

Building of risk management culture is integrated into the whole process of building of company culture. The idea is to vigorously foster and create the risk management culture, establish a proper concept of risk management, transform the risk management awareness into a common understanding and self-conscious action, and promote the Group to formulate a systematic, standardised and efficient risk management mechanism.

The Group has created a risk management culture at all levels within the company. The Board pays great attention to fostering risk management culture whilst the Chairman of the Risk Management Committee is responsible for the daily work of fostering risk management culture. Directors and senior management play a leading role, while managerial personnel and operational staff form the backbone in fostering the risk management culture.



## Risk appetite

The Group faces a broad range of risks resulting from its capabilities as an integrated services provider. The Group recognises that it is not possible or necessarily desirable to eliminate all the risk inherent in its activities and hence it only makes resources available to control risks to acceptable levels. The Group's risk appetite represents an appropriate balance of return and the risk assumed.

The risk appetite is disseminated to different levels of staff through the Group's Risk Management Manual and regular Risk Management Committee meetings.

The Board reviews the risk appetite periodically to ensure alignment with the Group's business objectives and strategic plans.

## Risk management structure and responsibilities

The Board is accountable to the shareholders for the effectiveness of risk management. It has assumed the role of leadership and control and is collectively responsible for directing and supervising the Group's affairs and risk management culture. Therefore, it must ensure the effectiveness of implementing the risk management policy through the Audit Committee.

The Audit Committee is accountable to the Board on the effectiveness of risk management. It shall report semi-annually on the effectiveness of the Group's risk management to the Board through continuous monitoring by the Risk Management Committee and reviews by the internal audit function.

Major responsibilities of the Audit Committee are to establish formal and transparent arrangements and consider how it will apply the risk management principles. They shall consider the overall objectives, risk appetite, risk tolerance and risk management policy/strategies, and the significant risk management solutions for Board approval.

Chaired by Mr. Lee Kwok Bong, an Executive Director, the Risk Management Committee was established to report to the Audit Committee on the design, implementation, and monitoring of the comprehensive risk management systems.

The Risk Management Committee is responsible for developing the strategic risk policies, risk appetite and risk tolerance level and to ensure an appropriate risk management plan is well developed and timely approved by the Board. It will consider the risk management strategies and significant risk management solutions by maintaining effective processes for risk identification, impact evaluation and solution planning.

## Internal audit

The internal audit function, which is fully independent of the daily operations of the Group, is carried out by the Company's Internal Audit Department, the head in charge of which reports directly to the Audit Committee and is provided with unrestricted access to all information on the Group's assets, records, and personnel during the audit. All Directors are informed of the findings of internal audit assignments.

During the Year, the Internal Audit Department carried out analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Group though, among others, examination of risk-related documentation, conducting interviews with employees as well as internal control self-assessment questionnaires. It has also conducted a special audit on individual operation units.

The head in charge of the Internal Audit Department attended all Audit Committee meetings to explain the internal audit findings, respond to queries from members of the Audit Committee and report the follow-up actions.

# Corporate Governance Report

## Three lines of defence



### Risk management process

A formal risk management policy has been put in place to ensure the regular identification, evaluation and management of the risks faced by the Group. Chaired by one of the Executive Directors, the Risk Management Committee takes the lead in the effective implementation of the risk management policy by all divisions and business units of the Group. Risk assessment and evaluation are an integral part of the annual planning process. Each division/business unit of the Group is to set its strategic objectives, identify specific risks and assess the effectiveness of its risk management actions and internal control measures to help ensure that the risks it faces are addressed by the controls that have been or will be implemented.

The Group emphasises the building of company culture around risk awareness. Workshops are organised for management staff to ensure proper appreciation, implementation and evaluation of risk management and corporate governance requirements.

The Group's risk management framework seeks to ensure that there is an effective process in place to manage risk across the Group. Risk management is integral to all aspects of the Group's activities and is the responsibility of all staff members.



Department heads and project leaders have a particular responsibility to evaluate their risk environment faced by their daily operations. They need to update the risk register and report to the RMC for the risks identified. Action plans to control the risks to an acceptable level will be developed and results will be monitored and reported to the RMC and the Board regularly.

Through the above process, the Board has maintained an effective risk management system which enables the Group to respond to significant risks in attaining its strategic objectives.

### Risk assessment

The Group shall conduct risk assessment on the initial information, the Group's various operation management and significant operating processes. Risk assessment includes three steps: risk identification, risk analysis and risk evaluation.

### Risk identification

It is the process of finding whether there are any risks and what are the risks in the various business units, operating activities, and significant operations of the Group.

### Risk analysis

It is to analyse and describe the significance (or impact) of the identified risks and level of risk likelihood. The process includes analysis of the relationship between the risks in order to find out the combinations of positive and negative correlation effects between the natural hedging of each risk and the occurrence of risk events, and hence centrally manage the risks from the risk strategies.

### Risk impact and risk likelihood

Risk impact is the measurement unit of the potential value (financial or non-financial) of occurrence of a risk event. Risk likelihood is the measurement unit of the probability of occurrence of the risk event. The Group regularly reviews the risk impacts and risk likelihood of the various risk factors affecting its operations and devise corresponding mitigation measures.

### Risk factors

The Group's business, financial condition and results of operations are subject to several risks. The major risk factors set out below are those that could affect the Group's business, financial condition and results of operations materially different from expectations or historical results. Any of the following major risks, as well as other risks and uncertainties that are not yet identified or risks that are currently considered as immaterial, may materially and adversely affect the Group in the future.

# Corporate Governance Report

## Business/strategic risks

Risk Description	Risk Trend	Mitigation Measures
<p><b>Global economy</b></p> <p>The construction market in Hong Kong, Macau and Mainland China are largely influenced by global and regional economic trends. The property markets in Hong Kong and Mainland China have witnessed volatility in recent years. New developments in casino-related projects in Macau are significantly slowing down. China's economic growth prospect is likely to be dragged down with further escalation in trade tensions between the US and Mainland China.</p>	Unchanged	<ul style="list-style-type: none"> <li>Evaluate potential impacts by analysing the financial performance of the Group's businesses and monitoring business and economic data continuously.</li> <li>Identify new business opportunities in local and regional markets to diversify the economy risk.</li> </ul>
<p><b>Labour and staff shortage</b></p> <p>The Group is facing severe labour and staff shortage in its different businesses. This may affect the Group's ability to maintain a stable workforce to complete projects on time and deliver good service quality. Its financial performance may also be affected as a result.</p>	Unchanged	<ul style="list-style-type: none"> <li>Review existing remuneration package and compare with industry benchmarks regularly.</li> <li>Collaborate with academic institutions for trainee programmes.</li> <li>Deploy part time and casual labour and maintain good relationship with labour subcontractors to ensure sufficient supply of qualified and skilled labour.</li> <li>Organise talent development programmes for different levels of staff to foster employee growth and career development as an important retention strategy.</li> </ul>
<p><b>Business counterparties</b></p> <p>When entering into business relationships, the Group becomes exposed to various types of counterparty risks which can arise from different sources. These risks include the credit risk of customers and main contractors, performance risk of subcontractors, legal and compliance risks of any business partners.</p>	Unchanged	<ul style="list-style-type: none"> <li>Perform comprehensive legal and financial checks for business counterparties.</li> <li>Maintain good relationships with a wide range of main contractors, subcontractors and suppliers to avoid overdependence on one or several business counterparties.</li> </ul>

## Legal and compliance risks

Risk Description	Risk Trend	Mitigation Measures
<p><b>Government policies</b></p> <p>Changes in government and regulatory bodies' policies and intervention, laws or regulations, may cause business disruption and increase the Group's legal and compliance risks.</p>	Unchanged	<ul style="list-style-type: none"> <li>Monitor closely the changes of applicable laws and regulations, including ESG-related regulations, and evaluate their impacts to the Group's operations.</li> <li>Integrate changes into relevant policies and procedures, operating and internal control systems to ensure compliance.</li> <li>Provide updates and training to staff for their awareness and understanding of the new regulations.</li> </ul>

## Operational risks

Risk Description	Risk Trend	Mitigation Measures
<p><b>Workers' behavior</b></p> <p>The business operations of the Group are labour intensive and rely very much on frontline workers' execution. Any of their improper behavior or non-compliance of work instructions may lead to the Group's violation of laws or contract terms.</p>	Unchanged	<ul style="list-style-type: none"> <li>• Provide sufficient briefing/training to frontline workers.</li> <li>• Increase site checking and audits.</li> <li>• Maintain proper site records and incident reports for management follow-up.</li> <li>• Ensure adequate insurance cover.</li> </ul>
<p><b>Safety and personal injuries</b></p> <p>The Group's businesses, particularly site construction, cleaning and pest control, guarding and landscape services have operations involving safety risks such as working at height, operation of machinery, electrical systems and appliances, lifting of heavy objects, etc. Failure to implement safety measures may result in personal injuries or even fatality. The Occupational Safety and Occupational Health Legislation (Miscellaneous Amendments) Bill 2022, which has been effective since April 2023, raised the maximum penalty to HK\$10 million and 2 years of imprisonment for serious offences. As a result, the Group may face litigation claims and suspension of tendering from public works for a certain period.</p>	Unchanged	<ul style="list-style-type: none"> <li>• Enhance safety training and supervision of site workers including subcontractors' workers.</li> <li>• Improve safety facilities and personal protection equipment for frontline staff.</li> <li>• Set up Group-wide safety task force to monitor implementation of safety assurance plans and perform analysis and evaluation of accident cases.</li> </ul>
<p><b>Delays and latent defects</b></p> <p>The Group's businesses involve working in uncertain site conditions, such as ground conditions, confined spaces and adverse weather. The Group is also responsible for material and labour quality. Any delays due to site conditions, late material delivery or poor installation quality may result in additional costs to the Group. In addition, the Group remains liable for latent defects for years and bears the associated costs despite the projects had been completed and occupied. The Group's business and operation results may be adversely affected.</p>	Unchanged	<ul style="list-style-type: none"> <li>• Closely monitor construction programme and communicate with main contractors to avoid any potential liabilities due to project delays.</li> <li>• Keep proper site records and incident reports.</li> </ul>
<p><b>Contract renewal and tender</b></p> <p>The Group's businesses are subject to the risk associated with the tendering process. The contracts of the Group's businesses are normally awarded through competitive tendering processes on a project-by-project basis. There is no assurance that the Group will successfully secure or renew its contracts during the tendering processes. If the Group fails to secure new projects in favourable terms or at all, its business and results of operation would be materially affected.</p>	Unchanged	<ul style="list-style-type: none"> <li>• Strive for operational efficiency including the adoption of technology to increase competitive edge.</li> <li>• Collaborate with business partners strategically to bid for major tenders.</li> <li>• Analyse market trends, competitors' strengths and weaknesses and our own performance data to formulate tender strategies.</li> </ul>

# Corporate Governance Report

## Financial and credit risks

Risk Description	Risk Trend	Mitigation Measures
<p><b>Material price fluctuation</b></p> <p>The Group's E&amp;M services segment is required to procure a vast amount of building materials for its works. These building materials are subject to high volatility in price of raw materials, particularly steel and copper. The Group's business and results may be affected by the price fluctuation in the building materials.</p>	Unchanged	<ul style="list-style-type: none"> <li>Procure materials on time when contracts are secured to reduce the risk of price fluctuation.</li> </ul>

## Other risks

Risk Description	Risk Trend	Mitigation Measures
<p><b>Cyber security</b></p> <p>With the increased application of Information Technology ("IT") in the Group's businesses, the threats to IT systems including cyber-attacks are imminent and present a real challenge to the Group's business operations.</p>	Unchanged	<ul style="list-style-type: none"> <li>Strengthen IT infrastructure by enhancing authorisation and authentication mechanisms.</li> <li>Provide periodic training to staff to increase their cyber security awareness.</li> <li>Employ specialists to assess cyber security vulnerabilities and controls.</li> <li>Purchase cyber security insurance to cover losses due to business interruption and data loss.</li> </ul>
<p><b>ESG-related issues</b></p> <p>Stakeholders have increased awareness towards ESG-related issues such as climate-related disclosures, impacts of the Group's operations to the environment, working and safety condition, training and CSR hours. The increasing regulatory requirements inevitably affect the business operations and strategic planning of the Group.</p>	Increasing	<ul style="list-style-type: none"> <li>ESG Committee was formed under the direction of the Board to develop action plans to cope with the changing ESG requirements.</li> <li>Engage external consultants to advise and assess compliance obligations in relation to ESG matters.</li> </ul>

## Company Secretary

The Chief Financial Officer of the Group acts as the company secretary of the Company. He has confirmed that he had taken no less than 15 hours of relevant professional training.

Listing Rules. Such published documents and latest corporate news are available on the Company's website. Besides, information requests and/or enquiries from shareholders (through the channels as set out in the section below) are welcomed and will be timely responded as appropriate.

## Shareholder and Investor Relations

The Board established a shareholders' communication policy setting out the principles with the objectives of ensuring that shareholders of the Company and the investing public are provided with ready, equal and timely access to balanced and understandable information of the Group.

The 2022 AGM and an extraordinary general meeting held during the Year provide a forum for the Board members to communicate directly with shareholders. These meetings also provide shareholders with the opportunity to share their views on the Company's performance and operations.

Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars published in accordance with the

The Company also maintains an ongoing active dialogue with institutional shareholders. The Executive Directors and senior management of the Group are closely involved in promoting investor relations. Meetings and briefings with financial analysts and investors are conducted by the Executive Directors and senior management of the Group.

Having considered the multiple channels of communication in place, the Board is satisfied that the shareholders' communication policy has been properly implemented and is effective.

A Manual on Disclosure on Inside Information is in place giving guidance on the managing, protection and proper disclosure of information that has not already been made public. The Directors adhere strictly to the statutory requirement for their responsibilities of keeping information confidential.

## Shareholders' Rights

### Procedures for shareholders to convene an extraordinary general meeting

The following procedures for shareholders of the Company to convene a general meeting (the "EGM") other than an annual general meeting of the Company are subject to the Company's articles of association, the Companies Act (Act 3 of 1961, as consolidated and revised) of the Cayman Islands and applicable legislation and regulation:

- (1) One or more shareholders (the "Requisitionist(s)") holding, at the date of deposit of the requisition (the "Requisition"), not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company, shall have the right, by written notice, to require an EGM to be called by the Directors for the transaction of any business specified in such Requisition.
- (2) The Requisition must state the general nature of the business to be dealt with at the EGM and may include the text of a resolution that may properly be moved and is intended to be moved at the EGM.
- (3) The Requisition may consist of several documents in like form which may be sent to the Board or the company secretary of the Company in hard copy form or in electronic form (and must be authenticated by the Requisitionist(s)) at the Company's head office in Hong Kong or through email at [enquiry@fse.com.hk](mailto:enquiry@fse.com.hk).
- (4) The Directors must call the EGM within 21 days after the date of the deposit of the Requisition and the EGM must be held within two months after the date of the deposit of the Requisition.

- (5) If the Directors are required under paragraph (1) above to call an EGM and fail to do so pursuant to paragraph (4), the Requisitionist(s) may themselves call the EGM. Any reasonable expenses incurred by the Requisitionist(s) by reason of the failure of the Directors duly to call the EGM must be reimbursed by the Company.

### Procedures for raising enquiries

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to Tricor Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or through email at [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com).

Shareholders may at any time raise any enquiry in respect of the Company at the Company's head office in Hong Kong or through email at [enquiry@fse.com.hk](mailto:enquiry@fse.com.hk).

### Procedures for putting forward proposals at shareholders' meetings

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information at the Company's head office in Hong Kong.

The request will be verified with the Company's branch share registrar and transfer office in Hong Kong and upon their confirmation that the request is proper and in order, the Board will determine in its discretion whether to include the Proposal in the agenda for the Company's general meeting.

## Amendment to the Company's Constitutional Documents

With the approval of the shareholders of the Company at the 2022 AGM, the Company has amended its memorandum and articles of association. Details of the amendments have been set out in the Company's circular dated 15 September 2022. An up-to-date version of the memorandum and articles of association of the Company is available on both the websites of the Company and the Stock Exchange.

# Management Discussion and Analysis

## Business Review

In FY2023, the Group recorded revenue amounting to HK\$7,767.2 million, representing an increase of HK\$800.3 million or 11.5%, as compared with HK\$6,966.9 million in FY2022. Profit attributable to shareholders for the year was HK\$522.9 million, representing an increase of HK\$20.0 million or 4.0% as compared with HK\$502.9 million in FY2022, mainly resulted from the strong performance of the cleaning & pest control, technical support & maintenance, insurance solutions, environmental solutions and E&M businesses, partly offset by the effects of (i) a lower contribution from the security guarding & event services business, (ii) a decrease in government grants and (iii) higher corporate finance costs. Details of the government grants recognised by the Group are set out in Note 6 to the consolidated financial statements and summarised in the table below.

## Summary of government grants

For the year ended 30 June	2023 HK\$'M	2022 HK\$'M
Recognised as deduction of staff costs included in "Cost of services and sales"	34.3	43.9
Recognised as deduction of staff costs included in "General and administrative expenses"	6.0	7.3
Recognised as "Other income"	36.8	37.0
Gross	77.1	88.2
Non-controlling interests	(0.1)	–
Net	77.0	88.2

## Results excluding non-recurring items

If excluding the effects of government grants in the Group's results for both years to better illustrate the Group's financial results without such effects, the Group recorded an increase in adjusted net profit of 7.5% to HK\$445.9 million (i.e. after excluding government grants of HK\$77.0 million from profit attributable to shareholders of the Company of HK\$522.9 million) for the Year as compared to its adjusted net profit of HK\$414.7 million (i.e. after excluding government grants of HK\$88.2 million from profit attributable to shareholders of the Company of HK\$502.9 million) for last year. Such analysis, which involves the exclusion of government grants mentioned above, may not be comparable to similar analysis presented by other companies.

## Gross value of contract sum and outstanding contract sum

As at 30 June 2023	Gross value of contract sum HK\$'M	Outstanding contract sum HK\$'M
Property & facility management services	1,905	963
City essential services	9,857	6,196
E&M services	11,378	5,857
Total	23,140	13,016





# Property & Facility Management Services

Number of staff

Over **5,400**

Service contracts

Over **300**



# Management Discussion and Analysis

## Revenue\*

HK\$'million

2023	709
2022	696

## Profit

HK\$'million

2023	139
2022	136

## Remaining Works

HK\$'million

2023	963
2022	1,162

\* Segment revenue does not include inter-segment revenue.

The Group's property and facility management services business, comprising Urban, International Property Management and Kiu Lok (together, the "Property & Facility Management Group"), is the largest among all independent players in the residential, non-residential and car park property and facility management markets in Hong Kong, after excluding service companies owned by property developers. The companies provide comprehensive and customised professional management services for its clients.

Our Property & Facility Management Group has expertise in six core property and facility management areas: (i) residential property asset management; (ii) facilities management and operations, including both public and private sectors; (iii) commercial, retail and industrial premises operations; (iv) project management; (v) leasing and tenancy management and (vi) car park operations and management. Its property asset and facility services cover all kinds of property and facility assets including high end residential properties, government facilities, offices and quarters, academic campus and educational institutes, service apartments, Grade A intelligent buildings and commercial complexes, modern industrial premises, composite residential developments to regional car parks and various kinds of public and private facility assets.

Our Property & Facility Management Group's unique market differentiation lies in their integration of services, strong pool of professional talents and partnership approach with our clients. In addition, innovation keeps our Property & Facility Management Group at the forefront of the industry. It is a pioneer in the introduction of modern international standards and innovative service models in property and facility management in Hong Kong.



*FSE Lifestyle is a pioneer in applying advanced technology and innovative service models into its property and facility management services.*

During FY2023, our Property & Facility Management Group submitted tenders for 36 service contracts (with a contract sum not less than HK\$1 million for each service contract) with a total tender sum of HK\$966 million and, combining the submitted tenders from previous months, was awarded 30 service contracts (with a net contract sum not less than HK\$1 million for each service contract) with a total contract sum of HK\$294 million. Among these 30 service contracts, three of them were major service contracts (with net contract sum not less than HK\$20 million for each service contract) for EcoPark and two residential estates in Tuen Mun and Fo Tan.

As at 30 June 2023, the property & facility management services segment has a total gross value of contract sum of HK\$1,905 million with total outstanding contract sum of HK\$963 million.



# City Essential Services

Number of staff

Over **17,700**

Service contracts

Over **8,900**



# Management Discussion and Analysis

## Revenue\*

HK\$'million



## Profit

HK\$'million



## Remaining Works

HK\$'million



\* Segment revenue does not include inter-segment revenue.

## Cleaning & Pest Control Services

The Group's cleaning and pest control services business, Waihong, covers four core areas: (i) specialist cleaning; (ii) disinfection; (iii) pest control and (iv) waste management. Waihong's services encompass a wide range of private and public facilities in every corner of Hong Kong, which includes office buildings, shopping malls, hotels, university campus, international schools, tourism facilities, government properties, public utilities, convention and exhibition centres, railway stations, airport terminal buildings, hospitals, industrial buildings and residential properties. Specialist cleaning mainly covers the services of general cleaning, initial cleaning, curtain wall cleaning, housekeeping, marble and granite floor maintenance. Disinfection services include space disinfection treatment, support for clinics, formaldehyde removal and antibacterial coating services. Pest control services provide general insecticide treatment, fogging treatment, rodent control and termite elimination. Waste management offers recycling services, food waste collection, solid waste collection, clinical waste and construction waste disposal.

Waihong's unique market differentiation lies in its integration of services, enormous working teams comprising over 11,000 staff, a strong fleet management with over 60 municipal vehicles and full support towards customers. High degree of service commitments keeps Waihong ranked among the top three players in the cleaning service industry in Hong Kong. It is a market leader and competent in always providing all of its clients with the best quality services.

During FY2023, Waihong submitted tenders for 476 cleaning service contracts (with a contract sum not less than HK\$1 million for each service contract) with a total tender sum of HK\$10,989 million and, combining the submitted tenders from previous months, was awarded 158 new service contracts (with a net contract sum not less than HK\$1 million for each service contract) with a total contract sum



Waihong provides cleaning services in the Hong Kong International Airport.

of HK\$3,312 million. Among these 158 service contracts, 34 of them were major service contracts (with net contract sum not less than HK\$20 million for each service contract), which included 13 cleaning contracts for government leisure facilities and five shopping malls in various districts, three residential estates in Quarry Bay, Shatin and Fo Tan, two commercial complexes in Sheung Wan and Kai Tak, two pest control service contracts for Tuen Mun and Shatin, entertaining facilities in Shatin, the airport, an airport ancillary building, a hospital in Sai Ying Pun, waste collection services in Kowloon City, science facilities in Tai Po, broadcast facilities in Tseung Kwan O, an exhibition facility in Chek Lap Kok and government clinics in the New Territories West.

## Technical Support & Maintenance Services

The Group's technical support & maintenance services business, comprising Far East Engineering Services and Turning Technical Services, provides services which covers three core areas: (i) system retrofit, including replacement of chiller units, upgrade of electrical supply systems, modification and enhancement of fire services and plumbing and drainage systems; (ii) operation and maintenance, including routine system maintenance and repairing works in heat, ventilation, and air conditioning ("HVAC") systems, testing and commissioning, periodic inspection in electrical

and fire services installation works; and (iii) renovation works in E&M systems. All these different core services cover mostly in Hong Kong and Macau.

During FY2023, the Group submitted tenders for 462 maintenance service contracts (with a contract sum not less than HK\$1 million for each contract) with a total tender sum of HK\$3,920 million and, combining the submitted tenders from previous months, was awarded 109 projects (with a net contract sum not less than HK\$1 million for each project) with a total net contract sum of HK\$613 million. Among these 109 projects, six of them were major projects (with net contract sum not less than HK\$20 million for each project), which included chiller replacement for a convention plaza in Wan Chai, chiller and acoustic panel replacement for a shopping centre in Tin Shui Wai, two term contracts for E&M maintenance in Cheung Sha Wan Wholesale Food Market and a youth centre in Chai Wan, and system upgrading work for two hotels in Macau.

### Security Guarding & Event Services

The Group's security guarding & event services business comprises General Security and Perfect Event, which provides security guarding, escort and surveillance security, security

system and technology, customer service ambassador and event services.

General Security serves a broad range of clients of residential properties (including estates, service apartments and luxury detached houses), office towers, shopping malls and buildings, private clubs, construction sites, entertaining facilities, event and exhibition venues. General Security holds all three types of licences for operating a security company in Hong Kong which covers three core areas: (i) Type I Licence for provision of security guarding services; (ii) Type II Licence for providing armoured transportation services and (iii) Type III Licence for installation, maintenance and/or repairing of a security device and/or designing a security system incorporating a security device. In addition, General Security operates a 24-hours Central Alarm Monitoring Station, an additional Central Alarm Monitoring Station ("CAMS") license endorsement and is providing monitoring services to top jewelry stores and prestigious luxury detached housing.

Perfect Event has steadily gained a foothold in its two core businesses in (i) providing its customers service ambassadors to a variety of events such as exhibitions, concerts, pop music award ceremonies as well as high end private club



*Our cleaning and pest control services achieved outstanding results this year, the Group's business ecosystem will continue to create cross-selling synergies and enable us to meet our goal of balancing growth in scale with cash flow.*

## Management Discussion and Analysis

festive events and (ii) providing its customers technological support enhancements for events. Although Perfect Event is young, it has a very solid foundation from General Security in management and back-office support, vast operations experiences, as well as a list of potential clients who are already well familiar with the reputation and quality of General Security.

During FY2023, General Security and Perfect Event submitted tenders for 90 security guarding and event services contracts (with a contract sum not less than HK\$1 million for each contract) with a total tender sum of HK\$1,507 million and, combining the submitted tenders from previous months, was awarded 51 service contracts (with a net contract sum not less than HK\$1 million for each service contract) with a total contract sum of HK\$528 million. Among these 51 service contracts, seven of them were major service contracts (with net contract sum not less than HK\$20 million for each service contract) including four residential estates in Sai Kung, Shatin, North Point and Pokfulum, Kai Tak Sports Park, a youth centre in Chai Wan and a centre for heritage and arts in Central.

### Insurance Solutions

The Group's insurance solutions business, Nova, comprises Nova Insurance Consultants and International Reinsurance Management, both of which hold an Insurance Broker Company License granted by the Insurance Authority. Nova Insurance Consultants is also a registered Mandatory Provident Fund ("MPF") Intermediary under the Mandatory Provident Fund Schemes Authority and the largest local broker in Hong Kong.

Nova offers five core risk and insurance services: (i) insurance advisory and brokerage services; (ii) risk management services; (iii) global and regional insurance management services; (iv) reinsurance broking and (v) MPF intermediary services.

As one of the top five general insurance brokers, out of over 810 brokers in Hong Kong, Nova's unique market differentiation lies in its highly professional team of brokers and specialists, strong expertise in various classes of insurance, customised services, strong bargaining power in the insurance market and its serving network in both the Greater Bay Area and in the world through its

affiliated company in China and global broker partners. Nova serves many clients who are leaders within their respective industries.

During FY2023, Nova has secured placement for a number of sizeable construction projects. Nova also managed to get some new accounts, including food and beverages companies, listed companies, schools and educational institutions and non-governmental organisations. Furthermore, it has handled more professional indemnity insurance and trade credit insurance business. The vast majority of Nova's business involved general insurance, construction and employee benefits related insurance. Each year Nova has to submit renewal quotations for all these policies to its clients and will only be awarded the renewal contracts when its terms and conditions are competitive. Nova's retention ratio in securing renewed contracts has always been over 90% reflecting its competitiveness and high level of services.

During FY2023, Nova submitted tenders for 16 service contracts (with a contract sum not less than HK\$1 million for each service contract) with a total tender sum of HK\$31 million and all of them were awarded.



*FSE Lifestyle's strong customer-focused approach help us strengthen customer loyalty and win more service contracts.*

## Environmental Solutions

The Group's environmental solutions division provides Environment Solutions, Smart Solutions and Green Solutions to its clients in order to achieve environmental protection, energy conservation, sustainability, enhance environmental quality and operational efficiency and the long-term goals of carbon neutrality to fight against climate change.

This division is divided into three business lines:

- (i) "Environment Solutions" in comprehensive HVAC water treatment services, environmental assessment in air and water quality, deodorisation system and electro-chlorination system to assist its customers in achieving their environmental protection and energy conservation objectives. Its HVAC water treatment service is well-known for the professionalism in the industry with over 40 years of history and it has a water treatment company which is under the list of approved specialist contractors for public works in fountain installation. As innovation is at the heart of this business, it has a patented application of using nanobubble ozonation to sterilize fresh water at cooling tower, swimming pool, public toilet, and water features. Its laboratory is accredited by Hong Kong Laboratory Accreditation Scheme ("HOKLAS") which is able to test a wide range of chemical and microbial parameters. For air quality related business, it is one of the eight accredited indoor air quality certificate issuing bodies in Hong Kong.
- (ii) "Smart Solutions" to provide advanced information and communication infrastructure by providing Extra Low Voltage ("ELV") building technology with smart facility systems (i.e. smart office and smart toilet) to enhance operational efficiency.
- (iii) "Green Solutions" in landscape management and maintenance services to a diversified business portfolio, including but not limited to property developers and managers, and trading of eco-friendly tiles, building controls equipment and other building materials to improve environmental quality and promote carbon neutrality. Its landscape business offers a wide range of one-stop green solutions to its clients. It provides landscape design and performs landscape projects and various tree works. It also supplies festival plants to its client.



*To enhance the green space at public and private areas, FSE Environmental Solutions offers horticultural maintenance, tree risk assessment and tree care services.*

During FY2023, the Group submitted tenders for 33 environmental and landscape service contracts (with a contract sum not less than HK\$1 million for each contract) with a total tender sum of HK\$99 million and, combining the submitted tenders from previous months, was awarded 16 environmental and landscape service contracts (with a net contract sum not less than HK\$1 million for each contract) with a total contract sum of HK\$42 million and 4 ELV service contracts (with a net contract sum not less than HK\$1 million for each contract) with a total contract sum of HK\$53 million. In addition, the Group submitted 17 quotations for building material trading (with a quotation sum not less than HK\$1 million for each quotation) with a total quotation sum of HK\$34 million and, combining the submitted quotations from previous months, was accepted 4 orders (with a sum not less than HK\$1 million for each order) with a total sum of HK\$6 million.

As at 30 June 2023, the city essential services segment has a total gross value of contract sum of HK\$9,857 million with a total outstanding contract sum of HK\$6,196 million.



## E&M Services

Number of staff

Over **1,300**

Service contracts

Over **100**





### Revenue\*

HK\$'million



### Profit

HK\$'million



### Remaining Works

HK\$'million



\* Segment revenue does not include inter-segment revenue.

The Group's E&M services business, comprising Young's Engineering Group, Majestic Engineering Group and FSE Engineering Group, serving Hong Kong, Mainland China and Macau. These companies have maintained its position as one of the leading E&M companies in Hong Kong, capable of providing quality professional management and a comprehensive range of E&M services to its clients, ranging from design, installation, testing to commissioning services. The Group's E&M projects encompassed a wide range of buildings and facilities, including government buildings and facilities, offices, shopping malls, hotels, integrated resorts, sports park, residential properties, hospital and airport facilities.

The Group's E&M services business' unique market differentiation lies in its integration of all E&M services, a strong pool of professional talents, a well-established network of suppliers and subcontractors, and a team-based partnership approach towards its clients. Innovation by using advanced technology keeps it at the forefront of the E&M industry. It is also recognised as one of the industry pioneers in adoption of green building design, Modular Integrated Construction ("MiC"), Multi-trade Integrated Mechanical, Electrical and Plumbing ("MiMEP"), Design for Manufacture and Assembly ("DfMA") in its projects. With such competitive edges over its competitors, the Group has strong confidence in securing and undertaking integrated E&M projects in Hong Kong, Mainland China and Macau.

Going forward, the Group will continue to focus on applying its core competencies to raise customer satisfaction and ensure sustainable growth and profitability of its business. It shall give first priority to large-scale projects including design and construction contracts from the government, public infrastructure works, hospital development projects, public housing and subsidised housing projects, as well as private commercial and residential building projects.

During FY2023, the Group's E&M services business submitted tenders for 152 E&M engineering projects (with a contract sum not less than HK\$1 million for each project) with a total tender sum of HK\$22,089 million and, combining the submitted tenders from previous months, was awarded 34 contracts (with a net contract sum not less than HK\$1 million for each project) with a total net contract sum of HK\$3,288 million. Among these contracts, ten of them were major projects (with net contract sum not less than HK\$100 million for each project), which included, in Hong Kong the District Court in Caroline Hill Road, expansion of the Legislative Council Complex, three residential developments near the Ho Man Tin Station, in Kai Tak and Kwun Tong, a public housing development in Wang Chiu Road and, in Mainland China three commercial complex developments in Hangzhou and Ningbo and a hotel complex in Shanghai Huangpu.

As at 30 June 2023, the E&M services segment has a total gross value of contract sum of HK\$11,378 million with a total outstanding contract sum of HK\$5,857 million.



*We are one of the few Hong Kong-based E&M general engineering contractors with Class I Qualification in Mainland China.*



## Financial Review

### Revenue

In FY2023, the Group's revenue increased by HK\$800.3 million or 11.5% to HK\$7,767.2 million from HK\$6,966.9 million in FY2022, reflecting higher revenue from all our 3 business segments of the city essential services segment, the E&M services segment and the property & facility management services segment amounting to HK\$514.2 million, HK\$273.8 million and HK\$12.3 million respectively.

	For the year ended 30 June		% Change
	2023 HK\$'M	2022 HK\$'M	
Property & facility management services*	708.6	696.3	1.8%
City essential services*	3,766.8	3,252.6	15.8%
E&M services*	3,291.8	3,018.0	9.1%
<b>Total</b>	<b>7,767.2</b>	<b>6,966.9</b>	<b>11.5%</b>

\* Segment revenue does not include inter-segment revenue.

The Group's revenue from the property & facility management services segment and the city essential services segment in aggregate contributed 57.6% in FY2023 (2022: 56.7%), whereas the revenue from E&M services segment contributed 42.4% in FY2023 (2022: 43.3%).

	For the year ended 30 June			
	2023	% of	2022	% of
	HK\$'M	total revenue	HK\$'M	total revenue
Property & facility management services*	708.6	9.1%	696.3	10.0%
City essential services*	3,766.8	48.5%	3,252.6	46.7%
E&M services*	3,291.8	42.4%	3,018.0	43.3%
<b>Total</b>	<b>7,767.2</b>	<b>100.0%</b>	<b>6,966.9</b>	<b>100.0%</b>

\* Segment revenue does not include inter-segment revenue.

In FY2023, the Group's revenue contribution from Hong Kong, Mainland China and Macau was 90.4%, 8.2% and 1.4% (2022: 87.9%, 8.1% and 4.0%) respectively.

	For the year ended 30 June			
	2023	% of	2022	% of
	HK\$'M	total revenue	HK\$'M	total revenue
Hong Kong	7,024.7	90.4%	6,123.3	87.9%
Mainland China	637.3	8.2%	565.8	8.1%
Macau	105.2	1.4%	277.8	4.0%
<b>Total</b>	<b>7,767.2</b>	<b>100.0%</b>	<b>6,966.9</b>	<b>100.0%</b>

- *Property & facility management services*: This segment contributed 9.1% (2022: 10.0%) of the Group's total revenue. The services were principally provided in Hong Kong.

Segment revenue grew by 1.8% or HK\$12.3 million to HK\$708.6 million from HK\$696.3 million. Such growth was mainly driven by (i) newly awarded property management contracts for residential and industrial buildings in Hong Kong and (ii) property management income from a property management project in Shanghai.

It should be noted that, under contract terms, about 20% of the property & facility management services segment's revenue is accounted for by only including management fee received. Should such revenue be recognised on the same basis as the rest of this segment's revenue derived from its lump sum contracts (i.e. with all direct operational costs for performing the related services borne by it) which are primarily facility management contracts, the property & facility management services segment's revenue for FY2023 would increase by HK\$3,100.0 million from its reported amount of HK\$708.6 million (2022: HK\$696.3 million) to about HK\$3,800.0 million (2022: HK\$3,500.0 million).

## Management Discussion and Analysis

- *City essential services*: This segment contributed 48.5% (2022: 46.7%) of the Group's total revenue. The individual components of this services segment are as below:

	For the year ended 30 June		
	2023 HK\$'M	2022 HK\$'M	% Change
Cleaning & pest control services	1,731.2	1,409.3	22.8%
Technical support & maintenance services	962.8	834.0	15.4%
Security guarding & event services	633.5	636.4	(0.5%)
Insurance solutions	110.4	99.6	10.8%
Environmental solutions	328.9	273.3	20.3%
<b>Total</b>	<b>3,766.8</b>	<b>3,252.6</b>	<b>15.8%</b>

Most of the revenue reflected an increase in contribution from Hong Kong (HK\$549.4 million), offset by a decrease in revenue from Macau (HK\$30.3 million) and Mainland China (HK\$4.9 million).

Segment revenue grew by 15.8% or HK\$514.2 million to HK\$3,766.8 million from HK\$3,252.6 million reflected (i) many new general cleaning service contracts, encompassing a wide range of buildings and facilities, including government leisure facilities, shopping malls, clubhouses, exhibition centres, airport ancillary building, government clinics and buildings, residential and commercial properties; (ii) higher revenue from its technical support and maintenance services business for system replacement and upgrading works including various shopping malls in Tseung Kwan O and Lei Yu Mun, a residential property in Central and term contract works for a number of government departments and facilities; (iii) higher revenue from its environmental solutions business, especially its provision of ELV device installation services for 11 SKIES project in Chak Lap Kok and (iv) an increase in new insurance contracts for general insurance and insurance for construction projects awarded.

- *E&M services*: This segment contributed 42.4% (2022: 43.3%) of the Group's total revenue and 80%, 19% and 1% (2022: 76%, 18%, 6%) of this segment's revenue were contributed from Hong Kong, Mainland China and Macau respectively. Higher revenue contribution was recorded this Year from Hong Kong (HK\$352.1 million) and Mainland China (HK\$64.0 million), offset by a decrease in revenue from Macau (HK\$142.3 million).

	For the year ended 30 June		
	2023 HK\$'M	2022 HK\$'M	% Change
Hong Kong	2,651.1	2,299.0	15.3%
Mainland China	610.3	546.3	11.7%
Macau	30.4	172.7	(82.4%)
<b>Total</b>	<b>3,291.8</b>	<b>3,018.0</b>	<b>9.1%</b>

Segment revenue increased by 9.1% or HK\$273.8 million to HK\$3,291.8 million from HK\$3,018.0 million, mainly reflected the substantial progress of a number of E&M engineering installation projects this year including Immigration Headquarters in Tseung Kwan O, redevelopment of an office building in Wan Chai, a public rental housing project in Tai Po and Ningbo New World Plaza Comprehensive Development project, partly offset by a lower revenue contribution from the Inland Revenue Tower project in Kai Tak and Macau Studio City Phase 2 which had significant progress last year.

It should be noted that, under contract terms, only the management fees and reimbursable costs of the Kai Tak Sports Park project management project were accounted as revenue. Should such revenue be recognised on the same basis as the rest of this segment's revenue derived from its E&M installation contracts (i.e. with all direct project costs for performing the related installation services borne by it), this segment's revenue in FY2023 would increase by HK\$2,500.0 million from its reported amount of HK\$3,291.8 million (2022: HK\$3,018.0 million) to about HK\$5,800.0 million (2022: HK\$3,700.0 million).

## Gross profit

The following table presents the breakdowns of the Group's gross profit by business segment:

	For the year ended 30 June			
	2023 Gross profit HK\$'M	Gross profit margin %	2022 Gross profit HK\$'M	Gross profit margin %
<b>Gross profit and gross profit margin including government grants</b>				
Property & facility management services	230.7	32.6%	219.4	31.5%
City essential services	465.9	12.4%	434.4	13.4%
E&M services	355.0	10.8%	338.7	11.2%
<b>Total</b>	<b>1,051.6</b>	<b>13.5%</b>	<b>992.5</b>	<b>14.2%</b>

In FY2023, the Group's property & facility management services segment, city essential services segment and E&M services segment contributed 21.9% (2022: 22.1%), 44.3% (2022: 43.8%) and 33.8% (2022: 34.1%) of its gross profit respectively. The Group's gross profit increased by HK\$59.1 million or 6.0% to HK\$1,051.6 million from HK\$992.5 million in FY2022, with an overall gross profit margin decreased to 13.5% from 14.2%, mainly reflecting higher labour costs of the security guarding and event services business and a decrease in government grants.

	For the year ended 30 June			
	2023 Gross profit HK\$'M	Gross profit margin %	2022 Gross profit HK\$'M	Gross profit margin %
<b>Gross profit and gross profit margin excluding government grants</b>				
Gross profit as reported	1,051.6	13.5%	992.5	14.2%
Excluding government grants	(34.3)	(0.4%)	(43.9)	(0.6%)
<b>Gross profit excluding government grants</b>	<b>1,017.3</b>	<b>13.1%</b>	<b>948.6</b>	<b>13.6%</b>

If excluding the effects of these grants in the Group's gross profit for both years (i.e. HK\$34.3 million for the Year and HK\$43.9 million in last year) to better illustrate the Group's performance without such effects, the adjusted gross profit margin would decrease to 13.1% from 13.6% last year. This was mainly caused by a lower gross margin of the city essential services segment, principally driven by the higher labour costs in the security guarding & event services business.

- *Property & facility management services*: This segment recorded an increase in its gross profit of HK\$11.3 million to HK\$230.7 million from HK\$219.4 million, with its gross profit margin increased to 32.6% from 31.5%. This was caused by higher property management remuneration income from a commercial complex in Wanchai.

## Management Discussion and Analysis

- City essential services:** This segment recorded an increase in its gross profit of HK\$31.5 million to HK\$465.9 million from HK\$434.4 million, with its gross profit margin decreased to 12.4% from 13.4%. This was caused by (i) an increase in new cleaning service contracts; (ii) a higher gross profit contribution from its technical support and maintenance business driven by an increase in system replacement and government's term contract works; (iii) an increase in new service contracts for general insurance and insurance for construction projects awarded; and (iv) a higher gross profit contribution from its environmental solutions business, especially its provision of ELV device installation services for Inland Revenue Tower project in Kai Tak and 11 SKIES project in Chak Lap Kok, partly offset by the decrease in government grants and a lower gross profit contribution from its security guarding & event services.
- E&M services:** The gross profit of the E&M services segment increased by HK\$16.3 million to HK\$355.0 million from HK\$338.7 million with its stable gross profit margin at 10.8%, principally reflected a higher gross profit contribution from its Immigration Headquarters project in Tseung Kwan O, partly offset by a decrease in government grants.

### General and administrative expenses

General and administrative expenses of the Group for the Year increased by HK\$26.4 million or 5.9% to HK\$470.7 million from HK\$444.3 million last year, reflected an increase in staff costs following an increase in the number of staff and a decrease in government grants.

	For the year ended 30 June			
	2023 HK\$'M	2022 HK\$'M	Change HK\$'M	% Change
<b>General and administrative expenses excluding government grants</b>				
General and administrative expenses as reported	470.7	444.3	26.4	5.9%
Excluding government grants	6.0	7.3	(1.3)	(17.8%)
General and administrative expenses excluding government grants	476.7	451.6	25.1	5.6%

If excluding the effects of government grants in the Group's general and administrative expenses for both years (i.e. HK\$6.0 million for the Year and HK\$7.3 million last year) to better compare their amounts without such effects, the adjusted general and administrative expenses would increase by 5.6% to HK\$476.7 million compared to HK\$451.6 million last year.

### Other income, net

Other net income of HK\$42.0 million was recorded by the Group during FY2023 compared to HK\$42.3 million recorded in FY2022.

The other net income recorded during the Year mainly represented the recognition of government grants in Hong Kong and Macau and gain on disposal of a property in the Mainland China. The net income recorded last year mainly represented the recognition of government grants in Hong

Kong and Macau and the administration fee income for property management companies under Anti-epidemic Support Scheme.

### Finance income

In FY2023, the Group recorded finance income of HK\$10.6 million (2022: HK\$1.5 million). The increase mainly reflected higher average market interest rates and principal sum of the Group's bank deposits placed during the Year.

## Finance costs

The Group's finance costs of HK\$16.9 million (2022: HK\$5.4 million) for FY2023 included interest expenses of (i) HK\$10.2 million (2022: HK\$2.6 million) for the Group's bank loan financing its acquisition of property & facility management services business in December 2019 (ii) HK\$4.8 million (2022: HK\$1.4 million) for other bank borrowings and (iii) HK\$1.9 million (2022: HK\$1.4 million) for lease liabilities.

## Income tax expenses

The effective tax rate of the Group increased by 0.7% to 15.2% (2022: 14.5%), mainly attributable to a reduction in the non-taxable government grants.

## Profit for the year attributable to shareholders of the Company

The following table presents breakdown of the Group's profit contribution by business segment:

	For the year ended 30 June			
	2023 HK\$'M	2022 HK\$'M	Change HK\$'M	% Change
Property & facility management services	138.5	136.3	2.2	1.6%
City essential services	215.9	201.5	14.4	7.1%
E&M services	185.6	173.4	12.2	7.0%
Unallocated corporate expenses and finance costs*	(17.1)	(8.3)	(8.8)	106.0%
<b>Total</b>	<b>522.9</b>	<b>502.9</b>	<b>20.0</b>	<b>4.0%</b>

\* Unallocated corporate expenses and finance costs comprise the Company's corporate expenses of HK\$6.9 million (2022: HK\$5.7 million) and interest expenses of HK\$10.2 million (2022: HK\$2.6 million).

The Group's profit for the Year increased by 4.0% or HK\$20.0 million to HK\$522.9 million compared to HK\$502.9 million last year. The increase mainly resulted from the strong performance of the cleaning & pest control, technical support & maintenance, insurance solutions, environmental solutions and E&M businesses, partly offset by the effects of (i) a decrease in government grants, (ii) a lower contribution from the security guarding & event services business and (iii) higher corporate finance costs. Details of the government grants recognised by the Group are set out in Note 6 to the consolidated financial statements. The net profit margin of the Group reduced to 6.7% for the Year from 7.2% for last year.

	For the year ended 30 June			
	2023 HK\$'M	2022 HK\$'M	Change HK\$'M	% Change
<b>Profit attributable to shareholders excluding government grants</b>				
Profit attributable to shareholders as reported	522.9	502.9	20.0	4.0%
Excluding government grants	(77.0)	(88.2)	11.2	(12.7%)
<b>Profit attributable to shareholders excluding government grants</b>	<b>445.9</b>	<b>414.7</b>	<b>31.2</b>	<b>7.5%</b>

If excluding the effects of government grants in the Group's result for both years to better illustrate the Group's financial results without such effects, the Group would record an increase in adjusted net profit for the Year of 7.5% to HK\$445.9 million (i.e. after excluding government grants of HK\$77.0 million from its profit attributable to shareholders of the Company of HK\$522.9 million) as compared to its adjusted net profit of HK\$414.7 million for last year (i.e. after excluding government grants of HK\$88.2 million from its profit attributable to shareholders of the Company of HK\$502.9 million).

# Management Discussion and Analysis

## Other comprehensive (loss)/income

The Group recorded other comprehensive loss for the Year of HK\$10.1 million (2022: other comprehensive income of HK\$8.0 million), reflected an unfavourable exchange movement of HK\$11.0 million (2022: HK\$1.9 million) recorded during the Year following a depreciation of the Renminbi

(“RMB”) for conversion of the Group’s net investment in Mainland China, partly mitigated by remeasurement gains on long service payment liabilities of HK\$0.8 million (2022: HK\$12.4 million) and defined benefit retirement scheme of HK\$0.1 million (2022: losses of HK\$2.5 million).

## Capital structure

As at	30 June 2023	% to	30 June 2022	% to	Increase/ (decrease)
	HK\$’M	total equity	HK\$’M	total equity	HK\$’M
Non-current assets	338.0	48.3%	354.3	81.1%	(16.3)
Cash and bank balances	751.9	107.5%	767.0	175.6%	(15.1)
Borrowings <sup>(i)</sup>	282.0	40.3%	403.5	92.4%	(121.5)
Net cash <sup>(ii)</sup>	469.9	67.2%	363.5	83.2%	106.4
Working capital <sup>(iii)</sup>	723.4	103.4%	468.3	107.2%	255.1
Total equity	699.4	100.0%	436.8	100.0%	262.6

Notes:

- (i) All borrowings are bank loans.
- (ii) Net cash is calculated as cash and bank balances less total bank borrowings.
- (iii) Being net current assets.

## Liquidity and financial resources

The Group’s finance and treasury functions are centrally managed and controlled at its headquarters in Hong Kong. As at 30 June 2023, the Group had total cash and bank balances of HK\$751.9 million (30 June 2022: HK\$767.0 million), of which 96%, 2% and 2% (30 June 2022: 89%, 9% and 2%) were denominated in Hong Kong dollar, RMB and other currencies respectively, and total borrowings of HK\$282.0 million (30 June 2022: HK\$403.5 million), of which HK\$263.6 million was denominated in Hong Kong dollars (30 June 2022: HK\$403.5 million) and HK\$18.4 million (30 Jun 2022: Nil) was denominated in RMB. The Group’s net cash balance increased by HK\$106.4 million to HK\$469.9 million as at 30 June 2023 as compared to HK\$363.5 million as at 30 June 2022 mainly reflecting the net cash inflow from operating activities, partly offset by the distribution of the Company’s FY2022 final dividend of HK\$108.4 million and FY2023 interim dividend of HK\$110.3 million and the Group’s payments for principal

portions of lease liabilities of HK\$49.4 million. The Group’s net gearing ratio was maintained at zero as at 30 June 2023 (30 June 2022: 0%). This ratio is calculated as net debt divided by total equity.

Adopting a prudent financial management approach in implementing its treasury policies, the Group maintained a healthy liquidity position throughout the reporting period. As at 30 June 2023, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and/or trade financing of HK\$2,649.7 million (30 June 2022: HK\$2,731.6 million). As at 30 June 2023, HK\$1,052.3 million (30 June 2022: HK\$945.6 million) of the Group’s banking facilities had been utilised for bank borrowings, bank guarantees and trade finance. The Group believes it has sufficient committed and unutilised banking facilities to meet current business operation and capital expenditure requirements.



## Debt profile and maturity

As at 30 June 2023, the Group's total debts amounted to HK\$282.0 million (30 June 2022: HK\$403.5 million), of which HK\$18.4 million is renewed on a monthly basis and HK\$263.6 million matures in December 2024. The Group has managed its debt maturity profile to minimise its refinancing risks. HK\$263.6 million of these debts are denominated in Hong Kong Dollar and bears interest at floating rates and HK\$18.4 million of these debts are denominated in RMB and bears interest at a fixed rate.

## Foreign currency exposure

The Group operates primarily in Hong Kong, Mainland China and Macau and is not exposed to significant exchange risk. The Group does not have a foreign currency hedging policy and foreign currency risk is managed by closely monitoring the movements of the foreign currency rates. It will consider entering forward foreign exchange contracts to reduce exposure should the need arise.

As part of the Group's business is carried out in Mainland China, some of its assets and liabilities are denominated in RMB. The majority of these assets and liabilities had arisen from the net investments in Mainland China operations with net assets of HK\$128.7 million (30 June 2022: HK\$136.6 million) as at 30 June 2023. The foreign currency translation arising from translation of these Mainland China operations' financial statements from RMB (functional currency of these Mainland China operations) into Hong Kong dollars (the Group's presentation currency) does not affect the Group's profit before and after tax and will be recognised in its other comprehensive income.

During the Year, the fluctuation of RMB against Hong Kong dollars was 10% (comparing the highest exchange rate with the lowest exchange rate of the RMB against the Hong Kong dollars during the Year).

As at 30 June 2023, if the Hong Kong dollars had strengthened/weakened by another 10% against the RMB with all other variables unchanged, the Group's other comprehensive income would have been HK\$12.9 million lower/higher.

## Capital commitments

As at 30 June 2023, the Group had capital commitments of HK\$1.4 million (30 June 2022: HK\$1.9 million) in relation to purchase of plant and equipment.

## Contingent liabilities

In carrying out the ordinary course of business, the Group is subject to the risk of being named as defendant in legal actions, claims and disputes in connection with its business activities. The nature of the legal proceedings initiated against the Group mainly includes claims for compensation by the Group's existing or former employees for work-related injuries. The Group maintains insurance cover and, in the opinion of the Directors, based on current available evidence, any such existing claims and legal proceedings against the Group are not expected to have significant adverse financial impact to the Group as at 30 June 2023.

## Convertible preference shares

On 16 December 2019, the Group acquired Legend Success Investments Limited (together with its subsidiaries) which was principally engaged in the provision of property and facility management services, at a total consideration of HK\$743.4 million upon which the initial sum of consideration of HK\$704.9 million was satisfied by the Company through (i) the payment of HK\$564.0 million in cash and (ii) a non-cash consideration of HK\$140.9 million through the issuance and allotment by the Company of 43,676,379 non-voting redeemable convertible preference shares of HK\$0.10 each at the issue price of HK\$3.2260 per share. A final cash payment of the consideration of HK\$38.5 million was made on 13 February 2020.

## Management Discussion and Analysis

The convertible preference shares are (i) convertible into 43,676,379 ordinary shares of the Company At an initial price of HK\$3.2260 per share (subject to adjustments upon occurrence of certain prescribed events, including consolidation, subdivision or reclassification of shares in the capital of the Company, capitalisation of profits or reserves etc., in each case if not also made available to the holder(s) of the convertible preference shares), provided that any conversion shall not result in the Company failing to comply with any public float requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, within a period of 10 years after their date of issue of 16 December 2019 (the "Issue Date") and (ii) redeemable by the Company at its sole discretion at a redemption price equals to the Issue Price together with all outstanding preferred distributions accrued to the date fixed for redemption at any time after 10 years following the Issue Date. The convertible preference shares are treated as contingently issuable potential ordinary shares under Hong Kong Accounting Standard ("HKAS") 33 "Earnings per Share" and, since the conditions for their conversion were not met as at 30 June 2023, the effect of their conversion is not included in the calculation of the diluted earnings per share for years ended 30 June 2023 and 2022 pursuant to HKAS 33's requirements as described in Note 12 to the consolidated financial statements. Assuming that all of the outstanding convertible preference shares were converted as at the end of the financial year of 30 June 2023 and assuming their conditions for conversion were met, the Company's earnings per share after taking into account of

the dilutive impact of such conversion for the year ended 30 June 2023 would be HK\$1.06 per share, calculated as the Group's profit attributable to shareholders of the Company of HK\$522.9 million divided by the weighted average number of the Company's ordinary shares in issue of 493.7 million (after taking into account the weighted average number of incremental number of ordinary shares that would be issued from the conversion of the convertible preference shares on its Issue Date of 43.7 million). The convertible preference shares confer their holder(s) the right to receive preferred distributions from the Issue Date at a rate of 6.0% per annum on its Issue Price, payable annually in arrears. As (i) the Company may at its sole discretion redeem either in whole or in part the convertible preference shares for the time being outstanding (i.e. it has no obligation to settle them in cash unless it elects at its sole discretion to redeem) and (ii) the convertible preference shares are only convertible within a period of 10 years after the Issue Date but redeemable only after 10 years following the Issue Date, an analysis on the Company's share price at which it would be equally financially advantageous for the convertible preference share holder(s) to convert or redeem the convertible preference shares based on their implied rate of return at a range of dates in the future is not applicable. Based on the financial and liquidity position of the Group (with details) set out in the paragraphs headed "Liquidity and financial resources" of this section), to the best knowledge of the Company, the Company expects that it will be able to meet its redemption obligations under the outstanding convertible preference shares issued by it.



## Environmental, Social and Governance

Addressing sustainability issues and managing Environmental, Social and Governance (“ESG”) risks are essential to demonstrating our sustainability performance and meeting the expectations of our stakeholders. The Board of Directors holds the overall accountability for the Group’s ESG management approach, strategy and performance. The Board’s responsibilities include reviewing the Group’s material ESG topics and approving the ESG related policies and targets. The Board also reviews and signs off the annual ESG Report. To support the Board’s oversight and systematic management of the ESG issues, we have set up a Board-level ESG Committee. The members of the Committee are appointed by the Board and composed of three executive directors (one of the executive directors is the Chairman) and two independent non-executive directors of the Company. The ESG Committee meets regularly to review the Group’s sustainable development and provide recommendations on relevant ESG matters to the Board. The recommendations are examined and endorsed by the Board, for various departments to drive ESG performance accordingly.

A stand-alone ESG report which references Appendix 27, Environmental, Social and Governance Reporting Guide, to the Listing Rules will be published on the websites of the

Company and Hong Kong Exchanges and Clearing Limited in October 2023.

### Environmental

#### Environmental concerns

Having signed the Low Carbon Charter launched by Business Environment Council Limited (“BEC”) in FY2022, we continue to commit to developing target setting aligned with Science Based Targets Initiatives (“SBTi”), implementing strategic actions, disclosing progress, and advocating sustainable practices to our stakeholders.

Our ISO 14001 – certified Environmental Management System helps us monitor and manage our environmental performance in a systematic approach, allowing us to identify and mitigate the environmental issues associated with our operations through a continuous improvement cycle. Although no significant impacts have been caused by the Group’s business operation, to mitigate identified potential environmental issues timely and track improvements over time, our Environmental Aspect Register records environmental issues and the associated mitigation measures.

## Management Discussion and Analysis

We recognise the potential risks and impacts associated with climate change and we have acted accordingly. Designated personnels have been assigned from every business unit, and they are required to meet regularly to discuss how the Group can reduce and mitigate climate change risks and identify potential opportunities.

### Commitment to the environment

Our environmental targets set by the ESG Committee in FY2022 have been well achieved. To demonstrate further commitment in reducing environmental footprint, new environmental targets regarding reduction in fuel consumption, electricity consumption and paper procurement have been set to reflect our strong passion in environmental sustainability. Our new set of targets aims to reduce 0.5% of fuel consumption by intensity, 1.5% of electricity consumption by intensity, and 8% of paper procured by intensity.

### Building a culture of sustainability

We believe fostering behavioural change within the Group is key to driving sustainable growth. To nurture an environmentally friendly culture within the Group, the Green Office Guidelines were officially launched in November 2016. The Guidelines focus on paper use reduction, energy conservation and materials recycling at our offices, sites, workshops and plant rooms.

## Social

### Environment appreciation journey

The Group has always been supportive towards the “Green Power Hike” organised by the Green Power. This year marks the second consecutive decade of the Group’s participation. Practising nature appreciation and raise funds for environmental conservation and education through exploring the ecology of Hong Kong is important to us and the wider community. Through the event, colleagues can acquire relevant knowledge and to practise “Leave No Trace” while enjoying the beauty of nature.

### Sports and employee well-being

We believe that sport activities are closely related to the well-being of our employees. Therefore, the Group has hosted multiple sports activities for employees to participate in. A friendly football match has been held between Towngas and the Group in June 2023. During the competition, players showed traits of resilience and determination, which are also key elements to business success.

### People development

We place great emphasis on the ongoing development and growth of the Group’s workforce. We believe this is a key component of our ESG agenda, as it drives the long-term sustainable development of the Group and enables us to provide our customers with best-in-class products and services. To ensure that our employees stay up to date with the latest industry knowledge and innovative technologies, we have provided comprehensive and structured training and development programmes to our employees. We are not only closely identifying and nurturing future talents, but also providing upward mobility within the Group and aim to increase the level of employee loyalty.

Our training programmes cover aspects that may have an impact to the Group’s daily operation, including but not limited to the integration of management systems, risk assessments, leadership training and cross-generation exchange programmes.



FSE EDP Team Building Day in November 2022

Our Training and Education Subsidy Scheme cultivates a continuous learning culture and is an effective tool to stimulate the potential of our employees. Our employees are welcome to apply for the Training and Education Subsidy Scheme with the ambition to accelerate personal growth and prepare for career advancement. Under FSE Engineering Group's Training Subsidy Policy, employees can apply for subsidies for Master- or Degree- level education relevant to their jobs, with up to 80% subsidy granted. Besides tertiary and advanced education, employees are also encouraged to attend training courses such as Problem-Solving Skills Workshop, BIM Viewer Training, to strengthen individual workplace skillsets.

Hong Kong is an urban commercial region with constant changes and rapid development in macro workforce demographic composition. As a people-oriented business, we believe that the solution to the above-mentioned issue lies within the capability of the younger generation. The Group's Human Resource Department recognises the need of nurturing future talents to facilitate sustainable development and stay competitive within the commercial market. To address this topic, subsidiaries of the Group have rolled out training programmes for years. These renowned talent development programmes are necessary in shaping the future leadership figures of the Group, leading the group to even more success.



*CEO Café in April 2023*

During the Year, over 160,000 hours of training in various work skills were provided to our staff.

**FSE Executive Development Training Programme (EDP)**

Commenced in November 2020, the FSE EDP is designed to advance the business skills and leadership capabilities of our managers to become future leaders in our Group. The programme takes a multidimensional approach to learning and knowledge transfer, combining lectures, group discussions, case studies, networking opportunities and executive coaching to provide new insights and offer participants opportunities to apply them in daily works. During FY2023, 27 EDP participants enjoyed a number of activities organised by the Group.



*Site visit to Hong Kong International Airport in February 2023*



*Crisis Prevention and Management Workshop in June 2023*

## Management Discussion and Analysis



*“Team Building in Action 2022 – Drum-Jam Experience” in December 2022*

### FSE Young Executive Training Programme

Commenced in June 2021, the FSE Young Executive Training Programme is a two-year bespoke programme in aims to strengthen our talent pipeline, and to offer our talents extensive opportunities to experience diversified training programs and corporate events. The Group offers different learning channels to accelerate the pace of development and enrich our young executives’ horizon in ESG in Hong Kong. During FY2023, 43 of our high potential young executives participated in various events and enjoyed the programme.

### Corporate Social Responsibility (“CSR”)

This year, our long-established CSR Committee continued to encourage our employees to participate in a variety of social services events and practice corporate citizenship. With a firmly established spirit of giving back and serving our community, we are dedicated to focusing on environmental awareness, supporting the children, the elderly and disadvantaged groups, and embracing to support ethnic groups through the Group’s people-oriented activities. Our highly enthusiastic colleagues served different groups of beneficiaries, shaping a positive atmosphere, and creating positive impact in our shared community.



*Visits to T Park and Baguio Waste Glass Bottle Recycling Plant in January 2023*

### Caring for the environment

As an environmentally responsible business, we adhere to the principles of green living by supporting and participating in energy-saving events to demonstrate our commitment. To address the severity of impacts caused by climate change, we continued to take part in the Earth Hour campaign, an annual environmental movement led by the World Wild Fund for Nature (WWF). We supported Earth Hour 2023 by switching off all non-operational lights at the Group’s Headquarters and all office buildings under our services for one hour at 8:30pm on 25 March 2023. Besides workplace practice, we also encouraged our staff to participate by switching off non-essential lights at home.

### Caring for the children, the elderly and the disadvantaged groups

The drop in the number of COVID cases suggested some form of easing the situation. However, we believed it was not yet the time to let our guard down completely. We realised that our local community still needed our care and assistance. During these unprecedented times, we remained steadfast in our commitment to contribute to society and provided much-needed assistance to the elderly and disadvantaged with confidence in our ability to make a positive impact.



*To show appreciation for the contributions of our senior citizens made to the development of our community, we take part in various elderly services such as "Fortune Bags" to express our respect and gratitude.*

FSE Caring Day is the Group's signature ESG event. In March 2023, we collaborated with our trusted NGO partners, the Tung Wah Group of Hospitals (TWGHs) and Food Angel by Bo Charity Foundation to launch this annual event at the CIC-Zero Carbon Park in Kowloon Bay. Social service activities were organised by our volunteers for FSE Caring Day to engage with the elderly and the underprivileged. Our volunteers expressed their love and warm reminder to stay safe during the pandemic. We hoped to advocate for a caring culture to the community and educate our employees that there are people who need our help through our flagship event.

Besides our flagship event, the Group also organised other engagement activities to address the needs of the elderly and the underprivileged. Since March 2023, FSE Lifestyle has been collaborating with Food Angel by Bo Charity Foundation. In May 2023, 20 FSE Lifestyle volunteer team members from different departments helped packed 500 "Fortune Bags", containing noodles, biscuits, oatmeal, oil, baked beans, and corn in two hours and distributed them to the elderly and low-income families, in hope to share our care to them.

Child welfare is one of the focus areas of our community services. In September 2022, 4 members of the Urban Group joined and won the Charity 3-on-3 Basketball Competition in the "Sport-Friendly Action" Corporate Cup 2022 organised by the Chinese YMCA of Hong Kong. Held in Wu Kwai Sha Youth Village and with Urban Group being one of the donors, the aim of this event is to raise funds for the underprivileged children's basketball training programme alongside promoting wellness and sportsmanship. Urban Group will continue to support the "Sport-Friendly Action" Award Scheme in the future.



*We participated in various activities such as "Sports-Friendly Action" for children from grass-roots families to develop their interest and talent so that they can build self-confidence.*



*FSE Caring Day is the Group's signature ESG event which encourages people to look beyond their own needs and work together to create a better future for all.*

## Management Discussion and Analysis

Addressing the needs of our society and keeping our community happy is one of the Group's aims when planning and organising CSR events. In April 2023, 20 employees from FSE Engineering formed a volunteer team and celebrated Easter with people with Down syndrome. Collaborating with Bradbury Parents Resource Centre, our volunteer team prepared fabulous programmes, including Easter egg painting, magic show and games, for 30 friends at the Centre. To make the event more enjoyable, gifts were prepared for our friends at the Centre. We hope this meaningful event will raise more awareness in the community about people with Down syndrome.

### Caring for the Ethnic Groups

The Group attached great importance to ethnic groups in our community and made efforts to provide opportunities to them for future development. During the reporting year, we collaborated with Chi Lin Buddhist Secondary School to provide on-job-training programme for their Form 6 students with Special Educational Needs ("SEN"). For students completed a 3-week office work placement in FSE Engineering, Urban Group, Nova Insurance and Waihong Services on 10 June 2023, which provided them with hands-on working experience for their future careers.

Additionally, to support the development of ethnic minority groups in the community, the Group worked with The Zubin Foundation to offer job opportunities to them. We intend to

provide further support in contributing to the community and ethnic groups in the future.

The Group is committed to upholding corporate social responsibility by organising a wide range of high quality and impactful charitable campaigns. We strive to create a positive impact in our shared community and address current needs in a beneficial manner. We are dedicated to encouraging a culture of volunteerism amongst our employees and will continue to strengthen our contribution in fostering a caring society by launching more events in the coming year.

## Governance

### Compliance with relevant laws and regulations

During the Year, there were no reported cases of non-compliance with relevant laws and regulations that have had a significant impact on business regarding the environment, health and safety, labour standards, and data privacy.

### ESG Committee

During the reporting year, the ESG Committee convened 3 meetings to discuss the ESG issues including materiality assessment, progress of environmental targets and ESG Report. The ESG Committee has also updated the environmental targets for fuel and electricity consumption, as well as paper procured for FY2023.



*Celebrated Easter with People with Down syndrome to raise awareness in the community about people with Down syndrome.*





*We equipped SEN students to complete office work placement programmes.*



### Risk Management Committee

The Risk Management Committee oversees the Group's risk management mechanism, including risks and opportunities related to ESG, and is also responsible for maintaining and reviewing the effectiveness of the Group's risk management and internal control systems. The Group has adhered to a formally established Risk Management Policy to identify, evaluate, and manage risks (environmental and social) on a regular basis. The Safety Committee reports to the Risk Management Committee.

### Internal audit

The Board has authorised the Audit Committee with the responsibility to review the risk management and internal control systems of the Group, which include financial, operational and compliance controls. The internal audit function, which is fully independent of the daily operations of the Group, is conducted by the Company's Internal Audit Department.

### Integrated Management System

The Group's management committee oversees the implementation of the Group's Integrated Management System ("IMS") and sustainability policies under the leadership of an Executive Directive. The IMS comprises of three international management systems certified to standards established by the International Organisation for Standardisation ("ISO") – ISO 9001 Quality Management System, ISO 14001 Environmental Management System, and ISO 45001 Occupational Health and Safety Management System.

### Ethical governance

We uphold the highest ethical standards and accountability throughout the Group's daily operation and have a stringent zero-tolerance approach towards any fraudulent or unethical conduct. All employees are required to follow the instructions as stated in the Employee Handbook. For instance, it lists out the rules on accepting gifts from business partners.

The Group's whistleblowing and grievance mechanisms has been stated in our Whistleblowing Policy and Employee Handbook, to facilitate the Group's ongoing due diligence against unethical behaviour and provide confidential channels for concerned employees at all levels to report bribery or malpractice of any form. Moreover, our Anti-Fraud Policy provides a dedicated confidential channel for employees and external stakeholders to report any suspected or actual fraud, corruption, illegal acts, or unethical practices by employees and other personnel of the Group.

The Group also invited the Independent Commission Against Corruption ("ICAC") to conduct a seminar on ethical awareness in March 2023. During the reporting period, the Group has fully complied with the laws and regulations relating to bribery, extortion, fraud, and money laundering, and did not have any concluded corruption cases press against the Group or its employees.



## Employees and Remuneration Policy

As at 30 June 2023, the Group had a total of 24,496 employees (30 June 2022: 20,004), including 9,102 (30 June 2022: 8,070) casual workers and employees whose relevant costs are directly reimbursed by or charged to our customers or charged by sub-contractors. Staff costs for the Year, including salaries and benefits, was HK\$3,166.7 million (2022: HK\$2,870.5 million). The increase mainly reflects an increase in the number of staff.

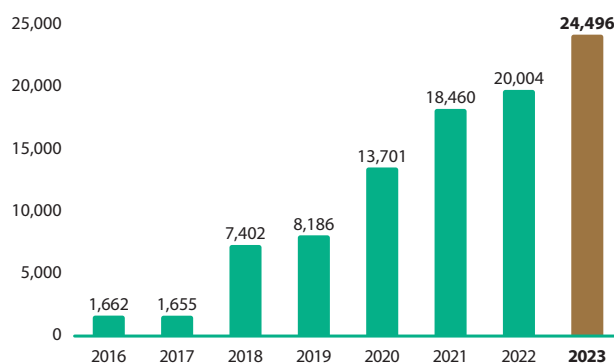
The Group offers attractive remuneration packages, including competitive fixed salaries plus performance-based annual bonuses, and continuously provides tailored training to its employees with the aim of promoting upward mobility within its organisation and fostering employee loyalty. Our employees are subject to regular job performance reviews which determine their promotion prospects and compensation. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

The Company maintained a share option scheme, which aims at providing incentives to the eligible participants (including the employees of the Group) to contribute to the Group and enables us to recruit high-caliber employees and attract

human resources that are valuable to the Group. As at the date of this report, no share options under this scheme have been granted.

All of the employees of the Group in Hong Kong have joined a mandatory provident fund scheme. The scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong). The Group has complied with the relevant laws and regulations, and the relevant contributions have been made by the Group in accordance with the relevant laws and regulations.

### Number of Staff at 30 June





## Outlook

### Property & Facility Management Services segment

With over 50 years of experience, our Property & Facility Management Group provides quality management services to maintain and improve the quality of properties and facilities for its clients and enhance their reputation and asset value. The expectations of corporate clients and property investors grow, so does the demand for enhanced services and one-stop solutions for professional property and facility management services, which in turn transform into ample opportunities for the growth in our Property & Facility Management Group's business. We foresee a robust outlook in our Property & Facility Management Group's business, propelled by rising market demands and our strengths in this industry:

- There is an increasing demand for professional property management services in Hong Kong as a result of the government's policy to increase the supply of residential units over the next 10 years. Market opportunities arising from the increased supply of both private and public housing have led to a promising demand for professional property management services in Hong Kong.
- With the current social call and demand for safeguarding the rights of property owners, there is a growing demand for independent property and facility management companies that are not subsidiaries of property developers.
- The ongoing growth in the supply of residential properties in Hong Kong offers increased opportunities for the Group's sales and leasing business in the firsthand property sales market. The property sales and leasing market also benefitted from the government's new admission schemes, particularly the Top Talent Pass Scheme ("TTPS"), which attracts skilled individuals to Hong Kong. This influx of talent is expected to drive housing demand and provide opportunities for the Group to offer its sales and leasing services to this target market.



**Increasing demand for professional property management services in Hong Kong as the government's policy to increase the supply of residential units.**

## Management Discussion and Analysis



- Our Property & Facility Management Group, with over 5,000 staff, has embarked on new operating methodologies and combined its quality manpower strengths with modern innovative technologies and Internet of Things (“IoT”) applications to enhance its overall service efficiency and effectiveness. With the society’s increasing demand for use of technology, our Property & Facility Management Group is readily poised for capturing the market opportunities arising from this trend.
- Our Property & Facility Management Group comprises one of the strongest professionally qualified teams to serve our diverse clientele. While its individual companies are licensed as property management companies under

the Property Management Services Ordinance (“PMSO”) (Cap. 626 of the Laws of Hong Kong), it also maintains a strong team of over 300 Tier 1 and Tier 2 property management practitioners, considered to be one of the largest service teams in the industry, to ensure the smooth operation of the managed property and facility assets and the fulfillment of statutory requirements. As a result, it has established a good strategic position to capitalise on the market openings and demand generated by the full enactment of PMSO and maintains good competitive advantages over its competitors in new tenders and business development activities in the coming years.

- Our Property & Facility Management Group has a strong technical and engineering team with extensive experience and expertise in various building repairs, maintenance, renovations and refurbishment projects. It has been participating in and coordinating different types of building renovation and improvement projects for large private housing estates, commercial premises and modern intelligent buildings to enhance their building facilities and ultimately increase their asset value. It currently maintains a strong engineering team with over 500 highly trained technical personnel to serve its clients.



**With the society’s increasing demand for use of technology, our property and facility management service is readily poised for capturing the market opportunities arising from this trend.**



- In addition to the strong synergies created between the various business units within the Group, our Property & Facility Management Group has developed a wide range of partnerships with professional service providers and contractors. It maximises its competitive advantages by creating economies of scale and strong bargaining power for its clients to always achieve cost effectiveness and operational efficiency. Most importantly, it can provide its clients with the most cost-effective services at the best price levels.
- In addition to statutory requirements, our Property & Facility Management Group has been implementing stringent governance practices covering environmental protection and care, corporate social responsibility, and risk and crisis control. Moreover, within our Property & Facility Management Group, Urban has become a household name as “Hong Kong’s Premier Community Manager” by organising and participating in over 100 corporate social responsibility activities annually. More importantly, Urban’s clear and comprehensive risk and crisis management system covers a wide range of crises,

from the operational suspension of building services and systems failures to territory-wide pandemics.

- As a reputable property manager business, the Group has established a strong customer network and gained the trust of its clients, which allows it to leverage its existing relationships in providing property sales and leasing services. Through using digital platforms such as internet webpages, social media channels and instant messaging platforms, the Group can effectively engage its clients and provide them with convenient access to property information and then promote its property sales and leasing services business accordingly.

### City Essential Services segment

#### 1. Cleaning & Pest Control Services

Following the cancellation of various restrictive measures for prevention of COVID-19 since early 2023, Hong Kong’s economy is recovering. Waihong believes the outlook of the cleaning and pest control industry is positive:

- In the coming years, a number of new residential and commercial projects will be launched in Kai Tak and the Northern Metropolis. As these buildings are gradually completed, coupled with the general public’s increasing hygiene awareness, the demand for specialist cleaning and hygiene services for these properties and facilities will increase. Waihong will leverage its competitive advantages to explore more potential businesses from the private and public market segments as well as the government segment.
- Waihong is the cleaning service provider of Hong Kong Convention and Exhibition Centre, Asia-World Expo, Hong Kong Stadium and Hong Kong Jockey Club. It benefits from a lot of international events including exhibitions, conferences, concerts, racing and sporting events which gradually resume. These events will result in higher demand for our service to Waihong to mitigate the effect of reduced demand for disinfection service.

## Management Discussion and Analysis



- The cleaning and pest control industry's landscape is changing due to technological advancements, increased demand for environmental sustainability and a changing workforce. Innovated technology is rapidly being applied to the cleaning and pest control industry. Advancements in software and hardware have improved automatic cleaning processes such as scheduling and inventory management. Adopting IoT sensors and robotic machines is improving the cleaning process. Waihong has actively introduced artificial intelligence ("AI") systems, including smart toilets, electronic face recognition attendance system and real-time work monitoring system to improve its ability to meet clients' needs. Waihong will continue to invest in technology which can enhance its competitive edge and profitability in the long run.
- Sustainability is a growing concern worldwide, Waihong responds to this by implementing green cleaning practices through providing disposal of municipal solid waste, medical waste, liquid waste, construction waste and



**Waihong has actively introduced AI systems, including smart toilets, electronic face recognition attendance system and real-time work monitoring system to meet clients' needs.**

collection of wastepaper, food waste, and aged battery to fulfil its ESG goals. Clients increasingly demand cleaning services that would not harm the environment. Green cleaning products and methods have become a mandatory norm for most of the industries like healthcare, hospitality, education, government, etc. Waihong will prioritise on sustainability, which not only reduces the environmental impacts but also demonstrate its commitment to social responsibility. The municipal solid waste charging scheme will be enacted in the second quarter of 2024. Waihong's waste management team has expanded the fleet scale and business mode to deal with the anticipated market demand.

- As always, Waihong is actively seeking different market opportunities to secure new service contracts for it. Waihong also strives to understand and satisfy its clients' demands and renew all its existing service contracts in every effort to attain higher contract retention rate. On the other hand, Waihong has invested more resources to strengthen its competitiveness in tendering service contracts from government agencies to widen its market share.

### 2. Technical Support & Maintenance Services

In coming years, our technical support & maintenance services division aims to further develop and diversify its services to cover fire services and electrical systems in its government term contracts. Complementary to our Group's other service businesses, the outlook for this division is optimistic as there will be plenty of opportunities for this division to generate revenue and profit from both the public and private sectors:

- In the private sector, steady and stable income generated from maintenance and system retrofit works support the underlying operating business of the Group's technical support & maintenance services division. Furthermore, large-scale renovation works for existing commercial premises are expected to create new business opportunities in the coming years. According to the Hong Kong Tourism Board, there are more than 300 hotels and 50 major shopping malls in Hong Kong, a market that offers tremendous opportunities for further private sector business development in the next few years.



**Our technical support and maintenance services will continue to develop the production of BIM in combination with the application of digitalised asset management for existing mechanical plants.**

- As Hong Kong is pursuing to achieve carbon neutrality before 2050 and continuous enhancement of energy performance of buildings is expected, large developers will make strenuous efforts to enhance the energy efficiency of the new projects as well as the existing buildings to reduce their carbon emissions through retrofitting works. In addition, with the support from power companies for promoting more sustainable energy solutions to facilitate different sectors to accelerate the decarbonisation, great business opportunities in the Hong Kong's private sector business in respect of chiller system replacement works are anticipated.



- The Group's technical support & maintenance services division advocates the implementation of innovative technologies to increase the efficiency and effectiveness of works. Our well-developed mobile application for maintenance services has enabled a shift in operations and maintenance methods from a traditional paper-based record management system to an advanced digitalised

management system. As a next step, our Group's technical support & maintenance services division will continue to develop the production of Building Information Modeling ("BIM") in combination with the application of digitalised asset management for existing mechanical plants. This breakthrough can benefit demanding customers by enabling them to experience an innovative management system not only in new buildings, but also in existing ones.

### 3. Security Guarding & Event Services

Demand for security services has continued to grow steadily over the past year and is expected to continue to grow. Coupled with the expected recovery of the event service industry, the outlook of our Group's security guarding and event services is optimistic:



**There will be a huge demand for security services as several government projects are in the pipeline.**

- A major contributing factor is the government's plan to build 330,000 public housing units over the next ten years, with an additional 440,000 residential units from the private sector. In addition, several government projects are in the pipeline, including the construction of AsiaWorld-Expo Phase 2, the Hong Kong Airport third runway and the Lok Ma Chau development. Once these projects are operational, there will be a huge demand for security services. Coupled with coming opening of the Kai Tak Sports Park and full operation of 11 SKIES, a mega signature office and entertainment project near the Airport, the demand for security services are expected to be further increase, which will have a positive effect on the coming up performance of our Group's General Security.

## Management Discussion and Analysis



- With the opening of Hong Kong in early 2023 after the peak of the pandemic, the exhibition and convention industry is expected to recover. Perfect Event is proactively positioning itself in the event service industry. It is actively seizing the potential opportunities offered by the same opening.
- On the one hand, the shortage of manpower is challenging for the current operation and business growth of the security industry. General Security and Perfect Event will take advantage of their experiences in event security and customer services in the market together with good strategic partnerships with major event operators and managers. They will focus on allocation of resources in event and ad hoc business which can contribute to higher financial return. In addition, General Security will diversify its business by AI and new technology in security system business instead of traditional systems.

### 4. Insurance Solutions

In December 2022, the Hong Kong Government released a roadmap for the development of Hong Kong's insurance industry. As the largest local insurance broker with a 34-year history and a strong team of professionals, Nova has the comparative advantage to benefit from this initiative and has well positioned itself for further growth in the coming years:

- As the needs of corporate insurance buyers are becoming more complex and they are extremely price conscious, they need a professional broker to help them get a better deal. The flexibility of Nova's services and its strong customer-focused approach help it to win more accounts from its competitors, even though they are typically foreign brokers with multinational backgrounds and larger operations.
- Nova continues to do what it does best, such as insurance related to construction projects. There are numerous new commercial and residential developments and infrastructure projects in the pipeline that present additional business opportunities for Nova.



**Nova is the largest local insurance broker who will further leverage its market niche and expertise to win more clients in the industries.**

- Due to mergers and acquisitions in the global brokerage space over the past few years, the number of sizable international insurance brokers has been reduced. Nova is perfectly positioned to fill this gap, as it has experience and a proven track record with local flair. Through Nova's global network of brokers, it can serve the insurance needs of clients around the world.





- In the coming year, Nova will further leverage its market niche and expertise to win more clients in the industries it is well experienced in, such as construction, property management, hospitality, educational institutions, non-government organisations and employee benefits such as group medical and MPF schemes. Nova will also focus on specialty products with higher yields such as cyber insurance, professional indemnity insurance, directors & officers liability insurance and trade credit insurance.

## 5. Environmental Solutions

In tandem with the escalating public demands for various solutions to our living environments, our Group's Environmental Solutions, which provides Environment Solutions, Smart Solutions and Green Solutions to its clients, foresees considerable amount of business opportunities to emerge in the coming years:

### *Environment Solutions*

- Increasing public awareness of the importance of a sustainable environment is driving demand for environmentally friendly services and products. The enactment of the Building Energy Efficiency Ordinance (Cap. 610 of the Laws of Hong Kong) in 2012 and the Hong Kong Government's pledge to achieve carbon neutrality by 2050 in the "Hong Kong Climate Action



**Increasing public awareness of the importance of a sustainable environment is driving demand for environmentally friendly services and products.**

## Management Discussion and Analysis

Plan 2050" published in 2021 continue to support the business development of the Group's environmental assessment services.

- For our Group's environment solutions business, its seawater and freshwater treatment and odor removal products, such as electrochlorination and biotech deodorisation systems, respectively, have driven steady growth in its environmental engineering business. Despite the fierce competition in HVAC water treatment services, its patented nanobubble ozonation and the use of real-time monitoring systems offers good opportunities to enlarge its market share.

### Smart Solutions

- Regarding the ELV business, with more property developers adopting IT infrastructure and advanced technologies in their projects to enhance building sustainability and energy control, good opportunities to generate business revenues and profit in the ELV business are emerging.
- The announcement of the Hong Kong Roadmap on Popularisation of Electric Vehicle ("EV") by the Government in 2021 to promote the adaption of EVs and the associated supporting facilities with the aim to attain zero vehicular emissions before 2050 provide us a tremendous business opportunity. There is a growing demand in the electricity installation of the supporting facilities in the car park to support the adaption of EVs.



**With the growing demand for sustainability and ESG from corporate clients and property investors, the Group's E&M services business is committed to creating a greener society.**



- The Group's smart solutions business will keep up with the market trends and facilitate the identification of new products. It will continue to work with vendors to customise systems according to specific customer needs and smart city blueprints, using advanced technologies and smart solutions such as AI and IoT, intelligent intellectual property/information technology-based systems and various 5G mobile applications to strengthen the building management and environmental monitoring system to enhance building sustainability and environmental quality, thereby increasing customer satisfaction.

### Green Solutions

- The higher market demand for green elements in indoor and outdoor spaces, coupled with customers' needs to enhance the visual and ecological environment, have provided more opportunities for green solutions offered by the Group's landscape services business. The greening policies, urban planning initiatives and various support provided by the government will be highly beneficial to the development of the industry and our landscape services business.

- With technological advancement and focus on green concepts, our building materials trading business has new opportunities to promote new products with new features in these areas, including anti-bacterial tiles. Strategic collaboration with the Group's environment solutions team will help its building material trading business keep up with market trends and facilitate the identification of new products.

### E&M Services segment

The Group's E&M services business is well prepared to grasp the large number of business opportunities on sizeable infrastructure and building projects expected to arise in Hong Kong, Mainland China and Macau in the coming years:

- Capital and Construction Expenditure – According to the construction expenditure forecast provided by the Construction Industry Council in May 2022, expenditure in E&M construction works each year will amount to over HK\$28 billion for the public sector and over HK\$24 billion for the private sector over the next five years. With such increasing demand for professional construction services, the Group will focus on the public and private housing development and infrastructure projects.
- Public Housing – In its 2021 Policy Address, the Hong Kong Government has identified about 350 hectares of land to build 330,000 public housing units and about 170 hectares of land to build 100,000 private housing units to meet the demand in the coming 10 years. In addition, the Hong Kong Government has proposed to develop the northern part of Hong Kong which encompasses Yuen Long District and North District into a metropolitan area ("Northern Metropolis") to provide a total land area of about 300 square kilometres, equivalent to the additional supply of over 500,000 housing units in the next 20 years.

The Hong Kong Government also plans to provide in the coming 10 to 15 years over 150,000 public and private housing units along the Northern Link and Siu Ho Wan MTR Depot topside development.

With the introduction of the new Light Public Housing ("LPH") using the MiC approach, the overall public housing production will increase substantially by 50% to 158,000 units (including 30,000 LPH units at eight sites) in the next five years (from 2023-2024 to 2027-2028) as compared to the previous five-year period (from 2022-2023 to 2026-2027). In addition, three sites have been identified to build subsidised sales flats under a new pilot scheme on public-private partnership.

- Private Housing – For private residential and commercial developments, the redevelopments are driven by the Urban Renewal Authority and the Hong Kong Housing Society, the developments at the Kai Tak Development Area, Yau Tong and Ap Lei Chau, together with the railway property developments. The Hong Kong Government will put forward the development of Tseung Kwan O Area 137 for residential and commercial development and other relevant purposes.



## Management Discussion and Analysis



- **Railway Development** – The Hong Kong Government strives to implement new and extension of railway projects in a proactive manner. Current proposals being studied include four new lines (Northern Link, Kwu Tung Station on the East Rail Line, Hung Shui Kiu and Oyster Bay) and two-line extensions (Tuen Mun South Extension and Tung Chung Line Extension) and new stations. The Hong Kong Government also worked with the Airport Authority Hong Kong to fully realise the “Airport City” vision and to create at Lantau an Aerotropolis connecting the Greater Bay Area and the world.
- **District Cooling System** – Use of the District Cooling Systems (“DCS”) is also one of the Hong Kong Government’s initiatives and commitment to low-carbon development. Apart from the additional DCS in the West Kowloon Cultural District, providing DCS in new development areas – Tung Chung East and Kwu Tung North have also been under tendering or construction process. Other new development areas including the Northern Metropolis will also incorporate the DCS to further reduce energy consumption.
- **Convention and Exhibition** – To support Hong Kong as a premier venue for large-scale international convention and exhibition activities, the Government will take forward the AsiaWorld-Expo Phase 2 project in 2023 and the Wan Chai North redevelopment project near the Hong Kong Convention and Exhibition Centre few years later.
- **Sports and Recreation Facilities** - The Culture, Sports and Tourism Bureau will map out a 10-year development blueprint for 30 sports and recreation facilities, including Hong Kong’s second sports park to be developed in Whitehead, Ma On Shan, and large-scale sports and recreation facilities in the Northern Metropolis.
- **Technology Park and Manufacturing Centre** - To encourage and enhance Innovation and Technology (“I&T”), the Hong Kong Government will collaborate with Shenzhen in the development of Shenzhen-Hong Kong I&T Co-operation Zone under the “one zone, two parks” model. In addition, the infrastructure works of the Hong Kong-Shenzhen Innovation and Technology Park (“HSITP”) in the Lok Ma Chau Loop has commenced in June 2018, with the objective of providing the first batch of land parcels for superstructure development in 2022. The Hong Kong Government will expedite the development of San Tin Technopole in the Northern Metropolis, and the expansion works of the Science Park and Cyberport will be completed in phases from 2025 onward.
- **Technology and Operational Efficiency** – With increasing construction volumes, rising construction costs and ageing skilled workforce in recent years, together with multiple incidents in individual large-scale projects, the construction industry in Hong Kong has been facing enormous pressure and challenges. The Group has been endeavoring to support the “Construction 2.0” initiative (Innovation, Professionalisation and Revitalisation) as launched by the Development Bureau in 2019 to capitalise on future development opportunities and

scale new heights. The 2022 Policy Address highlights that the Development Bureau and the Transport and Logistics Bureau are reviewing the labour shortage situation and implementing relevant solutions, including labour importation.

- Macau – In Macau, there is a constant demand for renovation and improvement works for hotels and casinos. In addition, the robust demand for public and private residential housing, the development of Galaxy Macau Phase 4, the renovation work of existing casinos and hotel areas, and the renewal of gaming licences of its six major casino operators for the next 10 years in November 2022 are expected to create emerging business opportunities for the Group in the coming few years.
- Mainland China - The Group has followed a disciplined business development approach focusing on the provision of E&M services to major property developments of Hong Kong and foreign investors.

Apart from the two core bases in Beijing and Shanghai, the Group has also established its presence in other first- and second-tier cities in Mainland China such as Tianjin, Shenyang, Wuhan, Kunming and Hangzhou. The development of the Greater Bay Area will certainly enhance the economic and social growth in 11 cities of that Area. In addition, the 3 rapidly developing Guangdong Pilot Free Trade Zones – Hengqin, Qianhai and Nansha – will bring in new business opportunities to the Group.

- In recent years, the Group has been providing project management services across Mainland China to an international exhibition centre development in Shenyang, 2 high-rise building complexes in Tianjin and Guangzhou, and 2 commercial buildings in Beijing. The Group firmly believes that due to its high market recognition and strong value-added E&M project management expertise, it will be a preferred partner of foreign and Hong Kong-based developers of high-end projects in Mainland China.



## Management Discussion and Analysis



- With our brand's long history and substantial experience, the Group has maintained its position as one of the leading E&M companies in Hong Kong, capable of providing a comprehensive range of E&M services, ranging from design, installation and testing and commissioning services, and continued to run its E&M operations in Mainland China and Macau.
- On top of its full range of licences and qualifications and effectiveness in managing tendering risks, the Group's E&M services business has integrated operating and control procedures, a robust network of well-established customers and suppliers, and an experienced and well-trained workforce to support all its operations. Equipped with such high service standards and modern management models, it enables the Group's E&M services business to continuously improve its operational efficiency and provide the most cost-effective service deliveries to its clients at the optimum price levels.
- With the growing demand for sustainability and environmental, social, and governance from corporate clients and property investors, the Group's E&M services business is committed to creating a greener society.

To help build a sustainable environment, it has been constantly optimising design and exploring innovative methods. At the project level, the Group incorporates the application of green building principles into building services equipment; and adopts green building design, MiC, MiMEP, DfMA to reduce energy usage, carbon footprint and construction waste.

- To help improve its operational efficiency and project management, the Group invests in innovative construction technologies such as BIM, Digital Works Supervision System ("DWSS"), modularisation and prefabrication, Robotic Total Solution ("RTS") and Sky Drilling Machine ("SDM"), 3D laser scanning and mobile Apps solutions etc.
- In addition, the senior executives of the Group's E&M services business have actively participated and taken key positions in Construction Industry Council ("CIC") as well as in different professional institutions such as The Hong Kong Institution of Engineers ("HKIE") and trade/industry associations such as The Hong Kong Federation of Electrical and Mechanical Contractors Limited ("HKFEMC"). The strong presence in these professional institutions and trade associations not only promote the company branding, but also demonstrates the Group's commitment in achieving professionalism within and gets abreast of modern developments with the construction industry.

### Impact of the COVID-19 outbreak and its remedial measures

Since the outbreak of COVID-19, its impact on the global economy has been far-reaching and we have taken various proactive measures and made contingency plans to manage the operational and financial risks it poses to the Group. These include flexible work and lunch hours, IT enhancements to sustain business operations, providing our front-line employees with personal protective equipment including

masks, rapid antigen test (“RAT”) kits, disposable gloves and protective gowns, body temperature testing for anyone entering our work areas, and placing hand sanitizer stations in easily accessible parts of our work areas to promote use by our staff, contractors and visitors.

Our property and facility management, cleaning and pest control, security guarding and insurance solutions businesses faced relatively little disruption. The COVID-19 outbreak created additional work on existing property and facility management contracts, and more ad-hoc demand for intensive disinfection cleaning services and security services. In addition, COVID-19 resulted in increased premium rates for certain types of insurance due to poor claims experience caused by the pandemic, which had a positive impact on our insurance solutions business. Nevertheless, to manage the risks associated with the pandemic, our cleaning and pest control and property and facility management services operations have taken various precautionary measures, including the following:



**We will closely monitor COVID-19's latest development and the effectiveness of the remedial measures we have adopted.**

- Established policies to assign some staff to other offices or to work from home in the event of any reported cases of COVID-19, and designated different office entrances and exits for different groups of staff to reduce their interaction at our cleaning and pest control services operation; and

- Implemented a clear sanitation management procedure for property owners and tenants, users of public and private facilities, and employees of the property and facility management services operation, including immediate sanitation action if a suspected case of COVID-19 is reported in the work area.

Under the current circumstances, our environmental services business remains stable as usual. However, our landscape business with hotels and service apartments has been affected by the freeze in tourism in Hong Kong. Our building materials and trading business has also been affected by the current weak retail market. Our landscape and building material trading businesses have applied stringent cost control measures to mitigate the adverse impact caused by the pandemic mentioned above. They are expected to recover following the recovery of Hong Kong's economy after the reopening of cross-border activities started early this year.

The impact of COVID-19 on our E&M business is diminishing. Cross-border activities and land ports have reopened, so logistics and material supplies are returning to normal. With the relaxation of anti-pandemic measures in Mainland China, both Hong Kong and Macau are opening for travel, including the resumption of cross-border rail, ferry and coach operations.

Nevertheless, we will closely monitor its latest development and the effectiveness of the remedial measures we have adopted and make timely adjustments as needed.

## Conclusion

Despite the challenges and operational difficulties we faced during this financial year, the Group's operations remained stable. Going forward, the Group will endeavor to maintain a strong financial position to remain ready for new investment opportunities as they arise. We are confident that the Group will continue to grow.

# Report of the Directors

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

## Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries of the Company are set out in Note 35 to the consolidated financial statements.

## Business Review

A fair review of the business of the Group as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) comprising analysis of the Group's performance during the Year, particulars of important events affecting the Group that have occurred since the end of the Year, as well as indication of likely future development in the business of the Group are set out in the sections headed "Chairman's Statement" on pages 12 to 17 and "Management Discussion and Analysis" on pages 46 to 85. Description of the principal risks and uncertainties facing the Group are set out in the "Corporate Governance Report" under the paragraphs headed "Risk Management and Internal Control" on pages 38 to 44. Discussions on the environmental policies and performance, compliance by the Group with the relevant laws and regulations that have a significant impact on the Group and the account of the key relationships of the Group with its stakeholders are contained in the "Management Discussion and Analysis" on pages 65 and 71 of this annual report.

## Results and Appropriation

The results of the Group for the Year and the state of affairs of the Company and of the Group as at 30 June 2023 are set out in the consolidated financial statements on pages 105 to 201.

The Directors have resolved to recommend a final dividend of HK21.3 cents (2022: HK24.1 cents) per ordinary share for the Year to the shareholders whose names appear on the register

of ordinary shareholders of the Company on 28 November 2023. The proposed final dividend, if approved at the forthcoming annual general meeting of the Company, will be paid on or about 11 December 2023. Together with the interim dividend of HK24.5 cents (2022: HK20.9 cents) per ordinary share paid in March 2023, total distribution of dividends by the Company for the Year will thus be HK45.8 cents (2022: HK45.0 cents) per ordinary share and a dividend payout ratio of 40.1%<sup>(i)</sup> (2022: 41.0%<sup>(ii)</sup>).

Notes:

- (i) Based on the Group's adjusted profit for the year ended 30 June 2023 attributable to ordinary shareholders of HK\$514.4M (i.e. after deducting preferred distribution to the holder of convertible preference shares of HK\$8.5M for the year ended 30 June 2023 from profit attributable to shareholders of the Company of HK\$522.9M).
- (ii) Based on the Group's adjusted profit for the year ended 30 June 2022 attributable to shareholders of the Company of HK\$494.4M (i.e. after deducting preferred distribution to the holder of convertible preference shares of HK\$8.5M for the year ended 30 June 2022 from profit attributable to shareholders of the Company of HK\$502.9M).

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

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



## Reserves

Details of movements in the reserves of the Group and the Company during the Year are set out in Notes 26 and 34 to the consolidated financial statements respectively.

## Distributable Reserves

Details of movements in the distributable reserves of the Company during the Year are set out in Note 34 to the consolidated financial statements. At 30 June 2023, the Company's reserves available for distribution amounted to HK\$817.5 million (30 June 2022: HK\$805.4 million).

## Donations

During the Year, the Group made charitable and other donations amounting to HK\$1.5 million (2022: HK\$1.2 million).

## Property, Plant and Equipment

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

## Shares Issued

Details of the Company's share capital are set out in Note 25 to the consolidated financial statements. There was no movement in the share capital during the Year.

## Equity-Linked Agreements

Save for the convertible preference shares set out in Note 25 to the consolidated financial statements and the share option scheme adopted by the Company as mentioned under the section headed "Share Option Scheme" below, no equity-linked agreements were entered into by the Company during the Year or subsisted at the end of the Year.

## Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 202.

## Major Customers and Suppliers

During the Year, the five largest customers of the Group accounted for 54.5% of the Group's revenue and the percentage of revenue attributable to the Group's largest customer amounted to 20.1%. The percentage of purchases attributable to the Group's five largest suppliers accounted for 8.8% of the Group's total purchases and the percentage of purchases attributable to the Group's largest supplier amounted to 4.2%.

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

## Management Contracts

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

# Report of the Directors

## Directors

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

### Non-executive Director

Dr. Cheng Kar Shun, Henry (*Chairman*)

### 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

### Alternate Director

Mr. Doo Wai Hoi, William (alternate to Dr. Cheng Kar Shun, Henry)

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

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

Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considered all the Independent Non-executive Directors independent.

The Directors' biographical details are set out on pages 18 to 24.

## Directors' Service Contracts

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

## Directors' Interests in Transactions, Arrangements or Contracts

Details of the connected transactions and material related party transactions are set out on pages 92 to 99 and Note 33 to the consolidated financial statements respectively.

Save for the above and contracts amongst group companies, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

## Directors' Interests in Competing Business

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

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

## Directors' Rights to Acquire Shares or Debentures

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

## Permitted Indemnity Provision

Pursuant to the Company's articles of associations and subject to the applicable laws, the Directors shall be

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

## Directors' and Chief Executive's Interests in Securities

As at 30 June 2023, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules were as follows:

## Long position in ordinary shares of the Company

Name	Capacity/nature of interest	Number of ordinary shares in issue	Number of underlying shares	Total number of ordinary shares interested in	Percentage of shareholding
Mr. Doo	Interest of spouse	337,500,000	43,676,379	381,176,379	84.71%

Note:

These shares are beneficially owned by Mrs. Doo Cheng Sau Ha, Amy ("Mrs. Doo"), spouse of Mr. Doo, details of which are set out in Note 3 to the paragraph headed "Substantial Shareholders' Interests in Securities" below. 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.

## Report of the Directors

### Long position in ordinary shares of associated corporation — FSE Holdings Limited (“FSE Holdings”)

Name	Capacity/nature of interest	Number of shares	Percentage of shareholding <sup>(5)</sup>
Mr. Doo	Interest of spouse	440,000,000 <sup>(1)</sup>	88%
Mr. Lam	Interest of controlled corporation	20,000,000 <sup>(2)</sup>	4%
Mr. Doo Jr	Interest of controlled corporation	35,000,000 <sup>(3)</sup>	7%
Mr. Lee Kwok Bong (“Mr. Lee”)	Interest of controlled corporation	5,000,000 <sup>(4)</sup>	1%

#### Notes:

- These shares are held by Sino Spring Global Limited (“Sino Spring”) as to 315,000,000 shares, Power Victory Global Limited (“Power Victory”) as to 90,000,000 shares and Frontier Star Limited (“Frontier Star”) 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.
- These shares are held by Equal Merit Holdings Limited (“Equal Merit”), the entire issued share capital of which is solely and beneficially owned by Mr. Lam.
- These shares are held by Master Empire Group Limited (“Master Empire”), the entire issued share capital of which is solely and beneficially owned by Mr. Doo Jr.
- These shares are held by Lagoon Treasure Limited (“Lagoon Treasure”), the entire issued share capital of which is solely and beneficially owned by Mr. Lee.
- The percentage of shareholding is calculated on the basis of 500,000,000 shares of FSE Holdings in issue as at 30 June 2023.

Save as disclosed above, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2023.

### Substantial Shareholders’ Interests in Securities

As at 30 June 2023, the interests and short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

#### Long position in ordinary shares and underlying shares of the Company

Name	Capacity/nature of interest	Number of ordinary shares in issue	Number of underlying shares	Total number of ordinary shares interested in	Percentage of shareholding <sup>(6)</sup>
FSE Holdings	Beneficial interest and interest of controlled corporation <sup>(5)</sup>	337,500,000 <sup>(1)</sup>	43,676,379 <sup>(2)</sup>	381,176,379 <sup>(3)</sup>	84.71%
Sino Spring <sup>(4)</sup>	Interest of controlled corporation	337,500,000	43,676,379	381,176,379	84.71%
Fung Seng Holdings (X) Limited (“Fung Seng”) <sup>(5)</sup>	Interest of controlled corporations	337,500,000	43,676,379	381,176,379	84.71%
Fungseng Prosperity Holdings Limited (“Fungseng Prosperity”) <sup>(5)</sup>	Interest of controlled corporations	337,500,000	43,676,379	381,176,379	84.71%
Doo Family Prosperity Holdings Limited (“Doo Family”) <sup>(5)</sup>	Interest of controlled corporations	337,500,000	43,676,379	381,176,379	84.71%
Mrs. Doo <sup>(5)</sup>	Interest of controlled corporations	337,500,000	43,676,379	381,176,379	84.71%
FSE Management Company Limited (“FMC”) <sup>(2)</sup>	Beneficial interests	–	43,676,379	43,676,379	9.71%

Notes:

1. These shares are held by FSE Holdings.
2. These shares are issuable to FMC upon full conversion of a total of 43,676,379 non-voting redeemable convertible preference shares (the "CPS") issued by the Company to FMC on 16 December 2019. Upon exercise of the conversion rights attaching to each CPS, each CPS is convertible into one ordinary share of the Company (subject to adjustments upon occurrence of certain prescribed events, including consolidation, subdivision or reclassification of shares in the capital of the Company, capitalisation of profits or reserves etc., in each case if not also made available to holder(s) of CPS) within a period of 10 years from its date of issue. FMC is wholly owned by FSE Holdings. By virtue of Part XV of the SFO, FSE Holdings is deemed to be interested in all the shares in which FMC is interested.
3. These shares comprise (a) the 337,500,000 ordinary shares in issue and held by FSE Holdings; and (b) the 43,676,379 ordinary shares issuable to FMC upon full conversion of the 43,676,379 CPS as referred to in Note 2 above.
4. FSE Holdings is held as to 63% by Sino Spring, 18% by Power Victory, 7% by Frontier Star, 7% by Master Empire, 4% by Equal Merit and 1% by Lagoon Treasure. By virtue of Part XV of the SFO, Sino Spring is deemed to be interested in all the shares in which FSE Holdings is interested.
5. Sino Spring, Power Victory and Frontier Star are wholly-owned subsidiaries of Fung Seng, which in turn is owned as to 75% by Fung seng Prosperity and 25% by Mrs. Doo. Fung seng Prosperity is a wholly-owned subsidiary of Doo Family which in turn is wholly owned by Mrs. Doo. By virtue of Part XV of the SFO, each of Fung Seng, Fung seng Prosperity, Doo Family and Mrs. Doo is deemed to be interested in all the shares in which Sino Spring is interested.
6. The percentage of shareholding is calculated on the basis of 450,000,000 voting shares of the Company in issue as at 30 June 2023. On a fully diluted basis upon full conversion of the CPS assuming no change in the number of voting shares of the Company, the total number of voting shares of the Company in issue will be 493,676,379 and the percentage of shareholdings held by FSE Holdings and FMC will be 77.21% and 8.85% respectively and in each case, each of Sino Spring, Fung Seng, Fung seng Prosperity, Doo Family and Mrs. Doo is deemed to be interested in all the shares in which FSE Holdings is interested under Part XV of the SFO. These percentage shareholdings on a fully diluted basis are provided for illustrative purposes only. The terms of the CPS will not permit conversion if immediately after such conversion, the public float of the ordinary shares of the Company will fall below the minimum public float requirements of the Listing Rules.

Save as disclosed above, no other person was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position in the shares or underlying shares of the Company as at 30 June 2023.

## Share Option Scheme

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

### (i) Purposes of the Scheme

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

### (ii) Who may join

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

- (a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company or any of its subsidiaries or any entity ("Invested Entity") in which any member of the Group holds an equity interest;

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

## Report of the Directors

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

### (iii) Maximum number of Shares available for issue

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

### (iv) Maximum entitlement of each participant

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

### (v) Exercise period of option

An option may be exercised during a period (which may not be later than 10 years from the date of offer of the option) to be determined and notified by the Directors to the grantee thereof and, in the absence of such determination, from the date of offer to the earlier of (i) the date on which such option lapses according to the provisions of the Scheme; and (ii) 10 years from the date of offer of that option.

### (vi) Vesting period of option

There is no vesting period of options granted under the Scheme unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee.

### (vii) Consideration for the option

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

### (viii) Subscription price for the Shares

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

### (ix) Remaining life of the Scheme

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

No options had been granted under the Scheme since its adoption. The number of options available for grant under the Scheme as at 1 July 2022 and 30 June 2023 was 45,000,000 without any sub-limit for any category of eligible participants.

## Connected Transactions

### Connected persons of the Company

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

In the above paragraph and as appeared in this section:

**“NWD Group”** means New World Development Company Limited (“NWD”), the issued shares of which are listed on the Stock Exchange (stock code: 17), together with its subsidiaries from time to time but excluding the NWS Group and the NWDS Group. For the purpose of paragraph 3(a) below, the NWD Group includes the NWS Group and the NWDS Group;

**“NWS Group”** means NWS Holdings Limited (“NWS”), the issued shares of which are listed on the Stock Exchange (stock code: 659), together with its subsidiaries from time to time;

**“NWDS Group”** means New World Department Store China Limited (“NWDS”), the issued shares of which are listed on the Stock Exchange (stock code: 825), together with its subsidiaries from time to time;

**“CTFJ Group”** means Chow Tai Fook Jewellery Group Limited (“CTFJ”), the issued shares of which are listed on the Stock Exchange (stock code: 1929), together with its subsidiaries from time to time;

**“CTFE Group”** means Chow Tai Fook Enterprises Limited (“CTFE”) and its subsidiaries from time to time.

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.

### Continuing connected transactions

The Company has entered into the following transactions during the Year and up to the date of this report with one or more the above connected persons which constituted continuing connected transactions (“CCTs”) of the Company.

#### (1) The 2020 master services agreements

On 24 April 2020, six new master services agreements (the “2020 Master Services Agreements”) were entered into by the Company in relation to the provision and/or receipt of services with details as follows:

- (a) a master services agreement entered into between NWD and the Company (the “2020 NWD Master Services Agreement”) which serves to provide them with a master framework of agreement upon and to which the individual agreement for each CCT between the NWD Group and the Group (the “NWD CCT”) in relation to the following services is to be entered into and subject:
- the provision of, by the Group to the NWD Group, E&M engineering and environmental services, cleaning and laundry services, facility and property management services and such other types of services as the NWD Group and the Group may agree upon from time to time in writing; and
  - the provision of, by the NWD Group to the Group, rental services, sundry services, IT support services, supply of construction and building equipment and material services and such other types of services as the NWD Group and the Group may agree upon from time to time in writing.
- (b) a master services agreement entered into between NWS and the Company (the “2020 NWS Master Services Agreement”) which serves to provide them with a master framework of agreement upon and to which the individual agreement for each CCT between the NWS Group and the Group (the “NWS CCT”) in relation to the following services is to be entered into and subject:
- the provision of, by the Group to the NWS Group, E&M engineering and environmental services, cleaning and laundry services, facility and property management services and such other types of services as the NWS Group and the Group may agree upon from time to time in writing; and

## Report of the Directors

- the provision of, by the NWS Group to the Group, contracting services, facility management services, rental services and such other types of services as the NWS Group and the Group may agree upon from time to time in writing.
- (c) a master services agreement entered into between NWDS and the Company (the “2020 NWDS Master Services Agreement”) which serves to provide them with a master framework of agreement upon and to which the individual agreement for each CCT between the NWDS Group and the Group (the “NWDS CCT”) in relation to the following services is to be entered into and subject:
- the provision of, by the Group to the NWDS Group, E&M engineering and environmental services, cleaning services and such other types of services as the NWDS Group and the Group may agree upon from time to time in writing; and
  - the provision of, by the NWDS Group to the Group, rental services and such other types of services as the NWDS Group and the Group may agree upon from time to time in writing.
- (d) a master services agreement entered into between CTFJ and the Company (the “2020 CTFJ Master Services Agreement”) which serves to provide them with a master framework of agreement upon and to which the individual agreement for each CCT between the CTFJ Group and the Group (the “CTFJ CCT”) in relation to the following services is to be entered into and subject:
- the provision of, by the Group to the CTFJ Group, E&M engineering and environmental services, cleaning and laundry services, facility and property management services and such other types of services as the CTFJ Group and the Group may agree upon from time to time in writing.
- (e) a master services agreement entered into between CTFE and the Company (the “2020 CTFE Master Services Agreement”) which serves to provide them with a master framework of agreement upon and to which the individual agreement for each CCT between the CTFE Group and the Group (the “CTFE CCT”) in relation to the following services is to be entered into and subject:
- the provision of, by the Group to the CTFE Group, E&M engineering and environmental services, cleaning and laundry services, facility and property management services and such other types of services as the CTFE Group and the Group may agree upon from time to time in writing.
- (f) a master services agreement entered into between FMC and the Company (the “2020 Doo’s Associates Master Services Agreement”) which serves to provide them with a master framework of agreement upon and to which the individual agreement for each CCT between the Doo’s Associates Group and the Group (the “Doo’s Associates CCT”) in relation to the following services is to be entered into and subject:
- the provision of, by the Group to the Doo’s Associates Group, E&M engineering and environmental services, cleaning and laundry services, facility and property management services and such other types of services as the Doo’s Associates Group and the Group may agree upon from time to time in writing; and
  - the provision of, by the Doo’s Associates Group to the Group, leasing services, security and guarding, landscaping and such other types of services as the Doo’s Associates Group and the Group may agree upon from time to time in writing.



The 2020 Master Services Agreements and the transactions contemplated thereunder were approved by the independent shareholders at the extraordinary general meeting of the Company held on 22 June 2020. Each of the 2020 Master Services Agreements has an initial term of three years commenced on 1 July 2020 and ending on 30 June 2023. Subject to re-compliance with the applicable requirements of the Listing Rules at the relevant time, each of these agreements shall be automatically renewed at the end of its initial term (or any subsequent renewed term) for a successive period of three years (or such other period permitted under the Listing Rules).

During the Year, the transaction amounts under the 2020 Master Services Agreements are summarised as follows:

#### The 2020 NWD Master Services Agreements

	Approximate total transaction amounts HK\$'000	Annual cap HK\$'000
Paid/payable to the Group	1,249,161	2,332,768
Paid/payable by the Group	3,044	57,948

#### The 2020 NWS Master Services Agreement

	Approximate total transaction amounts HK\$'000	Annual cap HK\$'000
Paid/payable to the Group	1,491,766	3,715,568
Paid/payable by the Group	7,271	40,957

#### The 2020 NWDS Master Services Agreement

	Approximate total transaction amounts HK\$'000	Annual cap HK\$'000
Paid/payable to the Group	10,532	51,196
Paid/payable by the Group	–	1,528

#### The 2020 CTFE Master Services Agreement

	Approximate total transaction amounts HK\$'000	Annual cap HK\$'000
Paid/payable to the Group	10,801	151,146

#### The 2020 CTFJ Master Services Agreement

	Approximate total transaction amounts HK\$'000	Annual cap HK\$'000
Paid/payable to the Group	6,762	24,925

#### The 2020 Doo's Associates Master Services Agreement

	Approximate total transaction amounts HK\$'000	Annual cap HK\$'000
Paid/payable to the Group	26,632	228,676
Paid/payable by the Group	2,868	44,319

## Report of the Directors

### (2) The 2021 Master Facility and Related Services Agreements

On 19 April 2021, five master facility and related services agreements (the "2021 Master Facility and Related Services Agreements") were entered into by the Company in relation to the provision and/or receipt of services with details as follows:

(a) a master services agreement entered into between NWD and the Company (the "2021 NWD Master Facility and Related Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each NWD CCT in relation to the following services is to be entered into and subject:

- the provision of, by the Group to the NWD Group, security guarding & event services, insurance and related services, landscaping services and such other types of services as the NWD Group and the Group may agree upon from time to time in writing; and
- the provision of, by the NWD Group to the Group, IT support services, rental services and such other types of services as the NWD Group and the Group may agree upon from time to time in writing.

(b) a master services agreement entered into between NWS and the Company (the "2021 NWS Master Facility and Related Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each NWS CCT in relation to the following services is to be entered into and subject:

- the provision of, by the Group to the NWS Group, security guarding & event services, supply of security products, insurance advisory services, landscaping services and such other types of services as the NWS Group and the Group may agree upon from time to time in writing; and

- the provision of, by the NWS Group to the Group, rental of properties, spare spaces, car parking spaces, vehicles and vessels and related services, convention and exhibition facilities and related functions and services, food and beverage catering services and such other types of services as the NWS Group and the Group may agree upon from time to time in writing.

(c) a master services agreement entered into between CTFJ and the Company (the "2021 CTFJ Master Facility and Related Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each CTFJ CCT in relation to the following services is to be entered into and subject:

- the provision of, by the Group to the CTFJ Group, security guarding & event services, insurance solutions, landscaping services and such other types of services as the CTFJ Group and the Group may agree upon from time to time in writing.
- the provision of, by the CTFJ Group to the Group, leasing or licensing of properties and such other types of services as the CTFJ Group and the Group may agree upon from time to time in writing.

(d) a master services agreement entered into between CTFE and the Company (the "2021 CTFE Master Facility and Related Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each CTFE CCT in relation to the following services is to be entered into and subject:

- the provision of, by the Group to the CTFE Group, security guarding & event services, insurance solutions, landscaping services and such other types of services as the CTFE Group and the Group may agree upon from time to time in writing.

- the provision of, by the CTFE Group to the Group, leasing or licensing of properties and such other types of services as the CTFE Group and the Group may agree upon from time to time in writing.

(e) a master services agreement entered into between FMC and the Company (the “2021 Doo’s Associates Master Facility and Related Services Agreement”) which serves to provide them with a master framework of agreement upon and to which the individual agreement for each Doo’s Associates CCT in relation to the following services is to be entered into and subject:

- the provision of, by the Group to the Doo’s Associates Group, security guarding & event services, insurance solutions, landscaping services and such other types of services as the Doo’s Associates Group and the Group may agree upon from time to time in writing; and
- the provision of, by the Doo’s Associates Group to the Group, rental and related services and such other types of services as the Doo’s Associates Group and the Group may agree upon from time to time in writing.

The 2021 Master Facility and Related Services Agreements and the transactions contemplated thereunder were approved by the independent shareholders at the extraordinary general meeting of the Company held on 9 April 2021. Each of the 2021 Master Facility and Related Services Agreements has an initial term commenced on 19 April 2021 and ending on 30 June 2023. Subject to re-compliance with the applicable requirements of the Listing Rules at the relevant time, each of these agreements shall be automatically renewed at the end of its initial term (or any subsequent renewed term) for a successive period of three years (or such other period permitted under the Listing Rules).

During the Year, the transaction amounts under the 2021 Master Facility and Related Services Agreements are summarised as follows:

#### The 2021 NWD Master Facility and Related Services Agreements

	Approximate total transaction amounts HK\$’000	Annual cap HK\$’000
Paid/payable to the Group	172,858	550,231
Paid/payable by the Group	34	9,775

#### The 2021 NWS Master Facility and Related Services Agreement

	Approximate total transaction amounts HK\$’000	Annual cap HK\$’000
Paid/payable to the Group	69,399	123,328
Paid/payable by the Group	–	2,308

#### The 2021 CTFE Master Facility and Related Services Agreement

	Approximate total transaction amounts HK\$’000	Annual cap HK\$’000
Paid/payable to the Group	5,043	11,495
Paid/payable by the Group	–	910

#### The 2021 CTFJ Master Facility and Related Services Agreement

	Approximate total transaction amounts HK\$’000	Annual cap HK\$’000
Paid/payable to the Group	3,870	12,242
Paid/payable by the Group	–	80

# Report of the Directors

## The 2021 Doo's Associates Master Facility and Related Services Agreement

	Approximate total transaction amounts HK\$'000	Annual cap HK\$'000
Paid/payable to the Group	4,419	10,016
Paid/payable by the Group	489	899

### (3) The 2023 Master Services Agreements

On 28 April 2023, in view of the expiry of the 2020 Master Services Agreements and the 2021 Master Facility and Related Services Agreements on 30 June 2023, four master services agreements (the "2023 Master Services Agreements") were entered into by the Company in relation to the provision and/or receipt of services with details as follows:

(a) a master services agreement entered into between NWD and the Company which serves to provide them with a master framework of agreement upon and to which the individual agreement for each NWD CCT in relation to the following services is to be entered into and subject:

- the provision of, by the Group to the NWD Group, E&M engineering and environmental services, cleaning services, facility and property management services, security, guarding and event servicing services, landscaping services, insurance solutions services and such other types of services as the NWD Group and the Group may agree upon from time to time in writing; and
- the provision of, by the NWD Group to the Group, rental services, sundry services, IT support services, materials supply services, contracting services, facility and property management services, insurance medical and health care services and such other types of services as the NWD Group and the Group may agree upon from time to time in writing.

(b) a master services agreement entered into between CTFJ and the Company which serves to provide them with a master framework of agreement upon and to which the individual agreement for each CTFJ CCT in relation to the following services is to be entered into and subject:

- the provision of, by the Group to the CTFJ Group, E&M engineering and environmental services (excluding lift repair and maintenance services), cleaning services (excluding recycling and environmental services), facility and property management services, security, guarding and event servicing services, landscaping services, insurance solutions services and such other types of services as the CTFJ Group and the Group may agree upon from time to time in writing; and
- the provision of, by the CTFJ Group to the Group, leasing or licensing of properties and related services and such other types of services as the CTFJ Group and the Group may agree upon from time to time in writing.

(c) a master services agreement entered into between CTFE and the Company which serves to provide them with a master framework of agreement upon and to which the individual agreement for each CTFE CCT in relation to the following services is to be entered into and subject:

- the provision of, by the Group to the CTFE Group, E&M engineering and environmental services (excluding lift repair and maintenance services), cleaning services (excluding recycling and environmental services), facility and property management services, security, guarding and event servicing services, landscaping services, insurance solutions services and such other types of services as the CTFE Group and the Group may agree upon from time to time in writing; and
- the provision of, by the CTFE Group to the Group, leasing or licensing of properties and related services and such other types of services as the CTFE Group and the Group may agree upon from time to time in writing.

(d) a master services agreement entered into between FMC and the Company which serves to provide them with a master framework of agreement upon and to which the individual agreement for each Doo's Associates CCT in relation to the following services is to be entered into and subject:

- the provision of, by the Group to the Doo's Associates Group, E&M engineering and environmental services, cleaning services, facility and property management services, security, guarding and event servicing services, landscaping services, insurance solutions services and such other types of services as the Doo's Associates Group and the Group may agree upon from time to time in writing; and
- the provision of, by the Doo's Associates Group to the Group, leasing or licensing of properties and related services and such other types of services as the NWD Group and the Group may agree upon from time to time in writing.

The 2023 Master Services Agreements and the transactions contemplated thereunder were approved by the independent shareholders at the extraordinary general meeting of the Company held on 28 June 2023. Each of the 2023 Master Services Agreements has an initial term of three years commenced on 1 July 2023 and ending on 30 June 2026. Subject to re-compliance with the applicable requirements of the Listing Rules at the relevant time, each of these agreements shall be automatically renewed at the end of its initial term (or any subsequent renewed term) for a successive period of three years (or such other period permitted under the Listing Rules).

### Annual review of CCTs

All the CCTs during the Year mentioned above have been reviewed by the Independent Non-executive Directors who have confirmed that the transactions have been entered into:

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

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

Save as disclosed above, a summary of significant related party transactions made during the Year, which included the abovesaid CCTs, is disclosed in Note 33 to the consolidated financial statements. To the extent that the Group's related party transactions constituted connected transactions or continuing connected transactions as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the Year.

# Report of the Directors

## Non-Compete Undertakings

On 20 November 2015, FSE Holdings, Sino Spring and Mr. Doo (collectively, the “Covenantors”) entered into a deed of non-compete undertaking (the “Deed”), under which they have given non-compete undertakings in favour of the Company (for itself and as trustee for and on behalf of each of our subsidiaries), pursuant to which they have, among other matters, irrevocably undertaken not to engage in any business (other than those of the Group) which, directly or indirectly, compete or may compete with the businesses of the Group.

The Covenantors have provided to the Company a written confirmation confirming that, since the date of listing of the Company’s shares on the Stock Exchange (that is, 10 December 2015), they have complied with the undertakings contained in the Deed and there is no matter in relation to their compliance with or enforcement of the Deed that needs to be brought to the attention of the Stock Exchange, the Company and/or the shareholders of the Company. Our Independent Non-executive Directors have also confirmed to the Company that, having made such reasonable enquiries with the Covenantors and reviewed the written confirmation from the Covenantors and/or such documents as they considered appropriate, nothing has come to their attention that causes them to believe that the terms of the Deed had not been complied with by the Covenantors during the Year.

## Pre-Emptive Rights

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

## Purchase, Sale or Redemption of the Company’s Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Year.

## Sufficiency of Public Float

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

## Auditor

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

On behalf of the Board

**Dr. Cheng Kar Shun, Henry**  
Chairman

Hong Kong, 27 September 2023

# Independent Auditor's Report



羅兵咸永道

To the Shareholders of FSE Lifestyle Services Limited  
(incorporated in the Cayman Islands with limited liability)

## OPINION

### What we have audited

The consolidated financial statements of FSE Lifestyle Services Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 105 to 201, comprise:

- the consolidated statement of financial position as at 30 June 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, [www.pwchk.com](http://www.pwchk.com)

# Independent Auditor's Report

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

A key audit matter identified in our audit is summarised as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition of the contracting work</p> <p>Refer to Note 4.1 in the critical accounting estimates and judgements in the consolidated financial statements.</p> <p>The Group recognises its contracting revenue according to the percentage of completion of individual contracting work. The Group has recognised HK\$3,739 million contracting revenue in relation to contracting work for the year ended 30 June 2023.</p> <p>Because of the nature of the activity undertaken in contracts, the date at which the contract activity entered into and the date when the activity is completed usually fall into different financial periods. Management is required to exercise significant judgement in the estimation of total contract revenue and total contract costs for each contract as the contract progresses and revision of estimates, based on past experience and market circumstances, especially in relation to change in estimates of revenue and costs arising from variation orders, litigation and claims with the customers and sub-contractors.</p> <p>The eventual realisation of these estimates are inherently uncertain, subject to the outcome of negotiations with the customers and sub-contractors. Any revision of the total contract revenue and total contract costs, which determined the percentage of completion, would affect the contracting revenue recognition and may result in material adjustments to margin, which can be positive or negative.</p>	<p>Our audit procedures in relation to revenue recognition of the contracting work included the following:</p> <ul style="list-style-type: none"><li>— Obtained an understanding of management's internal control and evaluated and tested the operating effectiveness of key controls operated by the Group about the estimation of the total contract revenue, the estimation of the total contract costs and actual costs incurred;</li><li>— Checked, on a sample basis, the contractual terms of the work and variation orders in order to understand their work nature and contractual relationships with the customers; checked correspondences with the customers, including the agreed documents or communication evidence to evaluate the reasonableness of management's estimates on the budgeted total contract revenue, especially the estimates of revenue arising from variation orders and claims;</li><li>— Checked, on a sample basis, to correspondences, such as agreed documents or communication evidence, with the sub-contractors and suppliers to evaluate the reasonableness of management's assessment of budgeted total contract costs, especially the estimates of costs relating to variation orders; and</li><li>— Selected contracts, on a sample basis, to perform interview with the project directors.</li></ul> <p>We found the management's estimations and judgements on the revenue recognition in respect of contracting work to be supportable based on the available evidence.</p>



## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## Independent Auditor's Report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Hung Nam.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 27 September 2023

# Consolidated Income Statement

For the year ended 30 June 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>Revenue</b>	5	<b>7,767,209</b>	6,966,935
Cost of services and sales		(6,715,594)	(5,974,478)
<b>Gross profit</b>		<b>1,051,615</b>	992,457
General and administrative expenses		(470,722)	(444,268)
Other income, net	6	42,023	42,302
<b>Operating profit</b>	7	<b>622,916</b>	590,491
Finance income	10	10,564	1,518
Finance costs	10	(16,916)	(5,420)
Share of results of associates	17	1,445	1,859
Share of results of joint ventures	18	(263)	269
<b>Profit before income tax</b>		<b>617,746</b>	588,717
Income tax expenses	11	(93,548)	(84,813)
<b>Profit for the year</b>		<b>524,198</b>	503,904
<b>Profit for the year attributable to:</b>			
Shareholders of the Company		522,902	502,935
Non-controlling interests		1,296	969
		<b>524,198</b>	503,904
<b>Earnings per share for profit attributable to ordinary shareholders of the Company (expressed in HK\$)</b>			
— Basic and diluted	12	1.14	1.10

The notes on pages 111 to 201 are an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2023

	2023 HK\$'000	2022 HK\$'000
<b>Profit for the year</b>	<b>524,198</b>	503,904
<b>Other comprehensive (loss)/income:</b>		
<i>Items that may be subsequently reclassified to consolidated income statement:</i>		
Currency translation differences	(10,963)	(1,900)
<i>Items that will not be subsequently reclassified to consolidated income statement:</i>		
Remeasurement gains/(losses) on defined benefit retirement scheme, net of tax	100	(2,526)
Remeasurement gains on long service payment liabilities, net of tax	813	12,385
<b>Other comprehensive (loss)/income for the year, net of tax</b>	<b>(10,050)</b>	7,959
<b>Total comprehensive income for the year</b>	<b>514,148</b>	511,863
<b>Total comprehensive income for the year attributable to:</b>		
Shareholders of the Company	512,852	510,894
Non-controlling interests	1,296	969
	<b>514,148</b>	511,863

The notes on pages 111 to 201 are an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	57,415	40,680
Right-of-use assets	15	87,696	115,563
Other intangible assets	16	176,870	180,823
Interests in associates	17	234	199
Interests in joint ventures	18	956	1,219
Deferred income tax assets	19	11,292	12,230
Pension assets	20	3,554	3,553
		<b>338,017</b>	<b>354,267</b>
<b>Current assets</b>			
Trade and other receivables	21	2,318,986	2,015,769
Contract assets	22	560,239	438,717
Inventories	23	21,291	23,514
Cash and bank balances	24	751,901	767,037
		<b>3,652,417</b>	<b>3,245,037</b>
<b>Total assets</b>		<b>3,990,434</b>	<b>3,599,304</b>
<b>EQUITY</b>			
Ordinary shares	25	45,000	45,000
Convertible preference shares	25	140,900	140,900
Reserves	26	513,252	227,554
Shareholders' funds		<b>699,152</b>	<b>413,454</b>
Non-controlling interests	27	269	23,320
<b>Total equity</b>		<b>699,421</b>	<b>436,774</b>

The notes on pages 111 to 201 are an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	28	263,658	263,478
Lease liabilities	15	28,174	55,987
Long service payment liabilities	29	46,794	44,040
Deferred income tax liabilities	19	22,173	21,284
Pension liabilities	20	1,229	1,031
		<b>362,028</b>	<b>385,820</b>
<b>Current liabilities</b>			
Trade and other payables	30	2,042,773	2,013,922
Contract liabilities	22	716,295	499,766
Borrowings	28	18,377	140,000
Current portion of lease liabilities	15	45,784	44,607
Taxation payable		105,756	78,415
		<b>2,928,985</b>	<b>2,776,710</b>
<b>Total liabilities</b>		<b>3,291,013</b>	<b>3,162,530</b>
<b>Total equity and liabilities</b>		<b>3,990,434</b>	<b>3,599,304</b>
<b>Net current assets</b>		<b>723,432</b>	<b>468,327</b>
<b>Total assets less current liabilities</b>		<b>1,061,449</b>	<b>822,594</b>

The notes on pages 111 to 201 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 105 to 201 were approved by the Board of Directors on 27 September 2023 and were signed on its behalf.

Lam Wai Hon, Patrick  
Director

Poon Lock Kee, Rocky  
Director

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

	Ordinary shares (Note 25) HK\$'000	Convertible preference shares (Note 25) HK\$'000	Reserves (Note 26) HK\$'000	Equity attributable to shareholders of the Company HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
<b>At 1 July 2021</b>	45,000	140,900	(108,386)	77,514	22,000	99,514
<b>Profit for the year</b>	-	-	502,935	502,935	969	503,904
<b>Other comprehensive (loss)/income:</b>						
Currency translation differences	-	-	(1,900)	(1,900)	-	(1,900)
Remeasurement losses on defined benefit retirement scheme, net of tax	-	-	(2,526)	(2,526)	-	(2,526)
Remeasurement gains on long service payment liabilities, net of tax	-	-	12,385	12,385	-	12,385
<b>Total comprehensive income for the year</b>	-	-	510,894	510,894	969	511,863
<b>Transactions with shareholders:</b>						
Dividends to ordinary shareholders	-	-	(166,500)	(166,500)	-	(166,500)
Distribution to convertible preference shareholder	-	-	(8,454)	(8,454)	-	(8,454)
Equity contribution from a non-controlling shareholder	-	-	-	-	351	351
<b>At 30 June 2022</b>	45,000	140,900	227,554	413,454	23,320	436,774
<b>At 1 July 2022</b>	45,000	140,900	227,554	413,454	23,320	436,774
<b>Profit for the year</b>	-	-	522,902	522,902	1,296	524,198
<b>Other comprehensive (loss)/income:</b>						
Currency translation differences	-	-	(10,963)	(10,963)	-	(10,963)
Remeasurement gains on defined benefit retirement scheme, net of tax	-	-	100	100	-	100
Remeasurement gains on long service payment liabilities, net of tax	-	-	813	813	-	813
<b>Total comprehensive income for the year</b>	-	-	512,852	512,852	1,296	514,148
<b>Transactions with shareholders:</b>						
Dividends to ordinary shareholders	-	-	(218,700)	(218,700)	(1,500)	(220,200)
Distribution to convertible preference shareholder	-	-	(8,454)	(8,454)	-	(8,454)
Acquisition of non-controlling interests	-	-	-	-	(22,847)	(22,847)
<b>At 30 June 2023</b>	45,000	140,900	513,252	699,152	269	699,421

The notes on pages 111 to 201 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	31(a)	517,594	508,809
Hong Kong profits tax paid		(61,795)	(78,116)
Interest paid		(16,736)	(5,214)
Mainland China and Macau income tax paid		(2,833)	(3,560)
Decrease/(increase) in trust cash		3,782	(7,118)
		<b>440,012</b>	<b>414,801</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(38,853)	(14,902)
Interest received		10,564	1,518
Proceeds from disposal of property, plant and equipment		1,420	491
Dividend received from associates		1,410	1,860
Proceeds from disposal of right-of-use assets		1,159	–
Proceeds from disposal of a subsidiary	31(b)	115	80
		<b>(24,185)</b>	<b>(10,953)</b>
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings, net	31(c)	18,377	358,380
Dividends paid to ordinary shareholders	31(c)	(218,700)	(166,500)
Repayment of bank borrowings	31(c)	(140,000)	(338,920)
Payments for principal portion of lease liabilities	31(c)	(49,359)	(37,672)
Distribution paid to convertible preference shareholder	31(c)	(8,454)	(8,454)
Dividend paid to a non-controlling shareholder	31(c)	(1,500)	–
Acquisition of non-controlling interests	31(d)	(22,389)	–
Equity contribution from a non-controlling shareholder	31(e)	–	351
Proceeds from issuance of shares to a non-controlling shareholder		–	3
		<b>(422,025)</b>	<b>(192,812)</b>
Net cash used in financing activities			
<b>Net (decrease)/increase in cash and cash equivalents during the year</b>		<b>(6,198)</b>	<b>211,036</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>727,303</b>	<b>517,274</b>
Exchange differences	31(f)	(5,156)	(1,007)
		<b>715,949</b>	<b>727,303</b>
<b>Cash and cash equivalents at the end of the year</b>			
<b>Analysis of balances of cash and cash equivalents</b>			
<b>Representing:</b>			
Cash and bank balances as stated in the consolidated statement of financial position		751,901	767,037
Less: Trust cash		(35,952)	(39,734)
		<b>715,949</b>	<b>727,303</b>
<b>Cash and cash equivalents at the end of the year</b>			

The notes on pages 111 to 201 are an integral part of these consolidated financial statements.



# Notes to the Consolidated Financial Statements

## 1 GENERAL INFORMATION

FSE Lifestyle Services Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands on 22 June 2015. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together, the “Group”) are principally engaged in provision of property and facility management services, property agency and related services for buildings, carparks management services, cleaning & pest control and management of waste disposal services, recycling and environmental disposal services, security guarding & event services, insurance solutions services, trading of environmental products and provision of related engineering consultancy services, provision of ELV engineering services, trading of building materials, landscaping services in Hong Kong and provision of mechanical and electrical engineering services and technical support and maintenance services in Hong Kong, Mainland China and Macau. The ultimate holding company of the Company is FSE Holdings Limited incorporated in the Cayman Islands. The directors consider Mrs. Doo Cheng Sau Ha, Amy to be the ultimate controlling shareholder (the “Ultimate Controlling Shareholder”) during the financial year ended 30 June 2023.

The Company has its listing on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company (the “Board”) on 27 September 2023.

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis and significant accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and requirements of the Hong Kong Companies Ordinance Cap. 622 of the Laws of Hong Kong. The consolidated financial statements have been prepared under the historical cost convention, except for plan assets under defined benefit retirement scheme which are measured at fair value and defined benefits obligations which are measured at present value of estimated future cash outflows using interest rates determined by reference to market yields at the period end date.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (Continued)

(i) **Amendments and improvements to existing standards that are effective for the Group's financial year beginning on 1 July 2022**

The following amendments to existing standards are mandatorily effective for the financial year of the Group beginning on 1 July 2022:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020

The Group's adoption of the above pronouncements neither has any material effect on the results and financial position of the Group nor any substantial changes in the Group's accounting policies and presentation of its consolidated financial statements.

(ii) **New standard and amendments to existing standards that have been issued but not yet effective and have not been early adopted by the Group**

The following new standard and amendments to existing standards have been issued but not yet effective for the Group's financial year beginning on 1 July 2022 and have not been early adopted:

		Effective for accounting periods beginning on or after
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules	1 January 2023
HKFRS 17 and its Amendments	Insurance Contracts	1 January 2023
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to Hong Kong Interpretation 5	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of the above pronouncements to the Group and considered that there will not be any substantial changes to the Group's accounting policies and presentation of its consolidated financial statements.

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Consolidation

#### (i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

A change in the ownership interest of a subsidiary company, without a change of control, is accounted for as an equity transaction.

#### (ii) Business combinations under common control

Business combinations under common control refers to combinations where the combining entities are controlled by the same party or parties before and after the combination and that control is not transitory.

The acquirer measures both the consideration paid and net assets obtained at their carrying amounts. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid is recorded in reserves. Any direct transaction costs attributable to the business combination are expensed as incurred. However, the handling fees, commissions and other expenses incurred for the issuance of equity instruments or bonds for the business combination are recorded in the initial measurement of the equity instruments and bonds, respectively.

The Company applies merger accounting to account for the business combinations under common control in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

#### (iii) Business combinations not under common control

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

# Notes to the Consolidated Financial Statements

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Consolidation (Continued)

#### (iii) Business combinations not under common control (Continued)

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in the consolidated income statement.

Intercompany transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### (iv) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This means that amounts previously recognised in other comprehensive income are reclassified to consolidated income statement or transferred to another category of equity as specified/ permitted by applicable HKFRSs.

#### (v) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of the subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in the subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the carrying amount of the assets or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably.

All other repairs and maintenance costs are charged to the consolidated income statement during the financial year in which they are incurred.

Freehold land is not depreciated.

Depreciation of property, plant and equipment, except for freehold land, is calculated to allocate their costs to their residual values over their estimated useful lives using the straight-line method. Estimated useful lives are summarised as follows:

Leasehold land under finance leases and buildings	Shorter of 20 to 50 years, or the remaining lease terms
Leasehold improvements	Shorter of 5 years or the remaining lease terms
Plant and machinery	2 to 7 years
Furniture, fixtures and equipment	3 to 5 years
Motor vehicles	3 to 5 years

The residual values and estimated useful lives of the assets are reviewed, and adjusted if appropriate, at each date of statement of financial position.

The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as described in Note 2.8 to the consolidated financial statements.

Gains and losses on disposals of plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised within "Other income/(expenses), net" in the consolidated income statement.

# Notes to the Consolidated Financial Statements

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.4 Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liabilities.

The lease payments are discounted using the interest rate implicit in the lease, if that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an assets of similar value to the right-of-use asset in a similar economic environment with similar terms and security conditions.

To determine the incremental borrowing rate, the Group:

- where possible uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance costs. The finance costs are charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.4 Leases (Continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liabilities.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

### 2.5 Intangible assets (other than right-of-use assets)

#### (i) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

#### (ii) Trademarks and brand names

Separately acquired trademarks and brand names are shown at historical cost. Trademarks and brand names acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and brand names have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and brand names over their estimated useful lives of 25 to 30 years.

# Notes to the Consolidated Financial Statements

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Intangible assets (other than right-of-use assets) (Continued)

#### (iii) Internally generated environmental technology

##### (a) Environmental technology

Costs associated with research phase of the internally generated environmental technology are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of the technology controlled by the Group are recognised as intangible assets when the following criteria are met:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- its intention to complete the intangible asset and use or sell it.
- how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

##### (b) Research and development

Research expenditure and development expenditure that do not meet the criteria in (iii) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

##### (c) Amortisation method and period

The Group amortises intangible assets with a limited useful life using the straight-line method over the following period:

Internally generated environmental technology	10 years
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## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Intangible assets (other than right-of-use assets) (Continued)

#### (iv) Customer contracts and customer relationships

Separately acquired customer contracts are shown at historical cost. Customer contracts acquired in a business combination are recognised at fair value at the acquisition date. Customer contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of customer contracts over their estimated useful lives of 5 to 20 years.

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over their estimated useful lives of 10 years.

### 2.6 Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to consolidated income statement where appropriate.

The Group's share of post-acquisition profits or losses of associate is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of results of associates" in the consolidated income statement.

# Notes to the Consolidated Financial Statements

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.6 Associate (Continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

### 2.7 Joint arrangements

Investments in joint arrangements are classified as either joint ventures or joint operations depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement.

Joint ventures are accounted for using the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The assets that the Group has the rights and the liabilities that the Group has the obligations in relation to the joint operations are recognised in the consolidated statement of financial position on an accrual basis and classified according to the nature of the item. The share of expenses that the Group incurs and its share of income that it earns from the joint operations are included in the consolidated income statement.

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.8 Impairment of non-financial assets

Assets that have an indefinite useful life — for example, goodwill or intangible assets not ready to use — are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the consolidated income statement for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the first-in-first-out or weighted average basis for different type and nature of inventories. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

### 2.10 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer.

The combination of those rights and performance obligations gives rise to a net contract asset or a net contract liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as a contract asset if its cumulative revenue recognised in the profit or loss exceeds cumulative progress billing to customers. Conversely, the contract is a liability and recognised as contract liability if its cumulative progress billing to customers exceeds the revenue recognised in the profit or loss. Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost. Contract liabilities are recognised as revenue when the Group transfers the goods or services to the customers and therefore satisfies its performance obligations.

The incremental costs of obtaining a contract with a customer are capitalised and presented as contract related assets, if the Group expects to recover those costs, and are subsequently amortised on a systematic basis that is consistent with the transfer to the customers of the goods or services to which the assets relate. The Group recognises an impairment loss in the consolidated income statement to the extent that the carrying amount of the contract related assets recognised exceeds the remaining amounts of consideration that the Group expects to receive less the costs that directly relate to those goods or services and have not been recognised as expenses.

# Notes to the Consolidated Financial Statements

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.11 Financial assets

#### (i) Classifications

The Group classifies its financial assets in the following measurement categories:

- (a) those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss) after initial recognition; and
- (b) those to be measured subsequently at amortised cost after initial recognition.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses are either to be recorded in the profit or loss or OCI. For investments in equity instruments that are not held for trading, the accounting treatment for them depends on whether the Group has made an irrevocable election at the time of their initial recognition to account for them as the equity investments at fair value through other comprehensive income (FVOCI) or not.

Financial assets are classified as current assets if they are expected to be settled within 12 months or in the normal operating cycle of the business. Otherwise, they are classified as non-current.

The Group reclassifies debt investments when and only when its business model for managing these assets changes.

#### (ii) Recognition and Measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial asset not measured at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the profit or loss.

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.11 Financial assets (Continued)

#### (ii) Recognition and Measurement (Continued)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

##### (a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the profit or loss and presented in "Other income/(expenses), net", together with foreign exchange gains and losses. Impairment losses are presented within "General and administrative expenses" in another line item in the consolidated income statement
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised directly in the profit or loss. When a financial asset is derecognised, its cumulative gain or loss previously recognised in OCI is reclassified from equity to the profit or loss and recognised in "Other income/(expenses), net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other income/(expenses), net" and impairment expenses are presented within "General and administrative expenses" in another as separate line item in the consolidated income statement.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the profit or loss and presented net within "Other income/(expenses), net" in the period in which it arises.

# Notes to the Consolidated Financial Statements

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.11 Financial assets (Continued)

#### (ii) Recognition and Measurement (Continued)

##### (b) Equity instruments

The Group subsequently measures all equity instruments at fair value. When the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in "Other income/(expenses), net" in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

### 2.12 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, which is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivable. Significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the provision is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivable. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement. See Notes 2.14, 3.1(i)(b) and 21 to the consolidated financial statements for descriptions of the Group's impairment policies and methodology for trade and other receivables involving estimation of their expected credit losses.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

### 2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, trust cash, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.14 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI and trade receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Impairment on these financial assets are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

The Group considers the probability of default upon initial recognition of, a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in external credit rating of the debtors;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

### 2.15 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

### 2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds net of transaction costs and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

# Notes to the Consolidated Financial Statements

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### 2.18 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

### 2.19 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.



## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.19 Current and deferred income tax (Continued)

#### (i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of consolidated statement of financial position in the countries where the Group and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### (ii) Deferred income tax

##### (a) Inside basis differences

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the date of statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

##### (b) Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except deferred income tax liability where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

#### (iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period when the dividends are approved by the Company's shareholders/directors, where appropriate.

# Notes to the Consolidated Financial Statements

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the services and sales of goods in the ordinary course of the Group's activities. If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset. Specific criteria where revenue is recognised are described below.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.21 Revenue recognition (Continued)

#### (i) Property management services

Revenue arising from property management services is recognised in the accounting period in which the services are rendered. The Group bills the customers for each month of service provided and recognises as revenue in the amount to which the Group satisfies performance obligations by transferring the services to its customers.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of service. For property management services income from properties managed under commission basis, the Group only recognises the commission, which is calculated by fixed percentage of the costs involved in the management of the property units, as its revenue.

#### (ii) Value-added services

Value-added services income, including income from property agency services, is recognised over time when the services are rendered and the Group's performance provides all of the benefits received and consumed simultaneously by the customer.

#### (iii) Service fee income

Income from the provision and management of cleaning and pest control services, waste disposal services, provision of recycling and environmental services, service fees, consultancy fees income, security guarding and event services, concierge services, landscaping and planting services are recognised over time and in accordance with the terms of the service agreements when the services are rendered.

#### (iv) Engineering contracts

Revenue from engineering contracts is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. Thus, the Group satisfies a performance obligation over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. In determining the transaction price, the Group adjusts the amount of consideration for the effect of a financing component if it is significant.

#### (v) Security systems

Revenue from security systems installation is recognised at a point in time when services are rendered.

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.21 Revenue recognition (Continued)

#### (vi) Insurance brokerage services

Insurance brokerage services includes commission fee income and claims handling service income. Commission fee income is generated by brokers primarily through assessment of insurable risks and risk appetite of customers and sourcing relevant insurance products from insurers and underwriters which meets the needs of the customer. The Group recognised commission fee income at invoice date on the basis that the Group acts primarily as an agent of the customer when acting in the capacity as a broker, and as an agent of the insurer while acting in the capacity as an agent. Claims handling services refers to claims processing on behalf of insurers and the revenue is recognised over time throughout the insurance policy period.

#### (vii) Sales of goods

Revenue from sales of goods is recognised when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligations that could affect the customers' acceptance of the products. A delivery occurs when the products have been delivered to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that consideration is unconditional because only the passage of time is required before the payment is due.

#### (viii) Dividend income

Dividend income is recognised when the right to receive payment is established.

#### (ix) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.22 Employee benefits

(i) **Employee leave entitlements**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of consolidated statement of financial position. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) **Bonus plan**

Provisions for bonus plans are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) **Defined contribution schemes**

Contributions to defined contribution schemes, including the Mandatory Provident Fund (“MPF”) Scheme and employee pension schemes established by municipal government in Mainland China, are expensed as incurred. Except for the MPF Scheme, contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

(iv) **Defined benefit retirement schemes**

Defined benefit costs under defined benefit retirement schemes which are assessed using the projected unit credit method, are charged to the profit or loss. Under this method, plan assets are measured at fair value and defined benefit obligations are measured as the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the period end date based on Exchange Fund Notes, which have terms to maturity approximating the terms of the related liability. The current service cost of the defined benefit plan, recognised in the consolidated income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in the consolidated income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated income statement.

Remeasurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

# Notes to the Consolidated Financial Statements

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.22 Employee benefits (Continued)

#### (v) Long service payment liabilities

The Group's net obligation in respect of long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The long service payment liabilities are assessed by using the projected unit credit method. The cost of providing the long service payment liabilities is charged to the consolidated statement of comprehensive income so as to spread the costs over the service lives of employees.

The long service payment liabilities are discounted to determine the present value and reduced by entitlements accrued under the Group's MPF and Occupational Retirement Schemes Ordinance ("ORSO") scheme that is attributable to contributions made by the Group.

Changes in the present value of the long service payment liabilities resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

Remeasurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

### 2.23 Foreign currencies

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's functional and the Group's presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.23 Foreign currencies (Continued)

#### (iii) Group companies

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

#### (iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over associates that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interests in joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to consolidated income statement.

# Notes to the Consolidated Financial Statements

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.24 Government grants

Grants from governments are recognised at their fair values when there are reasonable assurance that the grants will be received and that the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate and offset with the related expenses. Grants related to income are recognised within "Other income/(expenses), net" in the consolidated income statement.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in the consolidated income statement of the period in which the grants become receivable.

### 2.25 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

### 2.26 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The executive directors that make strategic decisions have been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.



## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk and foreign exchange risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. It is the Group's policy not to enter into derivative transaction for speculative purposes.

The Group sets financial risk management policies in accordance with policies and procedures approved by the Board of Directors. The Group's treasury function serves as a centralised unit for providing cost efficient funding and managing major risks.

#### (i) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The credit risk of the Group's financial assets, which mainly comprise deposits with banks and financial institutions, trade and other receivables and contract assets, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

#### (a) *Credit risk of deposits with banks and financial institutions*

To manage this risk arising from cash and cash equivalents and restricted bank balances, they are mainly placed with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

#### (b) *Credit risk of trade receivables, retention receivables, accrued contract revenue and contract assets*

The Group applies the HKFRS 9 "Financial Instruments" simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables, retention receivables, accrued contract revenue and contract assets have been grouped based on shared credit risk characteristics and the days past due, except for amounts relating to accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities, which are assessed individually. The retention receivables, accrued contract revenue and contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the retention receivables, accrued contract revenue and contract assets.

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (i) Credit risk (Continued)

##### (b) *Credit risk of trade receivables, retention receivables, accrued contract revenue and contract assets* (Continued)

The expected loss rates are based on the payment profiles of revenue and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product ("GDP") and unemployment rate of the economies in which it provides its services and sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

As at 30 June 2023, the Group provides for loss allowance against trade receivables, retention receivables and accrued contract revenue based on their composition and ageing.

Trade receivables, retention receivables, accrued contract revenue and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a substantial period of time.

The maximum exposure to credit risk is represented by the carrying amount of each receivable in the statement of financial position after deducting any impairment allowance.

##### (c) *Credit risk of other receivables*

The Group measures the expected credit loss allowance of other receivables and deposits as 12-month expected credit loss under stage 1 of the impairment model since there was no significant increase in credit risk in other receivables and deposits since initial recognition.

Other than trade receivables, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayable demanded.

Other than trade receivables, a default on a financial asset is when the counterparty fails to make contractual payments/repayable demanded within 90 days when they past due.

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### (ii) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. It is the policy of the Group to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities. The Group also maintains undrawn committed credit facilities to further reduce liquidity risk in meeting funding requirements.

The tables below analyse the Group's financial liabilities into relevant maturity groups based on the remaining period at the end of the reporting periods to the contractual maturity date.

As at 30 June 2023	Less than 1 year HK\$'000	After 1 year but less than 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Difference from carrying amounts HK\$'000	Carrying amounts HK\$'000
Borrowings	33,652	270,950	–	304,602	(22,567)	282,035
Leases liabilities	47,185	28,648	–	75,833	(1,875)	73,958
Trade and other payables, excluding accrued employee benefits	1,634,041	–	–	1,634,041	–	1,634,041

As at 30 June 2022	Less than 1 year HK\$'000	After 1 year but less than 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Difference from carrying amounts HK\$'000	Carrying amounts HK\$'000
Borrowings	145,819	269,637	–	415,456	(11,978)	403,478
Leases liabilities	46,143	56,785	232	103,160	(2,566)	100,594
Trade and other payables, excluding accrued employee benefits	1,643,175	–	–	1,643,175	–	1,643,175

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (iii) Foreign exchange risk

The Group operates primarily in Hong Kong, Mainland China and Macau. Entities within the Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency. Entities in Macau and Mainland China are not exposed to significant exchange risk.

The Group currently does not have a foreign currency hedging policy. It manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and will consider to enter into forward foreign exchange contracts to reduce the exposure should the need arises.

As at 30 June 2023 and 2022, if Hong Kong dollars had strengthened/weakened by 10% (2022: 5%) against Renminbi with all other variables unchanged, there would have insignificant impact on the Group's profit for the year before income tax.

At 30 June 2023, the Group had HK\$7.6 million of net monetary assets (2022: HK\$1.2 million of net monetary liabilities) denominated in United States dollar. Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar, management therefore considers that there is no significant foreign exchange risk with respect to the United States dollar.

#### (iv) Interest rate risk

The Group's exposure to changes in interest rate risk relates primarily to the bank borrowings, the terms of which are disclosed in Note 28.

At 30 June 2023, if interest rates on the bank borrowings had been 100 basis points (2022: 100 basis points) higher/lower with all other variables held constant, profit before income tax for the years would have been HK\$2.8 million (2022: HK\$4.0 million) lower/higher respectively. Other components of equity would not be affected by the changes in interest rates.

### 3.2 Fair value estimation

At 30 June 2023 and 30 June 2022, the carrying amounts of Group's financial assets and liabilities approximate their fair values due to short-term maturities of these assets and liabilities.

### 3.3 Capital risk management

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital. The Group's strategy is to maintain sufficient capital with the funds generated from operations.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and enhance shareholder value in the long term. The capital structure consists of total equity as shown in the consolidated statement of financial position. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to shareholder, return capital to equity holder, or issue new shares.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### 4.1 Estimation of revenue, costs and foreseeable losses of contracting works

The Group recognises its contract revenue for contracting works according to the percentage of total estimated costs for each contract of contracting work. The management estimates the completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. In determining the transaction price, the Group adjusts the amount of consideration for the effect of a financing component if it is significant. Because of the nature of the activity undertaken in contracts, the date at which the contract activity entered into and the date when the activity is completed usually fall into different financial periods. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue. Any revision of these costs and revenue will impact the result for the subsequent financial periods.

Budgeted contracting income is determined in accordance with the terms set out in the relevant contracts. Budgeted contracting costs which mainly comprise staff costs, sub-contracting charges and costs of materials are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the Group's management conducts periodic review on the management budgets by comparing the budgeted amounts to the actual amounts incurred. When it is probable that total budgeted contracting costs will exceed total budgeted contracting income, the expected loss is recognised as an expense immediately.

### 4.2 Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment according to their recoverable amounts determined by the CGUs based on value in use calculations. These calculations require the use of estimates which are subject to change of economic environment in future. Details are set out in Note 16 to the consolidated financial statements.

### 4.3 Long service payment liabilities

The present value of the long service payment liabilities depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for long service payment liabilities include the discount rate. Any changes in these assumptions will impact the carrying amount of long service payment liabilities.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the long service payment liabilities. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the liabilities will be paid, and that have terms to maturity approximating the terms of the related long service payment liabilities.

Other key assumptions for long service payment liabilities are based in part on current market conditions. Additional information is disclosed in Note 29 to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### 4.4 Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost or income for pensions include the expected long-term rate of return on the relevant plan assets and the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The expected return on plan assets assumption is determined based on historical return trends, asset allocation and future estimates of long-term investment returns.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group refers to market yields based on Exchange Fund Notes, which have terms to maturity approximating the terms of the related liability. Other key assumptions used are based on current market conditions.

### 4.5 Income taxes

The Group is subject to income tax in Hong Kong, Macau and Mainland China. Judgement is required in determining the provision for taxation in these jurisdictions. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income taxation in the financial period in which such determination is made.

### 4.6 Depreciation and impairment of property, plant and equipment

The expected useful lives and residual values of property, plant and equipment are determined by the management based on the internal accounting guidelines and industrial practices of similar property, plant and equipment. Management will revise the depreciation charges where useful lives and residual values are different to previously estimated.

Management also regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of a CGU is higher than its recoverable amount. The recoverable amount of a CGU is determined based on value in use calculations. In determining the CGU's value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the assets and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. Management estimate the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business. Details of such assumptions are set out in Note 14.

## 5 REVENUE AND SEGMENT INFORMATION

The Executive Directors are the Group's chief operating decision-makers ("CODM"). Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance.

The CODM considers the business from the product and service perspectives and the Group is organised into three major business segments according to the nature of services and products provided:

- (i) Property & facility management services — Provision of property and facility management services, property agency and related services for buildings, carparks management services and guarding services;
- (ii) City essential services — Provision of cleaning & pest control and waste disposal services, recycling and environmental disposal services, technical support & maintenance services, security guarding & event services, insurance solutions, environmental solutions services (including environmental engineering services, trading of environmental and building materials products and landscaping services); and
- (iii) E&M services — Provision of engineering and consultancy services on installation.

An analysis of the Group's revenue is as follows:

For the year ended 30 June	2023 HK\$'000	2022 HK\$'000
<b>Revenue</b>		
Property & facility management services	708,609	696,298
City essential services		
— Cleaning & pest control services	1,731,162	1,409,300
— Technical support & maintenance services		
— Renovations, system retrofit and repairing <sup>(i)</sup>	842,971	719,163
— Routine maintenance <sup>(ii)</sup>	119,849	114,819
— Security guarding & event services		
— Rendering of services	612,693	613,900
— Sales of goods <sup>(iii)</sup>	20,817	22,467
— Insurance solutions	110,409	99,580
— Environmental solutions		
— Rendering of services <sup>(iv)</sup>	267,534	186,243
— Sales of goods <sup>(v)</sup>	61,348	87,107
City essential services subtotal	3,766,783	3,252,579
E&M services	3,291,817	3,018,058
<b>Total<sup>(vi)</sup></b>	<b>7,767,209</b>	<b>6,966,935</b>

# Notes to the Consolidated Financial Statements

## 5 REVENUE AND SEGMENT INFORMATION (Continued)

Notes:

- (i) Technical support & maintenance services — Renovations, system retrofit and repairing: Provision of renovation, system retrofit and repairing services covering replacement of chiller units, upgrade of electrical supply systems, modification and enhancement of fire services, plumbing and drainage systems, alteration and addition works and term contracts.
- (ii) Technical support & maintenance services — Routine maintenance: Provision of operational and maintenance services for central air conditioning plants and other building services.
- (iii) Security guarding & event services — Sales of goods: Sales of CCTV, burglar alarm, mobile patrol, access control, intercom, carpark barrier and face reader systems, and handheld and walkthrough metal detectors.
- (iv) Environmental solutions — Rendering of services: Provision of environmental solutions services including installation and maintenance of water treatment systems, odour abatement systems, construction site wastewater treatment systems, ELV systems, IoT solutions, consultancy services for energy audit, carbon audit, building environmental assessment, indoor air quality and water quality assessment, laboratory services and landscape management.
- (v) Environmental solutions — Sales of goods: Sales of tiles, building service products including pipes, pumps, accessory valves and fittings, building automation systems, heating, ventilation, air-conditioning parts, fire services products, environmental engineering products covering building services water treatment and odour abatement systems, air quality monitoring machines, construction site wastewater treatment systems and plants.
- (vi) An analysis of the Group's contracting revenue recognised based on percentage of actual costs incurred over total estimated costs of individual contracting work is as follows:

For the year ended 30 June	2023 HK\$'000	2022 HK\$'000
<b>Contracting revenue recognised based on percentage of completion method</b>		
Technical support & maintenance services		
— Renovations, system retrofit and repairing	280,850	119,558
Environmental solutions		
— Rendering of services	166,588	100,311
E&M services	3,291,817	3,018,058
<b>Total</b>	<b>3,739,255</b>	<b>3,237,927</b>

The CODM assesses the performance of the operating segments based on each segment's operating profit. The measurement of segment operating profit excludes the effects of unallocated corporate expenses. In addition, finance income and costs and share of results of associates and joint ventures are not allocated to segments.

Operating expenses of a functional unit are allocated to the relevant segment which is the predominant user of the services provided by the unit. Operating expenses of other shared services which cannot be allocated to a specific segment and corporate expenses are included as unallocated corporate expenses.

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets are determined after deducting related allowance that are reported as direct offsets in the statement of financial position. Segment assets consist primarily of property, plant and equipment, right-of-use assets, other intangible assets, interests in associates, interests in joint ventures, deferred income tax assets, pension assets, trade and other receivables, contract assets, inventories and cash and bank balances.

Segment liabilities are those operating liabilities that result from the operating activities of a segment. Segment liabilities do not include other liabilities that are incurred for financing rather than operating purpose unless the segment is engaged in financing activities.



## 5 REVENUE AND SEGMENT INFORMATION (Continued)

As at 30 June 2023 and 30 June 2022, unallocated assets and unallocated liabilities represented the assets and liabilities not arising from the operations of the operating segments.

Additions to non-current assets comprise mainly additions to property, plant and equipment (Note 14), right-of-use assets (Note 15) and other intangible assets (Note 16).

### (a) As at and for the year ended 30 June 2023

The segment results for the year ended 30 June 2023 and other segment items included in the consolidated income statement are as follows:

	Property & facility management services HK\$'000	City essential services HK\$'000	E&M services HK\$'000	Inter- segment elimination HK\$'000	Total HK\$'000
Revenue — External	708,609	3,766,783	3,291,817	–	7,767,209
Revenue — Internal	3,926	92,598	–	(96,524)	–
<b>Total revenue</b>	<b>712,535</b>	<b>3,859,381</b>	<b>3,291,817</b>	<b>(96,524)</b>	<b>7,767,209</b>
<b>Timing of revenue recognition</b>					
Over time	712,535	3,727,732	3,291,817	(88,941)	7,643,143
At a point in time	–	131,649	–	(7,583)	124,066
<b>Total revenue</b>	<b>712,535</b>	<b>3,859,381</b>	<b>3,291,817</b>	<b>(96,524)</b>	<b>7,767,209</b>
<b>Operating profit before unallocated corporate expenses</b>	<b>154,302</b>	<b>256,009</b>	<b>219,512</b>	<b>–</b>	<b>629,823</b>
Unallocated corporate expenses					(6,907)
<b>Operating profit</b>					<b>622,916</b>
Finance income (Note 10)					10,564
Finance costs (Note 10)					(16,916)
Share of results of associates (Note 17)					1,445
Share of results of joint ventures (Note 18)					(263)
<b>Profit before income tax</b>					<b>617,746</b>
Income tax expenses (Note 11)					(93,548)
<b>Profit for the year</b>					<b>524,198</b>
<b>Other items</b>					
Depreciation and amortisation	12,451	34,176	28,154	–	74,781
Impairment losses, net					
— Trade and other receivables (Note 21)	–	720	–	–	720
Reversal of provision for inventories	–	(2,681)	–	–	(2,681)
Additions to non-current assets (other than financial instruments and deferred tax assets)	6,539	41,813	13,725	–	62,077

## Notes to the Consolidated Financial Statements

### 5 REVENUE AND SEGMENT INFORMATION (Continued)

#### (a) As at and for the year ended 30 June 2023 (Continued)

The segment assets and liabilities as at 30 June 2023 are as follows:

	Property & facility management services HK\$'000	City essential services HK\$'000	E&M services HK\$'000	Total HK\$'000
Segment assets	417,015	1,738,859	1,827,246	3,983,120
Unallocated assets				7,314
<b>Total assets</b>				<b>3,990,434</b>
Segment liabilities	175,768	903,379	1,849,899	2,929,046
Unallocated liabilities				361,967
<b>Total liabilities</b>				<b>3,291,013</b>

## 5 REVENUE AND SEGMENT INFORMATION (Continued)

### (b) As at and for the year ended 30 June 2022

The segment results for the year ended 30 June 2022 and other segment items included in the consolidated income statement are as follows:

	Property & facility management services HK\$'000	City essential services HK\$'000	E&M services HK\$'000	Inter- segment elimination HK\$'000	Total HK\$'000
Revenue — External	696,298	3,252,579	3,018,058	–	6,966,935
Revenue — Internal	3,691	96,309	–	(100,000)	–
<b>Total revenue</b>	<b>699,989</b>	<b>3,348,888</b>	<b>3,018,058</b>	<b>(100,000)</b>	<b>6,966,935</b>
<b>Timing of revenue recognition</b>					
Over time	699,989	3,189,157	3,018,058	(89,539)	6,817,665
At a point in time	–	159,731	–	(10,461)	149,270
<b>Total revenue</b>	<b>699,989</b>	<b>3,348,888</b>	<b>3,018,058</b>	<b>(100,000)</b>	<b>6,966,935</b>
<b>Operating profit before unallocated corporate expenses</b>	<b>151,604</b>	<b>239,633</b>	<b>205,023</b>	<b>–</b>	<b>596,260</b>
Unallocated corporate expenses					(5,769)
<b>Operating profit</b>					<b>590,491</b>
Finance income (Note 10)					1,518
Finance costs (Note 10)					(5,420)
Share of results of associates (Note 17)					1,859
Share of results of joint ventures (Note 18)					269
<b>Profit before income tax</b>					<b>588,717</b>
Income tax expenses (Note 11)					(84,813)
<b>Profit for the year</b>					<b>503,904</b>
<b>Other items</b>					
Depreciation and amortisation	12,373	33,221	16,288	–	61,882
Reversal of impairment losses, net					
— Trade and other receivables (Note 21)	(1,075)	(585)	–	–	(1,660)
Reversal of provision for inventories	–	(1,443)	–	–	(1,443)
Additions to non-current assets (other than financial instruments and deferred tax assets)	13,319	35,337	61,777	–	110,433

## Notes to the Consolidated Financial Statements

### 5 REVENUE AND SEGMENT INFORMATION (Continued)

#### (b) As at and for the year ended 30 June 2022 (Continued)

The segment assets and liabilities as at 30 June 2022 are as follows:

	Property & facility management services HK\$'000	City essential services HK\$'000	E&M services HK\$'000	Total HK\$'000
Segment assets	427,601	1,505,363	1,661,552	3,594,516
Unallocated assets				4,788
<b>Total assets</b>				<b>3,599,304</b>
Segment liabilities	189,242	792,633	1,670,571	2,652,446
Unallocated liabilities				510,084
<b>Total liabilities</b>				<b>3,162,530</b>

Revenue from external customers by geographical areas is based on the geographical location of the customers.

Revenue is allocated based on the regions in which the customers are located as follows:

For the year ended 30 June	2023 HK\$'000	2022 HK\$'000
<b>Revenue</b>		
Hong Kong	7,024,720	6,123,305
Mainland China	637,250	565,815
Macau	105,239	277,815
<b>Total</b>	<b>7,767,209</b>	<b>6,966,935</b>

The analysis of the Group's major customers, which a single external customer has contributed 10% or more to the Group's revenue, is as follows:

For the year ended 30 June	2023 HK\$'000	2022 HK\$'000
Customer A	1,562,309	1,191,232
Customer B	1,422,019	1,356,885

The revenue contributed by the above major customers is mainly attributable to the Group's E&M services segment in Hong Kong and Mainland China, city essential services and property & facility management services segments in Hong Kong.

## 5 REVENUE AND SEGMENT INFORMATION (Continued)

The non-current assets, other than deferred tax assets and pension assets, are allocated based on the regions in which the non-current assets are located as follows:

As at 30 June	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets, other than deferred tax assets and pension assets</b>		
Hong Kong	289,357	302,903
Mainland China	27,559	27,054
Macau	6,255	8,527
<b>Total</b>	<b>323,171</b>	<b>338,484</b>

## 6 OTHER INCOME, NET

For the year ended 30 June	2023 HK\$'000	2022 HK\$'000
Government grants <sup>(i)</sup>	36,795	36,986
Gain on disposal of right-of-use assets	833	–
Gain on disposal of property, plant and equipment, net	485	280
Ex-gratia payments from the government for retirement of motor vehicles	485	519
Administrative fee income for application of government grants	421	3,112
Exchange loss, net	(234)	(1,254)
Sundries	3,238	2,659
<b>Total</b>	<b>42,023</b>	<b>42,302</b>

Note:

- (i) During the year ended 30 June 2023, the Group was entitled to government grants under various schemes from the Government of the Hong Kong Special Administrative Region (the “HKSAR Government”) and the Government of the Macau Special Administrative Region (the “Macau SAR Government”) as financial support for its businesses, amounting to HK\$77.1 million in total (2022: HK\$88.2 million). Out of which, (i) HK\$36.8 million was recognised as “Other income, net” (2022: HK\$37.0 million) and (ii) HK\$40.3 million (2022: HK\$51.2 million) was net off in its staff costs (Note 8).

# Notes to the Consolidated Financial Statements

## 7 OPERATING PROFIT

For the year ended 30 June		2023	2022
	Notes	HK\$'000	HK\$'000
<b>Operating profit is stated after charging/(crediting):</b>			
Staff costs (including Directors' emoluments)	8	3,166,654	2,870,494
Subcontracting fees		2,362,409	2,052,609
Raw materials and consumables used		1,267,311	1,136,189
Depreciation of right-of-use assets	15(b)	49,912	38,546
Cost of inventories sold		37,634	59,829
Depreciation of property, plant and equipment	14	20,916	19,080
Auditors' remuneration			
Audit services		6,934	6,312
Non-audit services		749	742
Amortisation of other intangible assets <sup>(i)</sup>	16	3,953	4,256
Expenses relating to short-term leases	15(b)	3,754	12,618
Impairment losses/(reversal of impairment losses) on trade and other receivables, net	21	720	(1,660)
Reversal of provision for inventories		(2,681)	(1,443)

Note:

- (i) Included in general and administrative expenses.

Save as disclosed in this note and elsewhere in the consolidated financial statements, the other items charged/credited to the Group's operating profit are of individually immaterial amounts, which include insurance expenses, repair and maintenance expenses, utility expenses, motor vehicles expenses, etc.

## 8 STAFF COSTS INCLUDING DIRECTORS' EMOLUMENTS

For the year ended 30 June		2023	2022
		HK\$'000	HK\$'000
Salaries, wages and bonuses <sup>(i)</sup>		3,038,273	2,755,125
Contributions to defined contribution schemes <sup>(ii)</sup>		126,486	118,889
Contributions to defined benefits retirement scheme (Note 20)		357	597
Add/(less): Staff costs released/(capitalised) under contract assets and contract liabilities, net		1,538	(4,117)
<b>Total</b>		<b>3,166,654</b>	<b>2,870,494</b>

Notes:

- (i) Included expenses arising from long service payment liabilities of HK\$7.8 million (2022: HK\$18.3 million) (Note 29).
- (ii) Forfeited contributions of defined contribution schemes for employees who leave before the contributions are fully vested are not used to offset existing contributions but are refunded to the Group.

## 9 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

### (a) Directors' emoluments

For the year ended 30 June	2023 HK\$'000	2022 HK\$'000
Fees	3,530	3,219
Salaries and other emoluments	41,240	37,416
Contributions to defined contribution schemes	2,472	2,357
<b>Total</b>	<b>47,242</b>	<b>42,992</b>

The directors of the Company represent key management personnel of the Group having authority and responsibility for planning, directing and controlling the activities of the Group.

(i) The remuneration of each Director for the year ended 30 June 2023 is set out below:

	Fees HK\$'000	Salaries HK\$'000	Bonuses HK\$'000	Other benefits HK\$'000	Contributions to defined contribution schemes HK\$'000	Total HK\$'000
Lam Wai Hon, Patrick	288	6,054	2,966	–	605	9,913
Poon Lock Kee, Rocky <sup>(a)</sup>	255	4,122	1,399	–	413	6,189
Doo William Junior Guilherme	255	5,044	2,472	–	378	8,149
Lee Kwok Bong	255	3,698	1,912	–	370	6,235
Soon Kweong Wah	255	3,672	1,670	–	367	5,964
Wong Shu Hung	255	2,403	1,203	–	–	3,861
Cheng Chun Fai	255	3,393	1,232	–	339	5,219
Cheng Kar Shun, Henry	446	–	–	–	–	446
Kwong Che Keung, Gordon	372	–	–	–	–	372
Hui Chiu Chung, Stephen	298	–	–	–	–	298
Lee Kwan Hung, Eddie	298	–	–	–	–	298
Tong Yuk Lun, Paul	298	–	–	–	–	298
<b>Total</b>	<b>3,530</b>	<b>28,386</b>	<b>12,854</b>	<b>–</b>	<b>2,472</b>	<b>47,242</b>

## Notes to the Consolidated Financial Statements

### 9 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

#### (a) Directors' emoluments (Continued)

(ii) The remuneration of each Director for the year ended 30 June 2022 is set out below:

	Fees HK\$'000	Salaries HK\$'000	Bonuses HK\$'000	Other benefits HK\$'000	Contributions to defined contribution schemes HK\$'000	Total HK\$'000
Lam Wai Hon, Patrick	247	5,846	2,661	–	585	9,339
Poon Lock Kee, Rocky <sup>(a)</sup>	247	3,982	1,373	–	399	6,001
Doo William Junior Guilherme	247	4,872	1,573	–	365	7,057
Lee Kwok Bong	247	3,570	1,230	–	357	5,404
Soon Kweong Wah	247	3,232	1,474	–	323	5,276
Wong Shu Hung	247	2,265	1,137	–	–	3,649
Cheng Chun Fai	247	3,278	923	–	328	4,776
Cheng Kar Shun, Henry	389	–	–	–	–	389
Kwong Che Keung, Gordon	324	–	–	–	–	324
Hui Chiu Chung, Stephen	259	–	–	–	–	259
Lee Kwan Hung, Eddie	259	–	–	–	–	259
Tong Yuk Lun, Paul	259	–	–	–	–	259
<b>Total</b>	<b>3,219</b>	<b>27,045</b>	<b>10,371</b>	<b>–</b>	<b>2,357</b>	<b>42,992</b>

Notes:

(a) Mr. Poon Lock Kee, Rocky is the Chief Executive Officer of the Company.

(b) During the year ended 30 June 2023, no directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office (2022: Nil).

#### (b) Directors' material interests in transactions, arrangements or contracts

Details of the Group's material related party transactions are set out in Note 33 to the consolidated financial statements.

Save for the above and contracts amongst group companies, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 30 June 2023 or at any time during the year ended 30 June 2023.

#### (c) Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group during the year ended 30 June 2023 include five directors (2022: five) whose emoluments are reflected in the analysis presented above.



## 10 FINANCE INCOME AND COSTS

For the year ended 30 June	2023 HK\$'000	2022 HK\$'000
<b>Finance income</b>		
Interest from bank deposits	10,564	1,518
<b>Finance costs</b>		
Interest on bank borrowings	15,052	3,938
Interest on lease liabilities	1,864	1,482
<b>Total</b>	<b>16,916</b>	<b>5,420</b>

## 11 INCOME TAX EXPENSES

For the year ended 30 June	2023 HK\$'000	2022 HK\$'000
<b>Current income tax</b>		
Hong Kong profits tax	88,873	82,240
Mainland China income tax	76	2,456
Under-provision in prior years	2,986	732
<b>Deferred income tax expenses/(credits) (Note 19)</b>		
Income tax	1,670	(485)
Withholding tax	(57)	(130)
<b>Total</b>	<b>93,548</b>	<b>84,813</b>

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profit for the year. Taxation on Mainland China and Macau profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates. These rates range from 12% to 25% for the year ended 30 June 2023 (2022: 12% to 25%). According to applicable People's Republic of China ("PRC") tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong and meets the conditions or requirements under the double taxation arrangement entered into between the Mainland China and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. Hence, the Group used 5% to accrue the withholding tax for certain PRC subsidiaries which are expected to fulfill the aforesaid conditions.

# Notes to the Consolidated Financial Statements

## 11 INCOME TAX EXPENSES (Continued)

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

For the year ended 30 June	2023 HK\$'000	2022 HK\$'000
Profit before income tax	617,746	588,717
Less: Share of results of		
Associates (Note 17)	(1,445)	(1,859)
Joint ventures (Note 18)	263	(269)
	<b>616,564</b>	<b>586,589</b>
Calculated at a tax rate of 16.5% (2022: 16.5%)	101,733	96,787
Under-provision in prior years	2,986	732
Expenses not deductible for taxation purposes	2,014	1,051
Tax losses not recognised	1,598	2,457
Effect of different taxation rates in other regions	521	368
Temporary differences not recognised	125	59
Income not subject to taxation	(14,894)	(15,694)
Tax concessions	(478)	(726)
Withholding tax on undistributed earnings from subsidiaries in Mainland China	(57)	(130)
Utilisation of previously unrecognised tax losses	-	(91)
<b>Income tax expenses</b>	<b>93,548</b>	<b>84,813</b>

## 12 EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY

### (a) Basic

The calculation of basic earnings per share for the year is based on the following:

For the year ended 30 June	2023 HK\$'000	2022 HK\$'000
Profit for the year attributable to shareholders of the Company	522,902	502,935
Less: Preferred distribution to the holder of convertible preference shares	(8,454)	(8,454)
Earnings used in the basic earnings per share calculation	514,448	494,481
Weighted average number of ordinary shares in issue (shares in thousands)	450,000	450,000
<b>Basic earnings per share (HK\$)</b>	<b>1.14</b>	<b>1.10</b>

### (b) Diluted

On 16 December 2019, the Company issued convertible preference shares, with details set out in Note 25, which are treated as contingently issuable potential ordinary shares under HKAS 33 "Earnings per Share". Since the conditions for their conversion were not met as at 30 June 2023 and 30 June 2022, therefore, the effect of their conversion is not included in the calculation of the diluted earnings per share for years ended 30 June 2023 and 30 June 2022. As a result, the diluted earnings per share equals to the basic earnings per share for the years ended 30 June 2023 and 30 June 2022.

## 13 DIVIDENDS

For the year ended 30 June	2023 HK\$'000	2022 HK\$'000
Interim dividend paid of HK24.5 cents (2022: HK20.9 cents) per share	110,250	94,050
Final dividend proposed of HK21.3 cents (2022: HK24.1 cents) per share	95,850	108,450
<b>Total</b>	<b>206,100</b>	<b>202,500</b>

Note:

At a meeting held on 27 September 2023, the Board recommended a final dividend of HK21.3 cents (2022: HK24.1 cents) per ordinary share to the ordinary shareholders of the Company. The final dividend will be paid in cash. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements but will be reflected as an appropriation of the retained earnings for the year ending 30 June 2024.

# Notes to the Consolidated Financial Statements

## 14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures, equipment and others HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Year ended 30 June 2022</b>						
At 1 July 2021	3,889	8,384	8,442	14,942	9,500	45,157
Currency translation differences	(44)	(5)	–	(32)	(7)	(88)
Additions	–	1,009	5,623	3,521	4,749	14,902
Disposals	–	(89)	(10)	(111)	(1)	(211)
Depreciation charge	(125)	(3,334)	(5,500)	(6,019)	(4,102)	(19,080)
<b>Closing net book value</b>	<b>3,720</b>	<b>5,965</b>	<b>8,555</b>	<b>12,301</b>	<b>10,139</b>	<b>40,680</b>
<b>At 30 June 2022</b>						
Cost	5,060	78,513	55,365	97,422	57,416	293,776
Accumulated depreciation	(1,340)	(72,548)	(44,010)	(85,121)	(47,277)	(250,296)
Accumulated impairment	–	–	(2,800)	–	–	(2,800)
<b>Net book value</b>	<b>3,720</b>	<b>5,965</b>	<b>8,555</b>	<b>12,301</b>	<b>10,139</b>	<b>40,680</b>
<b>Year ended 30 June 2023</b>						
At 1 July 2022	3,720	5,965	8,555	12,301	10,139	40,680
Currency translation differences	(141)	(18)	–	(85)	(23)	(267)
Additions	–	3,406	6,017	5,066	24,364	38,853
Disposals	(94)	(4)	(679)	(157)	(1)	(935)
Depreciation charge	(116)	(2,634)	(6,087)	(5,742)	(6,337)	(20,916)
<b>Closing net book value</b>	<b>3,369</b>	<b>6,715</b>	<b>7,806</b>	<b>11,383</b>	<b>28,142</b>	<b>57,415</b>
<b>At 30 June 2023</b>						
Cost	4,753	81,605	54,317	98,863	77,652	317,190
Accumulated depreciation	(1,384)	(74,890)	(43,711)	(87,480)	(49,510)	(256,975)
Accumulated impairment	–	–	(2,800)	–	–	(2,800)
<b>Net book value</b>	<b>3,369</b>	<b>6,715</b>	<b>7,806</b>	<b>11,383</b>	<b>28,142</b>	<b>57,415</b>

Notes:

- (a) Property, plant and equipment is allocated to the Group's CGUs identified according to Group's reportable segments. In assessing the impairment of property, plant and equipment, the Group compares the carrying amounts of the CGUs to which property, plant and equipment has been allocated against their recoverable amounts (i.e. the higher of the CGUs' fair value less costs of disposal and their value in use).
- (b) None of the above property, plant and equipment was pledged as security as at 30 June 2023 (2022: None).

## 15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### (a) Group as lessees — Amount recognised in the consolidated statement of financial position

	2023 HK\$'000	2022 HK\$'000
<b>Right-of-use assets</b>		
Properties	72,160	98,171
Leasehold lands	14,981	16,136
Equipment	555	1,256
Total	<b>87,696</b>	115,563
<b>Leases liabilities</b>		
Within one year	45,784	44,607
Within a period of more than one year but not exceeding two years	25,471	35,685
Within a period of more than two years but not exceeding five years	2,703	20,072
Within a period of more than five years	–	230
Less: Current portion	<b>(45,784)</b>	(44,607)
Non-current portion	<b>28,174</b>	55,987

During the year ended 30 June 2023, the Group acquired right-of-use assets and recognised lease liabilities, including lease modifications, totalling HK\$23.2 million (2022: HK\$95.5 million).

### (b) Group as lessees — Amount recognised in the consolidated income statement

	2023 HK\$'000	2022 HK\$'000
Depreciation of right-of-use assets		
Properties	48,742	37,361
Leasehold lands	469	478
Equipment	701	707
	<b>49,912</b>	38,546
Expense relating to short-term leases (Note 7)	3,754	12,618
Interest expenses (Note 10)	1,864	1,482
<b>Total</b>	<b>55,530</b>	52,646

# Notes to the Consolidated Financial Statements

## 15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

### (c) Group as lessees — Amount recognised in the consolidated statement of cash flows

The total cash outflow for leases during the year ended 30 June 2023 was HK\$55.0 million (2022: HK\$51.8 million).

### (d) Group as lessees — Other disclosures

#### (i) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses and equipment. Rental contracts are typically made for fixed periods of 3 months to 8 years (2022: 2 months to 8 years) but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

#### (ii) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

#### (iii) Residual value guarantees

As at 30 June 2023, no residual value guarantee is expected to be payable (2022: None).

#### (iv) Leases not yet commenced to which the lessee is committed

The Group does not commit at 30 June 2023 to any leases that are not yet commenced (2022: None).

#### (v) Restriction or covenants imposed by leases

The lease agreements entered into by the Group do not impose any covenants other than the security interests in the leased assets under such lease agreements that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

## 16 OTHER INTANGIBLE ASSETS

	Goodwill HK\$'000	Trademarks and brand names HK\$'000	Internally generated environmental technology HK\$'000	Customer contracts and customer relationships HK\$'000	Total HK\$'000
<b>Year ended 30 June 2022</b>					
Opening net book value	125,495	26,251	1,324	32,009	185,079
Amortisation	–	(1,859)	(147)	(2,250)	(4,256)
<b>Closing net book value</b>	<b>125,495</b>	<b>24,392</b>	<b>1,177</b>	<b>29,759</b>	<b>180,823</b>
<b>At 30 June 2022</b>					
Cost	130,166	59,740	2,316	106,436	298,658
Accumulated amortisation	–	(28,068)	(294)	(76,677)	(105,039)
Accumulated impairment	(4,671)	(7,280)	(845)	–	(12,796)
<b>Net book value</b>	<b>125,495</b>	<b>24,392</b>	<b>1,177</b>	<b>29,759</b>	<b>180,823</b>
<b>Year ended 30 June 2023</b>					
Opening net book value	125,495	24,392	1,177	29,759	180,823
Amortisation	–	(1,859)	(148)	(1,946)	(3,953)
<b>Closing net book value</b>	<b>125,495</b>	<b>22,533</b>	<b>1,029</b>	<b>27,813</b>	<b>176,870</b>
<b>At 30 June 2023</b>					
Cost	130,166	59,740	2,316	106,436	298,658
Accumulated amortisation	–	(29,927)	(442)	(78,623)	(108,992)
Accumulated impairment	(4,671)	(7,280)	(845)	–	(12,796)
<b>Net book value</b>	<b>125,495</b>	<b>22,533</b>	<b>1,029</b>	<b>27,813</b>	<b>176,870</b>

# Notes to the Consolidated Financial Statements

## 16 OTHER INTANGIBLE ASSETS (Continued)

### (a) Impairment tests for goodwill

Goodwill is monitored at the segment level and is allocated to the CGUs of the Group's segments. For the purpose of impairment test, the recoverable amount of the Group's CGUs is determined based on value in use calculations. The key assumptions adopted on growth rates and discount rates used in the value in use calculations are based on management's best estimates and past experience.

A summary of the goodwill allocation to business units is presented below:

As at 30 June	2023 HK\$'000	2022 HK\$'000
Property & facility management services	66,899	66,899
City essential services		
— Cleaning & pest control services	7,916	7,916
— Security guarding & event services	14,452	14,452
— Insurance solutions	2,387	2,387
E&M services	33,841	33,841
<b>Total</b>	<b>125,495</b>	<b>125,495</b>

The recoverable amount of a group of CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period which the growth rates are stated as below. Cash flows beyond the five-year period are extrapolated using 1% growth rate for the property & facility management services business unit, cleaning & pest control services, security guarding & event services and insurance solutions business units, and zero growth rate for the E&M services business unit. The growth rate does not exceed the long-term average growth rate for the businesses in which the group of CGUs operates.



## 16 OTHER INTANGIBLE ASSETS (Continued)

### (a) Impairment tests for goodwill (Continued)

The following assumptions have been used for the analysis of the group of CGUs within the operating segment.

	30 June 2023				
	Property & facility management services	Cleaning & pest control services	Security guarding & event services	Insurance solutions	E&M services
<b>Cash flows in the first five years</b>					
Gross margin	29.5%-30.4%	8.6%-9.5%	9.8%-10.2%	N/A <sup>(i)</sup>	8.1%-10.5%
Annual increase of operation costs	N/A <sup>(i)</sup>	N/A <sup>(i)</sup>	N/A <sup>(i)</sup>	2.5%-16.3%	N/A <sup>(i)</sup>
Growth rate	2.5%-7.8%	3.0%-9.4%	2.5%-4.3%	2.5%-7.5%	2.5% to 8.1%
Pre-tax discount rate	13.8%	14.4%	15.0%	14.4%	17.2%
<b>Cash flows beyond five-year period</b>					
Terminal growth rate	1%	1%	1%	1%	0%
Pre-tax discount rate	13.8%	14.4%	15.0%	14.4%	17.2%

	30 June 2022				
	Property & facility management services	Cleaning & pest control services	Security guarding & event services	Insurance solutions	E&M services
<b>Cash flows in the first five years</b>					
Gross margin	31.4%-33.3%	9.0%-9.8%	10.5%-10.8%	N/A <sup>(i)</sup>	9.7%-10.7%
Annual increase of operation costs	N/A <sup>(i)</sup>	N/A <sup>(i)</sup>	N/A <sup>(i)</sup>	2.5%-16.6%	N/A <sup>(i)</sup>
Growth rate	2.5%-5.5%	3.0%-7.5%	2.8%-6.6%	2.3%-7.5%	2.5% to 9.8%
Pre-tax discount rate	15.8%	11.6%	15.8%	13.3%	16.1%
<b>Cash flows beyond five-year period</b>					
Terminal growth rate	1%	1%	1%	1%	0%
Pre-tax discount rate	15.8%	11.6%	15.8%	13.3%	16.1%

Note:

- (i) These are not the key assumptions used in value in use calculations of the Group's CGUs.

Management determined budgeted gross margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments and business life-cycle. On the basis of these reviews, management concluded that no impairment was required for goodwill as at 30 June 2023 (2022: Nil).

A reasonably possible change in a key assumption would not cause the recoverable amount to fall below the carrying value of the respective group of CGUs.

## Notes to the Consolidated Financial Statements

### 17 INTERESTS IN ASSOCIATES

	2023 HK\$'000	2022 HK\$'000
At beginning of year	199	200
Share of profit for the year	1,445	1,859
Dividends	(1,410)	(1,860)
<b>At end of year</b>	<b>234</b>	<b>199</b>

Particulars of associates are as follows:

Name	Place of incorporation	Principal activities	Particular of issued share capital	Effective percentage of equity interest held	
				2023	2022
Harbour Place Management Services Limited	Hong Kong	Provision of property management services	1,000 ordinary shares paid up to HK\$1,000	30%	30%
Landes Limited	Hong Kong	Landscape design	10 shares paid up to HK\$10	20%	20%

The following represents the Group's share of its individually immaterial associates that are accounted for using the equity method of accounting:

As at 30 June	2023 HK\$'000	2022 HK\$'000
Carrying amount of interests in associates	234	199
Share of profit and total comprehensive income for the year	1,445	1,859

There are no commitments or contingent liabilities relating to the Group's interests in associates, and no commitments or contingent liabilities of the equity itself.

## 18 INTERESTS IN JOINT VENTURES

	2023 HK\$'000	2022 HK\$'000
At beginning of year	1,219	950
Share of (loss)/profit for the year	(263)	269
<b>At end of year</b>	<b>956</b>	<b>1,219</b>

Particulars of joint ventures are as follows:

Name	Place of incorporation	Principal activities	Particular of issued share capital	Effective percentage of equity interest held	
				2023	2022
廣州市富城物業管理有限公司	PRC	Provision of property management services	RMB800,000	50%	50%
Urban-Wellborn Property Management Limited	Hong Kong	Provision of property management services	10,000 ordinary shares paid up to HK\$100,000	50%	50%

Set out below is, in aggregate, the carrying amounts of the Group's share of all its individually immaterial joint ventures that are accounted for using the equity method of accounting:

<b>As at 30 June</b>	2023 HK\$'000	2022 HK\$'000
Carrying amount of interests in joint ventures	956	1,219
Share of (loss)/profit and total comprehensive (loss)/income for the year	(263)	269

There are no commitments or contingent liabilities relating to the Group's interest in joint ventures, and no commitments or contingent liabilities of the entities themselves.

# Notes to the Consolidated Financial Statements

## 19 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

As at 30 June	2023 HK\$'000	2022 HK\$'000
Deferred income tax assets	11,292	12,230
Deferred income tax liabilities	(22,173)	(21,284)
<b>Net</b>	<b>(10,881)</b>	<b>(9,054)</b>

Deferred income tax assets and deferred income tax liabilities are expected to be recovered/settled after more than 12 months. Their movements in the Group's deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year and net balances after offsetting at the end of the reporting periods are as follows:

### Deferred income tax assets

	Accelerated accounting depreciation HK\$'000	Tax losses HK\$'000	Remeasurement of long service payment liabilities HK\$'000	Others HK\$'000	Total HK\$'000
At 1 July 2021	4,779	8,104	167	2,760	15,810
Currency translation differences	–	(26)	–	1	(25)
Credited/(charged) to consolidated income statement (Note 11)	267	(1,091)	138	(2,433)	(3,119)
(Charged)/credited to other comprehensive income	–	–	(111)	499	388
<b>At 30 June 2022</b>	<b>5,046</b>	<b>6,987</b>	<b>194</b>	<b>827</b>	<b>13,054</b>
At 1 July 2022	5,046	6,987	194	827	13,054
Currency translation differences	–	(53)	–	–	(53)
(Charged)/credited to consolidated income statement (Note 11)	(171)	(395)	–	149	(417)
Charged to other comprehensive income	–	–	(12)	(20)	(32)
<b>At 30 June 2023</b>	<b>4,875</b>	<b>6,539</b>	<b>182</b>	<b>956</b>	<b>12,552</b>

As at 30 June	2023 HK\$'000	2022 HK\$'000
Total deferred income tax assets before offsetting	12,552	13,054
Less: Amount offset against deferred income tax liabilities	(1,260)	(824)
<b>Net deferred income tax assets after offsetting</b>	<b>11,292</b>	<b>12,230</b>

## 19 DEFERRED INCOME TAX ASSETS/(LIABILITIES) (Continued)

### Deferred income tax liabilities

	Accelerated depreciation allowance HK\$'000	Fair value adjustments on trademarks and brand names HK\$'000	Fair value adjustments on property, plant and equipment arising from business combinations HK\$'000	Fair value adjustments on customer contracts and customer relationship HK\$'000	Remeasurement of long service payment liabilities HK\$'000	Others HK\$'000	Total HK\$'000
<b>At 1 July 2021</b>	(1,743)	(4,338)	(5,198)	(5,282)	(2,077)	(4,868)	(23,506)
(Charged)/credited to consolidated income statement (Note 11)	(254)	306	192	338	-	3,152	3,734
Charged to other comprehensive income	-	-	-	-	(2,336)	-	(2,336)
<b>At 30 June 2022</b>	(1,997)	(4,032)	(5,006)	(4,944)	(4,413)	(1,716)	(22,108)
At 1 July 2022	(1,997)	(4,032)	(5,006)	(4,944)	(4,413)	(1,716)	(22,108)
(Charged)/credited to consolidated income statement (Note 11)	(2,308)	323	376	356	-	57	(1,196)
Charged to other comprehensive income	-	-	-	-	(129)	-	(129)
<b>At 30 June 2023</b>	(4,305)	(3,709)	(4,630)	(4,588)	(4,542)	(1,659)	(23,433)

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Total deferred income tax liabilities before offsetting	<b>(23,433)</b>	(22,108)
Less: Amount offset against deferred income tax assets	<b>1,260</b>	824
<b>Net deferred income tax liabilities after offsetting</b>	<b>(22,173)</b>	(21,284)

As at 30 June 2023, the Group did not recognise deferred income tax assets of HK\$11 million (2022: HK\$12 million), arising from unused tax losses of HK\$69 million (2022: HK\$80 million). Except for tax losses of HK\$3 million (2022: HK\$20 million) as at 30 June 2023 which will expire within three years after the reporting date, the remaining tax losses have no expiry date.

# Notes to the Consolidated Financial Statements

## 20 PENSION ASSETS/(LIABILITIES)

The Group operates a defined benefit retirement scheme (the “Scheme”) registered under the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong) that provides lump sum benefits based on a multiple of a member’s final salary and years of service or employee contribution balance, whichever is higher, upon the member’s retirement, death, disability or leaving service. The Scheme has been closed to new employees since 1 December 2000.

The Group has an unconditional right to the surplus of the Scheme.

The Scheme is administered by an independent trustee with its assets held separately from those of the Group. The key responsibilities of the trustee are to ensure that the Scheme is administered in accordance with the trust deed and rules and to act on behalf of all members impartially, prudently and in good faith.

The costs of benefits are jointly funded by the Group and the employees. Employees’ contributions are based on 5% of basic salary and the Group’s contributions are determined with reference to the funding valuation carried out by the Scheme’s actuary. The valuations of the Scheme as at 30 June 2023 and 2022 were prepared by independent qualified actuaries using the projected unit credit method.

The Scheme exposes the Group to actuarial risks, such as investment risk, interest rate risk and salary risk.

(i) The amounts recognised in the consolidated statement of financial position are as follows:

<b>As at 30 June</b>	<b>2023</b>	<b>2022</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>
Present value of defined benefit obligations	(22,521)	(21,572)
Fair value of plan assets	24,846	24,094
Net retirement benefit assets	2,325	2,522
Representing:		
Pension assets	3,554	3,553
Pension liabilities	(1,229)	(1,031)
<b>Net</b>	<b>2,325</b>	<b>2,522</b>

Majority of the above liabilities are expected to be settled after more than one year.

However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions.

## 20 PENSION ASSETS/(LIABILITIES) (Continued)

(ii) Movements in net defined benefit assets and its components as follows:

	Present value of defined benefit obligations HK\$'000	Fair value of plan assets HK\$'000	Total HK\$'000
At 1 July 2021	(24,274)	30,306	6,032
Net (charge)/credit to consolidated income statement			
Current service costs	(635)	–	(635)
Interest (expenses)/income	(146)	184	38
	(781)	184	(597)
Net credit/(charge) to other comprehensive gain: Remeasurement gain/(loss) <sup>(i)</sup> :			
Actuarial gain arising from change in financial assumptions	2,237	–	2,237
Actuarial loss arising from experience adjustments	(62)	–	(62)
Loss on plan assets excluding interest income	–	(5,200)	(5,200)
	2,175	(5,200)	(3,025)
Actual benefit paid	1,508	(1,508)	–
Contribution paid by the employees	(200)	200	–
Contribution paid by the employer	–	112	112
<b>At 30 June 2022</b>	<b>(21,572)</b>	<b>24,094</b>	<b>2,522</b>

## Notes to the Consolidated Financial Statements

### 20 PENSION ASSETS/(LIABILITIES) (Continued)

(ii) Movements in net defined benefit assets and its components as follows: (Continued)

	Present value of defined benefit obligations HK\$'000	Fair value of plan assets HK\$'000	Total HK\$'000
At 1 July 2022	(21,572)	24,094	2,522
Net (charge)/credit to consolidated income statement			
Current service costs	(427)	–	(427)
Interest (expenses)/income	(557)	627	70
	(984)	627	(357)
Net credit/(charge) to other comprehensive gain: Remeasurement gain/(loss) <sup>(i)</sup> :			
Actuarial gain arising from change in financial assumptions	807	–	807
Actuarial loss arising from experience adjustments	(567)	–	(567)
Loss on plan assets excluding interest income	–	(120)	(120)
	240	(120)	120
Contribution paid by the employees	(205)	205	–
Contribution paid by the employer	–	40	40
<b>At 30 June 2023</b>	<b>(22,521)</b>	<b>24,846</b>	<b>2,325</b>

Note:

- (i) During the year ended 30 June 2023, the Group recognised remeasurement gains on defined benefit scheme of HK\$0.1 million (2022: remeasurement losses on defined benefit scheme of HK\$3.0 million), net of their corresponding tax effects of HK\$20,000 of deferred tax expenses (2022: HK\$0.5 million of deferred tax credit) in its other comprehensive income.

The weighted average duration of the defined benefit obligation is 3.2 years (2022: 4.0 years).



## 20 PENSION ASSETS/(LIABILITIES) (Continued)

(iii) Significant actuarial assumptions adopted for the purpose of the actuarial valuation are as follows:

As at 30 June	2023	2022
Discount rate	3.7% p.a.	2.6% p.a.
Salary growth rate	3.5% p.a.	3.5% p.a.

The below analysis shows how the defined benefit obligation as at each year end date would have increased/ (decreased) as a result of 0.25% change in significant actuarial assumptions:

As at 30 June	2023		2022	
	Increase in 0.25% HK\$'000	Decrease in 0.25% HK\$'000	Increase in 0.25% HK\$'000	Decrease in 0.25% HK\$'000
Discount rate	(174)	178	(199)	204
Salary growth rate	178	(174)	202	(197)

The above sensitivity analyses are based on change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same actuarial valuation method has been applied as when calculating the defined benefit obligation recognised in the consolidated statement of financial position.

(iv) Fair value of the plan assets is analysed as follows:

As at 30 June	2023	2022
Equities	71.0%	68.3%
Bonds	26.5%	23.2%
Cash and others	2.5%	8.5%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

The Scheme has a benchmark asset allocation of 70% in equities and 30% in bonds and cash. The long-term strategic asset allocations of the Scheme is set and reviewed from time to time by the Scheme's trustee taking into account the Scheme's membership, liability profile, liquidity requirements, and the risk appetite of the Group.

# Notes to the Consolidated Financial Statements

## 21 TRADE AND OTHER RECEIVABLES

As at 30 June	2023 HK\$'000	2022 HK\$'000
Trade receivables		
Third parties	872,672	627,627
Related companies (Note 33(c))	326,131	214,551
	<b>1,198,803</b>	842,178
Less: Provision for impairment		
Third parties	(10,174)	(9,454)
Related companies (Note 33(c))	(45)	(45)
	<b>1,188,584</b>	832,679
Retention receivables		
Third parties	293,383	202,585
Related companies (Note 33(c))	124,619	187,782
	<b>418,002</b>	390,367
Accrued contract revenue	443,760	494,088
Less: Provision for impairment	(149)	(149)
	<b>443,611</b>	493,939
Other receivables and prepayments		
Third parties	239,988	274,219
Related companies (Note 33(c))	28,801	24,565
	<b>268,789</b>	298,784
<b>Total</b>	<b>2,318,986</b>	2,015,769

Generally, no credit period is granted by the Group to customers for provision of property and facility management services, security guarding & event services, insurance solutions services and landscaping services and its retail customers for trading of building materials and planting and materials. The credit period generally granted by the Group to its other customers is 30 to 60 days.

The total balance at 30 June 2023 included trade and retention receivables of approximately HK\$22 million which relate to a claim being lodged by the Group against the main contractor for a project being terminated. Based on legal advice, the Group considers it has good grounds to recover such receivables.

## 21 TRADE AND OTHER RECEIVABLES (Continued)

### Expected credit losses

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss for trade receivables, retention receivables, accrued contract revenue and contract assets and uses 12-month expected credit loss under stage 1 of the impairment model for other receivables and deposits as mentioned in Notes 3.1(i) (b) and (c).

As at 30 June 2023, the Group provides for loss allowance against trade receivables, retention receivables and accrued contract revenue based on their composition and ageing are as follows:

At 30 June 2023	Lifetime expected credit loss rate	Gross carrying amount HK\$'000	Lifetime expected credit loss HK\$'000	Net carrying amount HK\$'000
Provision on individual basis <sup>(i)</sup>	100%	7,382	(7,382)	–
Provision on collective basis <sup>(ii)</sup>	0.15%	2,053,183	(2,986)	2,050,197
<b>Total</b>		<b>2,060,565</b>	<b>(10,368)</b>	<b>2,050,197</b>

At 30 June 2022	Lifetime expected credit loss rate	Gross carrying amount HK\$'000	Lifetime expected credit loss HK\$'000	Net carrying amount HK\$'000
Provision on individual basis <sup>(i)</sup>	100%	7,382	(7,382)	–
Provision on collective basis <sup>(ii)</sup>	0.13%	1,719,251	(2,266)	1,716,985
<b>Total</b>		<b>1,726,633</b>	<b>(9,648)</b>	<b>1,716,985</b>

Notes:

- (i) The receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision of impairment allowance.
- (ii) The receivables relating to a claim being lodged by the Group against the main contractor for a project being terminated are assessed on a collective basis for provision of impairment allowance based on shared credit risk characteristics.

## Notes to the Consolidated Financial Statements

### 21 TRADE AND OTHER RECEIVABLES (Continued)

#### Expected credit losses (Continued)

As at 30 June 2023	Current to 90 days past due	91 to 180 days past due	Over 180 days past due	Total
Expected loss rate	0.03%	0.7%	13.5%	
HK\$'000				
Gross carrying amount	1,947,326	42,983	70,256	2,060,565
Expected credit loss allowance	(575)	(286)	(9,507)	(10,368)
Carrying amount, net of expected credit loss allowance	1,946,751	42,697	60,749	2,050,197
As at 30 June 2022	Current to 90 days past due	91 to 180 days past due	Over 180 days past due	Total
Expected loss rate	0.03%	1.4%	24.0%	
HK\$'000				
Gross carrying amount	1,654,522	36,360	35,751	1,726,633
Expected credit loss allowance	(575)	(492)	(8,581)	(9,648)
Carrying amount, net of expected credit loss allowance	1,653,947	35,868	27,170	1,716,985

The ageing analysis of the Group's trade receivables (including amounts due from related parties of trading in nature) based on the invoice due date, net of provision for impairment, is as follows:

As at 30 June	2023 HK\$'000	2022 HK\$'000
Current to 90 days	1,085,138	769,641
91 to 180 days	42,697	35,868
Over 180 days	60,749	27,170
<b>Total</b>	<b>1,188,584</b>	832,679

## 21 TRADE AND OTHER RECEIVABLES (Continued)

### Expected credit losses (Continued)

The carrying amounts of the trade and other receivables of the Group approximate their fair values and are denominated in the following currencies:

As at 30 June	2023 HK\$'000	2022 HK\$'000
Hong Kong dollars	1,862,079	1,633,224
Renminbi	411,387	323,660
Macau patacas	42,442	56,000
United States dollars	2,325	2,505
Others	753	380
<b>Total</b>	<b>2,318,986</b>	<b>2,015,769</b>

At 30 June 2023, the Group's trade receivables, other receivable and accrued contract revenue of HK\$10.4 million (2022: HK\$9.6 million) were impaired.

Movements in provision for impairment of the Group's trade receivables, other receivables and accrued contract revenue are as follows:

As at 30 June 2023	Trade receivables HK\$'000	Other receivables HK\$'000	Accrued contract revenue HK\$'000	Total HK\$'000
At the beginning of year	9,499	–	149	9,648
Provision for the year, net	720	–	–	720
Carrying amount, net of expected credit loss allowance	10,219	–	149	10,368
As at 30 June 2022	Trade receivables HK\$'000	Other receivables HK\$'000	Accrued contract revenue HK\$'000	Total HK\$'000
At the beginning of year	10,092	1,261	149	11,502
Reversal of provision for the year, net	(399)	(1,261)	–	(1,660)
Receivables written off during the year	(194)	–	–	(194)
Carrying amount, net of expected credit loss allowance	9,499	–	149	9,648

Retention receivables in respect of contracting services are settled in accordance with the terms of respective contracts. Other classes within trade and other receivables do not contain material impaired assets.

# Notes to the Consolidated Financial Statements

## 22 CONTRACT ASSETS AND CONTRACT LIABILITIES

As at 30 June	2023 HK\$'000	2022 HK\$'000
Contract costs incurred plus attributable profits less foreseeable losses	7,106,799	4,731,072
Progress payments received and receivable	(7,262,855)	(4,792,121)
<b>Net</b>	<b>(156,056)</b>	<b>(61,049)</b>
Representing:		
Contract assets	560,239	438,717
Contract liabilities	(716,295)	(499,766)
<b>Net</b>	<b>(156,056)</b>	<b>(61,049)</b>

Notes:

- (a) All of the Group's contract assets and contract liabilities at 30 June 2023 and 30 June 2022 relate to its engineering and insurance solutions contracts with customers and no loss allowances have been included therein.
- (b) During the year ended 30 June 2023, the Group recognised (i) HK\$429.3 million (2022: HK\$391.3 million) of revenue for its engineering and insurance solutions contracts relating to its carried-forward contract liabilities and (ii) HK\$60.1 million (2022: HK\$28.6 million) of revenue from its performance obligations satisfied in previous reporting years.
- (c) As at 30 June 2023, the aggregate amount of transaction price allocated to the Group's remaining performance obligations in respect of property & facility management, cleaning & pest control, technical support & maintenance, security guarding & event services, insurance solutions, environmental solutions and E&M services contracts is HK\$13,016 million (2022: HK\$10,662 million). The Group will recognise this revenue during the completion of the related works, which is expected to occur over the next 125 months (2022: 99 months) after the reporting date.
- (d) During the year ended 30 June 2023, the increase in the Group's contract assets principally reflects a more significant progress of projects and the increase in its contract liabilities principally reflects an increase in its progress billings for projects.

## 23 INVENTORIES

As at 30 June	2023 HK\$'000	2022 HK\$'000
Raw materials	759	579
Finished goods	19,337	22,184
Spare parts and consumables	1,195	751
<b>Total</b>	<b>21,291</b>	<b>23,514</b>

## 24 CASH AND BANK BALANCES

As at 30 June	2023 HK\$'000	2022 HK\$'000
Time deposits — original maturities within three months	426,300	76,000
Trust cash <sup>(i)</sup>	35,952	39,734
Other cash at banks and on hand	289,649	651,303
<b>Total</b>	<b>751,901</b>	<b>767,037</b>

Note:

- (i) Trust cash relates to cash held for insurance premiums received from policy holders which will ultimately be paid to insurers. Trust cash cannot be used to meet business obligations/operating expenses other than payments to insurers and/or refunds to policy holders.

At 30 June 2023, the effective interest rate on bank deposits is 4.3% per annum (2022: 0.8% per annum).

The carrying amounts of cash and bank balances of the Group approximate their fair values and are denominated in the following currencies:

As at 30 June	2023 HK\$'000	2022 HK\$'000
Hong Kong dollars	721,133	681,516
Renminbi	12,356	69,458
Macau patacas	6,088	4,098
United States dollars	10,419	7,285
Euros	1,659	4,431
Others	246	249
<b>Total</b>	<b>751,901</b>	<b>767,037</b>

## Notes to the Consolidated Financial Statements

### 25 SHARE CAPITAL

The numbers of the Company's authorised and issued shares are as follows:

	2023		2022	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each At the beginning and the end of year	900,000,000	90,000	900,000,000	90,000
Convertible preference shares of HK\$0.10 each (Note a) At the beginning and the end of year	100,000,000	10,000	100,000,000	10,000
<b>Total</b>	<b>1,000,000,000</b>	<b>100,000</b>	<b>1,000,000,000</b>	<b>100,000</b>
	2023		2022	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Issued and fully paid:				
Ordinary shares of HK\$0.10 each At the beginning and the end of year	450,000,000	45,000	450,000,000	45,000
Convertible preference shares of HK\$0.10 issued at HK\$3.2260 each (Note a) At the beginning and the end of year	43,676,379	140,900	43,676,379	140,900
<b>Total</b>	<b>493,676,379</b>	<b>185,900</b>	<b>493,676,379</b>	<b>185,900</b>

As at 30 June 2023 and 30 June 2022, the total nominal amount of the Company issued shares was HK\$49,367,638, comprising HK\$45,000,000 for ordinary shares and HK\$4,367,638 for convertible preference shares.



## 25 SHARE CAPITAL (Continued)

Note (a):

On 16 December 2019 (the "Issue Date"), the Company issued and allotted a total of 43,676,379 non-voting redeemable convertible preference shares of HK\$0.1 each to FMC at an issue price of HK\$3.2260 per share (the "Issue Price"), credited as fully paid. The major terms of the convertible preference shares are set out below:

- Each convertible preference share shall entitle the holder to convert within a period of 10 years after the Issue Date, provided that any conversion shall not result in the Company failing to comply with any public float requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
- Each convertible preference share is convertible into such number of ordinary share(s) being one multiplied by the conversion rate. The conversion rate is determined by dividing the Issue Price of convertible preference shares by the conversion price.
- The conversion price is the Issue Price, subject to adjustment upon the occurrence of certain prescribed events.
- Each convertible preference share shall confer on the holder the right to receive preferred distributions from the Issue Date at a rate of 6.0% per annum on the Issue Price, payable annually in arrears. Each preferred distribution is cumulative. The Board may, in its sole discretion, elect to defer or not to pay a preferred distribution. No interest accrues on any unpaid preferred distribution. If the Board elects to defer or not to pay a preferred distribution, the Company shall not (a) pay any dividends, distributions or make any other payment on any ordinary shares or (b) redeem, cancel, repurchase or acquire for any consideration any ordinary shares, unless at the same time it pays to the holder of the convertible preference shares any deferred or unpaid preferred distribution which was scheduled to be paid on a day falling in the same financial year in respect of which payment of such dividends, distributions or other payments is made or during which such redemption, cancellation, repurchase or acquisition occurs.
- The holder of the convertible preference shares shall not have the right to attend or vote at any general meeting of the Company (except a general meeting for winding up of the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of such holder).
- The holder of the convertible preference shares will have priority over the holders of ordinary shares of the Company on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding up or dissolution of the Company.
- At any time after 10 years following the Issue Date, the Company may at its sole discretion serve at least ten days' prior written notice to the holder of the convertible preference shares to redeem either in whole or in part of the convertible preference shares for the time being outstanding, at a redemption price equals to the Issue Price together with all outstanding preferred distributions accrued to the date fixed for redemption.

The convertible preference shares are classified as equity instruments, considered that: (i) the Company has no contractual obligation to deliver cash or another financial asset to the holder of the convertible preference shares; and (ii) the convertible preference shares are non-derivative that includes no contractual obligation for the Company to deliver a variable number of ordinary shares.

# Notes to the Consolidated Financial Statements

## 26 RESERVES

	Share premium HK\$'000	Merger reserve (Note a) HK\$'000	Exchange reserve HK\$'000	Statutory reserves (Note b) HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 July 2021	743,204	(1,616,318)	(19,498)	21,785	762,441	(108,386)
Profit for the year	-	-	-	-	502,935	502,935
Currency translation differences	-	-	(1,900)	-	-	(1,900)
Remeasurement losses on defined benefit retirement scheme	-	-	-	-	(3,025)	(3,025)
Deferred tax on remeasurement losses on defined benefit retirement scheme	-	-	-	-	499	499
Remeasurement gains on long service payment liabilities	-	-	-	-	14,832	14,832
Deferred tax on remeasurement gains on long service payment liabilities	-	-	-	-	(2,447)	(2,447)
Dividends to ordinary shareholders	-	-	-	-	(166,500)	(166,500)
Distribution to convertible preference shareholder	-	-	-	-	(8,454)	(8,454)
Appropriation to statutory reserves (Note c)	-	-	-	105	(105)	-
<b>At 30 June 2022</b>	<b>743,204</b>	<b>(1,616,318)</b>	<b>(21,398)</b>	<b>21,890</b>	<b>1,100,176</b>	<b>227,554</b>
At 1 July 2022	743,204	(1,616,318)	(21,398)	21,890	1,100,176	227,554
Profit for the year	-	-	-	-	522,902	522,902
Currency translation differences	-	-	(10,963)	-	-	(10,963)
Remeasurement gains on defined benefit retirement scheme	-	-	-	-	120	120
Deferred tax on remeasurement gains on defined benefit retirement scheme	-	-	-	-	(20)	(20)
Remeasurement gains on long service payment liabilities	-	-	-	-	954	954
Deferred tax on remeasurement gains on long service payment liabilities	-	-	-	-	(141)	(141)
Dividends to ordinary shareholders	-	-	-	-	(218,700)	(218,700)
Distribution to convertible preference shareholder	-	-	-	-	(8,454)	(8,454)
Appropriation to statutory reserves (Note c)	-	-	-	151	(151)	-
<b>At 30 June 2023</b>	<b>743,204</b>	<b>(1,616,318)</b>	<b>(32,361)</b>	<b>22,041</b>	<b>1,396,686</b>	<b>513,252</b>

## 26 RESERVES (Continued)

Notes:

- (a) Merger reserve arises from (i) the difference between the consideration for the acquisition of the FSE Engineering Group Limited, FSE Environmental Technologies Limited and Building Materials Supplies Limited by the Company and their issued share capital upon the completion of the reorganisation on 30 June 2015; (ii) the difference between the consideration for the acquisition of Crystal Brilliant Limited and its subsidiaries by the Company's wholly-owned subsidiary, FSE Facility Services Group Limited, and their net asset value at the date when they first came under common control upon the completion of the acquisition on 11 April 2018; (iii) the difference between the consideration for the acquisition of Legend Success Investments Limited and its subsidiaries by the Company's wholly-owned subsidiary, FSE Property Management Group Limited, and their net asset value at the date when they first came under common control upon the completion of the acquisition on 16 December 2019 and (iv) the difference between the cash consideration plus net book value of certain properties used for the acquisition of Business Investments Limited and its subsidiaries by the Company's wholly-owned subsidiary, FSE City Essential Services Limited, and their net asset value at the date when they first came under common control upon the completion of the acquisition on 19 April 2021.
- (b) PRC companies are required to allocate 10% of the companies' net profits to the statutory reserves fund until such fund reaches 50% of the companies' registered capitals. The statutory reserves fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses, if any, or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capitals.
- (c) During the year ended 30 June 2023, the board of directors of the Group's PRC companies resolved to appropriate HK\$151,000 (2022: HK\$105,000) from retained earnings to statutory reserves.

# Notes to the Consolidated Financial Statements

## 27 NON-CONTROLLING INTERESTS

The table below shows details of the Group's subsidiaries that have material non-controlling interests:

Name	Place of incorporation	Percentage of ownership interest and voting right held by non-controlling shareholders		Profit for the year attributable to non-controlling shareholders		Accumulated non-controlling interests	
		2023	2022	2023	2022	2023	2022
		HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000
Wise Plaza Limited Individually immaterial subsidiary with non-controlling interests	Hong Kong	–	30%	1,231	894	–	23,116
				65	75	269	204
				1,296	969	269	23,320

Set out below is the summarised financial information of Wise Plaza Limited based on amounts before intragroup eliminations. Wise Plaza Limited has become a 70%-owned subsidiary of the Group since 30 June 2021 right before the Group's acquisition of Kiu Lok Properties (International) Limited. On 12 June 2023, the Group acquired the remaining 30% interest in Wise Plaza Limited at a consideration of HK\$22.8 million, which include HK\$22.4 million of initial sum of consideration paid in June 2023 as described in Note 31(d) to the consolidated financial statements and HK\$0.4 million of final cash payment of consideration paid in July 2023. There was no differences arising from changes in equities of subsidiaries to the Group in respect of this transaction. During the period from 1 July 2022 to 12 June 2023, Wise Plaza Limited reported profit of HK\$4.1 million (Year ended 30 June 2022: HK\$3.0 million) for the year, HK\$4.7 million of cash inflow from operating activities (Year ended 30 June 2022: HK\$4.8 million), HK\$18,000 (Year ended 30 June 2022: HK\$0.7 million) of cash outflow from investing activities and HK\$5.0 million (Year ended 30 June 2022: HK\$1.2 million) of cash inflow from financing activities.

As at 30 June	2023 HK\$'000	2022 HK\$'000
Non-current assets	–	77,657
Current assets	–	9,388
Non-current liabilities	–	(5,163)
Current liabilities	–	(4,829)
Net assets	–	77,053
Attributable to:		
Shareholders of the Company	–	53,937
Non-controlling interests	–	23,116
	–	77,053

## 28 BORROWINGS

As at 30 June	2023 HK\$'000	2022 HK\$'000
<b>Non-current liabilities</b>		
Bank borrowings — secured	263,658	263,478
<b>Current liabilities</b>		
Bank borrowings — secured	18,377	140,000

The borrowings are interest bearing at an effective interest rate of 3.8% (2022: 1.0%). The carrying amounts of the borrowings approximate their fair values and are denominated in Hong Kong dollar. At 30 June 2023 and 30 June 2022, the Group's borrowings were repayable as follows:

As at 30 June	2023 HK\$'000	2022 HK\$'000
Within 1 year	18,377	140,000
Between 1 and 2 years	263,658	–
Between 2 and 5 years	–	263,478
<b>Total</b>	<b>282,035</b>	<b>403,478</b>

The Group's borrowings are secured by corporate guarantees provided by FSE Engineering Group Limited and FSE Facility Services Group Limited (wholly-owned subsidiaries of the Company) as at 30 June 2023 and 30 June 2022.

## 29 LONG SERVICE PAYMENT LIABILITIES

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employee's final salary and years of service and is reduced by entitlements accrued under the Group's MPF and ORSO schemes that are attributable to contributions made by the Group. The Group has not set aside any assets to fund any remaining obligations.

The liability recognised in the consolidated statement of financial position is the present value of unfunded obligations and its movements are as follows:

As at 30 June	2023 HK\$'000	2022 HK\$'000
At the beginning of the year	44,040	42,232
Expenses recognised in the consolidated income statement <sup>(i)</sup>	7,779	18,337
Remeasurement gains recognised in other comprehensive (loss)/income <sup>(ii)</sup>	(954)	(14,832)
Benefits paid	(4,071)	(1,697)
At the end of the year	46,794	44,040

# Notes to the Consolidated Financial Statements

## 29 LONG SERVICE PAYMENT LIABILITIES (Continued)

Notes:

- (i) In June 2022, the HKSAR Government enacted the Employment and Retirement Schemes Legislation (Offsetting Arrangement (Amendment) Ordinance 2022 ("Offsetting Arrangement Amendment"). The amendment will come into effect prospectively from a date to be appointed by the HKSAR Government ("Transition Date"). The amendment results in:
- (a) Changes in the offsetting arrangement, such that the accrued benefits attributable to the employers' mandatory contributions under the Mandatory Provident Fund and certain employers' contributions under the Occupational Retirement Schemes would no longer be eligible to offset against the severance payments and long service payments accrued from the Transition Date; and
  - (b) Change of the calculation basis of last monthly wages for the portion of the long service payments accrued before the Transition Date.
- Following the enactment of the Offsetting Arrangement Amendment in June 2022, the Group has accounted for its effects arising from the above changes started the year ended 30 June 2022. In April 2023, the HKSAR Government announced that the Transition Date for the Offsetting Arrangement Amendment would be 1 May 2025.
- (ii) During the year ended 30 June 2023, the Group recognised remeasurement gains on long service payment liabilities of HK\$1.0 million (2022: HK\$14.8 million), net of their corresponding tax effects of HK\$0.2 million (2022: HK\$2.4 million) in its other comprehensive (loss)/income.

Significant actuarial assumptions adopted for the purpose of the actuarial valuation are as follows:

As at 30 June	2023	2022
Discount rate	3.6%–4.1%	3.0%
Long term rate of salary increases	3.2%–4.7%	3.2%–6.4%
Long term average expected return on MPF and ORSO balances	5.0%	4.5%–5.0%

The below analysis shows how the long service payment liability as at each year end date would have increased/ (decreased) as a result of 0.25% change in significant actuarial assumptions:

As at 30 June	2023		2022	
	Increase in	Decrease in	Increase in	Decrease in
	0.25%	0.25%	0.25%	0.25%
Assumptions	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Discount rate	(835)	866	(1,416)	1,489
Long term rate of salary increases	299	(315)	455	(420)
Long term average expected return on MPF and ORSO balances	(121)	123	(232)	235

The above sensitivity analyses are based on change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the long service payment liability to significant actuarial assumptions, the same actuarial valuation method has been applied as when calculating the long service payment liability recognised within the consolidated statement of financial position.

### 30 TRADE AND OTHER PAYABLES

As at 30 June	2023 HK\$'000	2022 HK\$'000
Trade payables		
Third parties	414,318	264,445
Other payables		
Third parties	263,587	322,333
Related companies (Note 33(c))	80,176	4,487
	343,763	326,820
Retention payables		
Third parties	299,460	275,621
Bills payable		
Third parties	–	738
Accrued expenses	465,077	430,824
Provision for contracting costs	520,155	715,474
<b>Total</b>	<b>2,042,773</b>	<b>2,013,922</b>

The carrying amounts of the above balances approximate their fair values.

The carrying amounts of the trade and other payables of the Group are denominated in the following currencies:

As at 30 June	2023 HK\$'000	2022 HK\$'000
Hong Kong dollars	1,536,930	1,635,459
Renminbi	463,038	324,709
Macau patacas	37,531	41,915
United States dollars	5,161	11,011
Others	113	828
<b>Total</b>	<b>2,042,773</b>	<b>2,013,922</b>

## Notes to the Consolidated Financial Statements

### 30 TRADE AND OTHER PAYABLES (Continued)

The ageing analysis of the Group's trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

As at 30 June	2023 HK\$'000	2022 HK\$'000
1–90 days	374,229	223,214
91–180 days	19,540	21,811
Over 180 days	20,549	19,420
<b>Total</b>	<b>414,318</b>	264,445

In carrying out the ordinary course of business, the Group is subject to the risk of being named as defendant in legal actions, claims and disputes in connection with its business activities. The nature of the legal proceedings initiated against the Group mainly includes claims for compensation by the Group's existing or former employees for work related injuries. The Group maintains insurance cover and, in the opinion of the Directors, based on current available evidence, any such existing claims and legal proceedings against the Group are not expected to have significant adverse financial impact to the Group as at 30 June 2023.



### 31 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

#### (a) Reconciliation of profit before income tax to cash generated from operations:

For the year ended 30 June		2023	2022
	Notes	HK\$'000	HK\$'000
<b>Profit before income tax</b>		<b>617,746</b>	588,717
Depreciation of right-of-use assets	15	49,912	38,546
Depreciation of property, plant and equipment	14	20,916	19,080
Finance costs	10	16,916	5,420
Long service payment liabilities			
Expenses recognised in the consolidated income statement	29	7,779	18,337
Benefit paid	29	(4,071)	(1,697)
Amortisation of other intangible assets	16	3,953	4,256
Impairment losses/(reversal of impairment losses)			
on trade and other receivables, net	21	720	(1,660)
Pension costs on defined benefits scheme	20	357	597
Share of results of joint ventures	18	263	(269)
Unrealised exchange differences		235	1,250
Finance income	10	(10,564)	(1,518)
Reversal of provision for inventories	7	(2,681)	(1,443)
Share of results of associates	17	(1,445)	(1,859)
Gains on disposal of right-of-use assets	6	(833)	–
Gains on disposal of property, plant and equipment, net	6	(485)	(280)
<b>Operating cash flows before changes in working capital</b>		<b>698,718</b>	667,477
Changes in working capital:			
Net contract assets/liabilities		90,894	89,035
Trade and other payables		52,004	107,840
Inventories		4,904	(3,077)
Trade and other receivables		(328,886)	(352,354)
Pension assets/liabilities	20	(40)	(112)
<b>Cash generated from operations</b>		<b>517,594</b>	508,809

#### (b) Proceeds from disposal of a subsidiary

On 1 July 2016, Shenzhen Landes, a wholly-owned subsidiary of FSE C & L Limited, was disposed to an external party at the consideration of RMB15.4 million (equivalent to HK\$17.9 million). Amounts of RMB106,000 (equivalent to HK\$115,000) have been received during the year ended 30 June 2023 (2022: RMB67,000, equivalent to HK\$80,000).

## Notes to the Consolidated Financial Statements

### 31 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

#### (c) Reconciliation of liabilities arising from financing activities

The movements of the Group's liabilities arising from financing activities during the years ended 30 June 2023 and 2022 are as follows.

	Borrowings	Dividends payable to ordinary shareholders	Dividend payable to a non-controlling shareholder	Distribution payable to convertible preference shareholder	Lease liabilities	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 30 June 2021</b>	383,812	–	–	–	42,875	426,687
Dividends and preferred distribution	–	166,500	–	8,454	–	174,954
New leases	–	–	–	–	91,383	91,383
Interest portion of lease liabilities	–	–	–	–	1,482	1,482
Financing cash flows	19,460	(166,500)	–	(8,454)	(37,672)	(193,166)
Payments for interest portion of lease liabilities	–	–	–	–	(1,482)	(1,482)
Currency translation differences	–	–	–	–	(125)	(125)
Lease modifications	–	–	–	–	4,133	4,133
Other changes	206	–	–	–	–	206
<b>At 30 June 2022</b>	<b>403,478</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>100,594</b>	<b>504,072</b>
Dividends and preferred distribution	–	218,700	1,500	8,454	–	228,654
New leases	–	–	–	–	23,224	23,224
Interest portion of lease liabilities	–	–	–	–	1,864	1,864
Financing cash flows	(121,623)	(218,700)	(1,500)	(8,454)	(49,359)	(399,636)
Payments for interest portion of lease liabilities	–	–	–	–	(1,864)	(1,864)
Currency translation differences	–	–	–	–	(353)	(353)
Lease modifications	–	–	–	–	(148)	(148)
Other changes	180	–	–	–	–	180
<b>At 30 June 2023</b>	<b>282,035</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>73,958</b>	<b>355,993</b>

## 31 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### (d) Acquisition of non-controlling interests

The cash outflow of HK\$22.4 million for 2023 represents the consideration paid by the Group for acquiring the remaining 30% interest in Wise Plaza Limited on 12 June 2023 (Note 27).

### (e) Equity contribution from a non-controlling shareholder

The cash inflow of HK\$351,000 for 2022 represents equity contribution from the non-controlling shareholder to Wise Plaza Limited.

### (f) Exchange differences

The exchange differences of cash and cash equivalents during the year are mainly arising from the remeasurement of the Group's foreign currency denominated cash and bank balances at the year end exchange rate.

### (g) Major non-cash transactions

During the year ended 30 June 2023, the Group acquired right-of-use assets and recognised lease liabilities, including lease modifications, totalling HK\$23.1 million (2022: HK\$95.5 million).

### (h) Funds held on behalf of third parties

As at 30 June 2023, the Group held cash and bank balances totalling HK\$1,136.8 million (2022: HK\$1,135.1 million) in trust for owners of certain buildings which were under its management. These funds have not been included in the consolidated financial statements of the Group.

## 32 COMMITMENTS

### (a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

As at 30 June	2023 HK\$'000	2022 HK\$'000
Property, plant and equipment	1,396	1,937

### (b) Operating lease commitments — The Group as lessees

The Group has future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

As at 30 June	2023 HK\$'000	2022 HK\$'000
No later than one year	776	1,361
Later than one year and no later than five years	34	19
<b>Total</b>	<b>810</b>	<b>1,380</b>

# Notes to the Consolidated Financial Statements

## 33 RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group undertook the following transactions with related parties, which in the opinion of the Directors of the Company, were carried out in the normal course of business during the year ended 30 June 2023.

**(a) The Directors of the Company are of the view that the related parties that had transactions with the Group are listed below:**

Name	Relationship
Ackland Limited	Note i
Brilliant Mission Co Limited	Note i
China Fame Enterprise Limited	Note i
Convention Plaza Apartments Limited	Note i
Corporate Ally Limited	Note i
Ease King Investment Limited	Note i
Fast Solution Limited	Note i
FSE Management Company Limited	Note i
FSE Property (Hong Kong) Limited	Note i
Fung Seng Diamond Co Limited	Note i
Great City Developments Limited	Note i
Kingdom of Morocco (Consulate General-HK) Company Limited	Note i
Ocean Front Investments Limited	Note i
Perfect Modern Limited	Note i
Power Estate Investments Limited	Note i
Prime Star Investment Limited	Note i
Prosperity Property Investment Limited	Note i
Silver Asia Investments Limited	Note i
Top Line Investment Limited	Note i
上海上實南洋大酒店有限公司	Note i
上海華美達廣場有限公司	Note i
上海新尚賢坊房地產發展有限公司	Note i
上海豐昌物業管理有限公司	Note i
Anway Limited	Note ii
AOS Management Limited	Note ii
ATL Logistics Centre Hong Kong Limited	Note ii
Atrend Fashion Limited	Note ii
B.S.C. Shinwa Kogyo Co Limited	Note ii
Beamland Limited	Note ii
Bright Link Engineering Limited	Note ii
Bright Moon Company Limited	Note ii
Broadway-Nassau Investments Limited	Note ii
Build King Civil Engineering Limited	Note ii
Build King Construction Limited	Note ii
Build King Interior & Construction Limited	Note ii
Calpella Limited	Note ii
Cheer Best Enterprises Limited	Note ii
Cheer Globe Limited	Note ii

### 33 RELATED PARTY TRANSACTIONS (Continued)

(a) The Directors of the Company are of the view that the related parties that had transactions with the Group are listed below: (Continued)

Name	Relationship
CHI Studio Company Limited	Note ii
Chow Tai Fook Art Foundation Ltd	Note ii
Chow Tai Fook Energy Company Limited	Note ii
Chow Tai Fook Enterprises Limited	Note ii
Chow Tai Fook Jewellery Company Limited	Note ii
Chow Tai Fook Jewellery Group Limited	Note ii
Cititop Limited	Note ii
CTF Watch (HK) Limited	Note ii
Daily Land Limited	Note ii
Diamond International Limited	Note ii
Discovery Park Commercial Services Limited	Note ii
Donut Cafe Company Limited	Note ii
Eastrade Holdings Limited	Note ii
Ever Right Limited	Note ii
Foregain Company Limited	Note ii
Full Asset Enterprises Limited	Note ii
GH Hotel Company Limited	Note ii
GHK Hospital Limited	Note ii
Global Winner Limited	Note ii
Good Sense Development Limited	Note ii
Head Step Limited T/A Pentahotel HK Kowloon	Note ii
Hip Hing Builders Company Limited	Note ii
Hip Hing Construction Company Limited	Note ii
Hip Hing Engineering Company Limited	Note ii
Hip Hing Joint Venture	Note ii
Hip Hing Joint Venture (VEC)	Note ii
Hip Seng Builders Limited	Note ii
Hip Seng Construction Company Limited	Note ii
Hip Seng Contracting Company Limited (formerly known as New World Construction Company Limited)	Note ii
Hip Seng Manufacturing Company Limited	Note ii
Hong Kong Convention and Exhibition Centre (Management) Limited	Note ii
Hong Kong Golf & Tennis Academy Management Company Limited	Note ii
Hong Kong Island Development Limited	Note ii
Hong Kong Multiple Intelligence Education Company Limited	Note ii
Humansa Dental Limited	Note ii
Humansa Eye Ltd	Note ii
Humansa Imaging Ltd	Note ii
Humansa VD Limited	Note ii
Hyatt Regency Hong Kong	Note ii
Joy Century Limited	Note ii
K11 AFLM Limited	Note ii

# Notes to the Consolidated Financial Statements

## 33 RELATED PARTY TRANSACTIONS (Continued)

(a) The Directors of the Company are of the view that the related parties that had transactions with the Group are listed below: (Continued)

Name	Relationship
K11 Art Mall Properties Company Limited	Note ii
K11 Artus Limited	Note ii
K11 Concepts Limited	Note ii
K11 Gentry Club Limited	Note ii
K11 Property Management Company Limited	Note ii
K11 Retail & Corporate Sales Company Limited	Note ii
Kai Tak Sports Park Limited	Note ii
Kid World Services Limited	Note ii
Kiu Lok Properties Services (China) Limited	Note ii
KOHO Facility Management Limited	Note ii
Loyalton Limited	Note ii
Luxba Limited	Note ii
Maronne Limited	Note ii
Max Moral Limited	Note ii
Nature Discovery Park Limited	Note ii
New Gain Limited	Note ii
New Town Project Management Limited	Note ii
New World China Land Limited	Note ii
New World Corporate Services Limited	Note ii
New World Department Stores Limited	Note ii
New World Development (China) Limited	Note ii
New World Development Company Limited	Note ii
New World Facilities Management Company Limited	Note ii
New World Group Charity Foundation Limited	Note ii
New World Hotel Management Limited	Note ii
New World Project Management (China) Limited	Note ii
New World Property Management Company Limited	Note ii
New World Strategic Investment Limited	Note ii
New World TMT Limited	Note ii
New World Tower Company Limited	Note ii
NW Project Management Limited	Note ii
NWS Holdings Limited	Note ii
Park New Astor Hotel Limited	Note ii
Paterson Plaza Properties Limited	Note ii
Polytown Company Limited	Note ii
Pride Success Fashion Trading Limited	Note ii
Pridemax Limited	Note ii
Renaissance Harbour View Hotel HK	Note ii
Rosewood Hotels (Hong Kong) Limited	Note ii
Roxy Limited	Note ii

### 33 RELATED PARTY TRANSACTIONS (Continued)

(a) The Directors of the Company are of the view that the related parties that had transactions with the Group are listed below: (Continued)

Name	Relationship
Sunfield Investments Limited	Note ii
Sunny Goal Limited	Note ii
Techni Development Investment Limited	Note ii
The Artisan Movement Company Limited	Note ii
The Artizen Management Company Limited	Note ii
The Dragon Seed Company Limited	Note ii
The Town Club (HK) Limited	Note ii
Treasure High Limited	Note ii
Treasure Tower Holdings Limited	Note ii
Urban Parking Limited	Note ii
Vibro (H.K.) Limited	Note ii
Victoria Educational Organisation Limited	Note ii
Wallmax Limited	Note ii
Wan Fau Sin Koon Service & Dev Co., Limited	Note ii
Wealth Master Corporation Limited	Note ii
Win Win Way Construction Co., Limited	Note ii
Wise City Investment Limited	Note ii
天津新世界百貨有限公司	Note ii
天津新世界環渤海房地產開發有限公司	Note ii
北京崇文·新世界房地產發展有限公司	Note ii
佛山鄉村房地產開發有限公司	Note ii
深圳天得房地產開發有限公司	Note ii
清遠新世界旅遊發展有限公司	Note ii
新世界（瀋陽）房地產開發有限公司	Note ii
新世界百貨集團上海匯美百貨有限公司	Note ii
新世界協中建築有限公司	Note ii
新世界發展（武漢）有限公司	Note ii
新世界嘉業（武漢）有限公司	Note ii
寧波公泰置業有限公司	Note ii
寧波新立房地產開發有限公司	Note ii
廣州市新禦運營管理有限公司	Note ii
廣州永沛房地產開發有限公司	Note ii
北京易喜新世界百貨有限公司	Note ii

Notes:

- (i) These companies are commonly controlled by the Ultimate Controlling Shareholder and/or the family members of the Ultimate Controlling Shareholder.
- (ii) These related companies include companies of which the key management personnel are close member of the family of the Ultimate Controlling Shareholder.

## Notes to the Consolidated Financial Statements

### 33 RELATED PARTY TRANSACTIONS (Continued)

#### (b) Transactions with related parties

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related companies during the year ended 30 June 2023.

For the year ended 30 June	2023 HK\$'000	2022 HK\$'000
Contract revenue (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	23,271	11,133
Other related companies (Note ii)	2,594,977	2,242,755
<b>Total</b>	<b>2,618,248</b>	<b>2,253,888</b>
Cleaning & pest control service income (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	1,719	–
Other related companies (Note ii)	157,427	136,610
<b>Total</b>	<b>159,146</b>	<b>136,610</b>
Premises management service fee and building manager remuneration (Note iii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	1,643	1,313
Other related companies (Note ii)	17,762	15,381
<b>Total</b>	<b>19,405</b>	<b>16,694</b>
Security service income (Note iv)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	4,400	4,845
Other related companies (Note ii)	240,794	217,357
<b>Total</b>	<b>245,194</b>	<b>222,202</b>
Insurance solutions consultancy fee income from related companies (Note v)	3,061	1,743
Landscaping service income (Note vi)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	19	20
Other related companies (Note ii)	7,315	9,308
<b>Total</b>	<b>7,334</b>	<b>9,328</b>



### 33 RELATED PARTY TRANSACTIONS (Continued)

#### (b) Transactions with related parties (Continued)

For the year ended 30 June	2023 HK\$'000	2022 HK\$'000
Rental expenses/addition of rights-of-use assets (Note vii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	1,053	90,461
Other related companies (Note ii)	50	856
<b>Total</b>	<b>1,103</b>	<b>91,317</b>
Appointment fees to related companies (Note viii)	2,751	2,562
Contracting service expenses to related companies (Note ix)	7,086	7,644
Miscellaneous service fees expenses to related companies (Note x)	462	152

Notes:

- (i) Revenue from provision of contracting work and cleaning service income is principally charged in accordance with respective contracts.
- (ii) These related companies are companies of which the key management personnel are close members of the family of the ultimate controlling shareholder.
- (iii) Premises management service fee and building manager remuneration was charged based on certain percentages of total expenditures of the properties in accordance with the management contracts.
- (iv) Security service fee income was charged at prices and terms as agreed by both parties.
- (v) Insurance solutions consultancy fee income was charged at terms mutually agreed between the parties.
- (vi) Landscaping service income was charged at prices and terms as agreed by both parties.
- (vii) Rental expenses/additions of rights-of-use assets were principally calculated in accordance with the terms of the respective rental agreements.
- (viii) Appointment fees were charged at prices and terms as agreed by both parties.
- (ix) Contracting service expenses were charged in accordance with the terms of the respective contracts.
- (x) Miscellaneous service fees were charged based on fixed amounts mutually agreed by the parties.
- (xi) The above transactions with related parties are based upon mutually agreed terms and conditions.

## Notes to the Consolidated Financial Statements

### 33 RELATED PARTY TRANSACTIONS (Continued)

#### (c) Balances with related parties

As at 30 June	2023 HK\$'000	2022 HK\$'000
Trade receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	943	522
Other related companies (Note i)	325,143	213,984
<b>Total</b>	<b>326,086</b>	214,506
Retention receivables due from related companies (Note i)	124,619	187,782
Other receivables		
Other related companies (Note i)	28,801	24,565
Contract assets due from related companies (Note i)	243,215	290,471
Contract liabilities		
Other related companies (Note i)	334,554	246,475
Other payables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	1,320	454
Other related companies (Note i)	80,176	4,033
<b>Total</b>	<b>81,496</b>	4,487
Lease liabilities		
Related companies commonly controlled by the Ultimate Controlling Shareholder	40,620	63,905
Other related companies (Note i)	–	358
<b>Total</b>	<b>40,620</b>	64,263

Note:

- (i) These related companies are companies of which the key management personnel are close members of the family of the Ultimate Controlling Shareholder.

### 33 RELATED PARTY TRANSACTIONS (Continued)

#### (d) Key management compensation

Key management includes directors and senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

For the year ended 30 June	2023 HK\$'000	2022 HK\$'000
Fees	3,530	3,219
Salaries and other emoluments	74,497	68,182
Contributions to defined contribution schemes	3,951	3,699
<b>Total</b>	<b>81,978</b>	<b>75,100</b>

The emoluments to directors and members of the senior management of the Group fell within the following bands:

For the year ended 30 June	2023 Number of individuals	2022 Number of individuals
<b>Emolument bands</b>		
Nil – HK\$1,000,000	5	6
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$1,500,001 – HK\$2,000,000	2	2
HK\$2,000,001 – HK\$2,500,000	2	1
HK\$2,500,001 – HK\$3,000,000	2	2
HK\$3,000,001 – HK\$3,500,000	1	3
HK\$3,500,001 – HK\$4,000,000	3	1
HK\$4,000,001 – HK\$4,500,000	–	1
HK\$4,500,001 – HK\$5,000,000	1	1
HK\$5,000,001 – HK\$5,500,000	2	3
HK\$5,500,001 – HK\$6,000,000	1	–
HK\$6,000,001 – HK\$6,500,000	2	1
HK\$7,000,001 – HK\$7,500,000	–	1
HK\$7,500,001 – HK\$10,000,000	2	1
<b>Total</b>	<b>23</b>	<b>24</b>

## Notes to the Consolidated Financial Statements

### 34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

As at 30 June	2023 HK\$'000	2022 HK\$'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Subsidiaries	412,132	412,132
<b>Current assets</b>		
Trade and other receivables	202	375
Amounts due from subsidiaries	2,635,593	2,332,603
Cash and bank balances	1,327	2,110
	2,637,122	2,335,088
<b>Total assets</b>	<b>3,049,254</b>	<b>2,747,220</b>
<b>EQUITY</b>		
Ordinary shares	45,000	45,000
Convertible preference shares	140,900	140,900
Reserves (Note (a))	817,511	805,426
<b>Total equity</b>	<b>1,003,411</b>	<b>991,326</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	5,823	5,838
Amounts due to subsidiaries	2,040,020	1,750,056
<b>Total liabilities</b>	<b>2,045,843</b>	<b>1,755,894</b>
<b>Total equity and liabilities</b>	<b>3,049,254</b>	<b>2,747,220</b>
<b>Net current assets</b>	<b>591,279</b>	<b>579,194</b>
<b>Total assets less current liabilities</b>	<b>1,003,411</b>	<b>991,326</b>

The statement of financial position of the Company was approved by the Board of Directors on 27 September 2023 and was signed on its behalf.

Lam Wai Hon, Patrick  
Director

Poon Lock Kee, Rocky  
Director

## 34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note (a) Reserve movement of the Company

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>At 1 July 2021</b>	743,204	(347,360)	395,844
Profit for the year	–	584,536	584,536
Dividends	–	(166,500)	(166,500)
Preferred distribution	–	(8,454)	(8,454)
<b>At 30 June 2022</b>	743,204	62,222	805,426
<b>At 1 July 2022</b>	<b>743,204</b>	<b>62,222</b>	<b>805,426</b>
Profit for the year	–	239,239	239,239
Dividends	–	(218,700)	(218,700)
Preferred distribution	–	(8,454)	(8,454)
<b>At 30 June 2023</b>	<b>743,204</b>	<b>74,307</b>	<b>817,511</b>

## 35 PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries as at 30 June 2023:

Company name	Place of incorporation or establishment/ place of operation	Issued / Registered and paid-up capital	Attributable equity interest of the Group		Principal activities
			As at 30 June 2023	2022	
<b>Directly-owned subsidiaries:</b>					
FSE City Essential Services Limited	British Virgin Islands	1 share of US\$1 paid up to US\$1	100	100	Investment holding
FSE Engineering Group Limited	British Virgin Islands/ Hong Kong	50,000,000 shares of HK\$1 each paid up to HK\$50,000,000	100	100	Investment holding
FSE Environmental Solutions Limited	British Virgin Islands/ Hong Kong	1 share of US\$1 paid up to US\$1	100	100	Investment holding
FSE Facility Services Group Limited	British Virgin Islands	1 share of US\$1 paid up to US\$1	100	100	Investment holding
FSE Property Management Group Limited	British Virgin Islands	1 share of US\$1 paid up to US\$1	100	100	Investment holding
Lucky Bridge Investments Limited	British Virgin Islands/ Hong Kong	1 share of US\$1 paid up to US\$1	100	100	Investment in trading securities

# Notes to the Consolidated Financial Statements

## 35 PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation or establishment/ place of operation	Issued / Registered and paid-up capital	Attributable equity interest of the Group		Principal activities
			As at 30 June 2023	2022	
<b>Indirectly owned subsidiaries:</b>					
Building Material Supplies Limited	British Virgin Islands	1 share of HK\$1 paid up to HK\$1	100	100	Investment holding
Business Investments Limited	British Virgin Islands	1 share of US\$1 paid up to US\$1	100	100	Investment holding
Companion Building Material Supplies (H.K.) Limited	Hong Kong	100 shares paid up to HK\$100	100	100	Trading of ceramic tiles and building materials and provision of maintenance and fitting out services
Crystal Brilliant Limited	British Virgin Islands	1 share of US\$1 paid up to US\$1	100	100	Investment holding
Espora Company Limited	Hong Kong	2 shares paid up to HK\$2	100	100	Provision of property management services
Environmental Pioneers & Solutions Limited	Hong Kong	1,000 shares paid up to HK\$100,000	100	100	Trading of environmental products and the provision of related engineering and consultancy services
Extensive Trading Company Limited	Hong Kong	8,500,000 ordinary shares and 1,500,000 non-voting deferred shares <sup>(1)</sup> paid up to HK\$10,100,000	100	100	Trading of equipment and materials
EPS Environmental Technologies (Macao) Limited	Macau	MOP25,000	100	100	Trading of environmental products and the provision of related engineering and consultancy services
Far East Engineering Services Limited	Hong Kong	766,714 ordinary shares and 233,288 non-voting deferred shares <sup>(1)</sup> paid up to HK\$10,000,020	100	100	Mechanical and electrical engineering, trading and project management consultancy

### 35 PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation or establishment/ place of operation	Issued / Registered and paid-up capital	Attributable equity interest of the Group		Principal activities
			As at 30 June 2023	2022	
Far East Technical Service (Macao) Limited	Macau	MOP25,000	100	100	Mechanical and electrical engineering
FSE C & L Limited	British Virgin Islands	1 share of US\$1 paid up to US\$1	100	100	Investment holding
FSE Environmental Laboratory Services Limited	Hong Kong	10,000 shares paid up to HK\$10,000	100	100	Provision of testing and calibration services
FSE Environmental Technologies Limited	British Virgin Islands	1 share of US\$1 paid up to US\$1	100	100	Investment holding
FSE Facility Management Limited	Hong Kong	2 shares paid up to HK\$2	100	100	Provision of referral services to a fellow subsidiary engaged in insurance brokerage business
FSE Ins Limited	British Virgin Islands	1 share of US\$1 paid up to US\$1	100	100	Investment holding
FSE S & G Limited	British Virgin Islands	1 share of HK\$1 paid up to HK\$1	100	100	Investment holding
General Security & Guarding Limited	British Virgin Islands	1 share of HK\$1 paid up to HK\$1	100	100	Investment holding
General Security (H.K.) Limited	Hong Kong	8,402 ordinary shares and 11,600 non-voting deferred shares <sup>(1)</sup> paid up to HK\$2,000,200	100	100	Security services, sales and maintenance of alarm systems
General Security Limited	Hong Kong	2 ordinary shares and 2,500 non-voting deferred shares <sup>(1)</sup> paid up to HK\$250,200	100	100	Security services
Hong Kong Island Landscape Company Limited	Hong Kong	1,980,000 ordinary shares and 20,000 non-voting deferred shares <sup>(1)</sup> paid up to HK\$20,000,000	100	100	Trading, landscaping project contracting

# Notes to the Consolidated Financial Statements

## 35 PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation or establishment/ place of operation	Issued / Registered and paid-up capital	Attributable equity interest of the Group		Principal activities
			As at 30 June 2023	2022	
International Property Management Limited	Hong Kong	450,000 ordinary shares and 95,500 non-voting deferred shares <sup>(1)</sup> paid up to HK\$5,455,000	99	99	Investment holding and provision of property management services for buildings
International Reinsurance Management Limited	Hong Kong	500,000 shares paid up to HK\$500,000	100	100	Reinsurance brokerage
Joneson Environmental Technologies Limited	Hong Kong	535,000 ordinary shares and 35,000 non-voting deferred shares <sup>(1)</sup> paid up to HK\$570,000	100	100	Trading, building maintenance, chemical engineering
Kiu Lok International Realty Limited	Hong Kong	2 shares paid up to HK\$2	100	100	Provision of property agency and related services for buildings in Hong Kong
Kiu Lok Properties (International) Limited	Hong Kong	2 shares paid up to HK\$2	100	70	Provision of property agency and related services for buildings in Hong Kong
Kiu Lok Service Management Company Limited	Hong Kong	2 ordinary shares and 1,002 non-voting deferred shares <sup>(1)</sup> paid up to HK\$100,400	100	100	Provision of property management, property agency and related services for buildings in Hong Kong
KL Property Management Limited	Hong Kong	1 share paid up to HK\$1	100	100	Provision of property management and related services for buildings in Hong Kong
KLPS Group Limited	Hong Kong	20,000,000 shares paid up to HK\$20,000,000	100	100	Investment holding
Legend Success Investments Limited	British Virgin Islands	1 share of US\$1 paid up to US\$1	100	100	Investment holding
Majestic Engineering Company Limited	Hong Kong	30,000 shares paid up to HK\$30,000,000	100	100	Mechanical and electrical engineering



### 35 PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation or establishment/ place of operation	Issued / Registered and paid-up capital	Attributable equity interest of the Group		Principal activities
			As at 30 June 2023	2022	
Majestic Engineering (Macao) Company Limited	Macau	MOP25,000	100	100	Mechanical and electrical engineering
Majestic Plumbing Engineers Limited	Hong Kong	2,000,000 shares paid up to HK\$2,000,000	100	100	Plumbing engineering services
Nova Insurance Consultants Limited	Hong Kong	500,000 shares paid up to HK\$500,000	100	100	Insurance brokerage
Paramatta Estate Management Limited	Hong Kong	10,000 shares paid up to HK\$10,000	100	100	Estate Manager of City One, Shatin
Park Vale (Management) Limited	Hong Kong	2 shares paid up to HK\$2	100	100	Provision of property management services for buildings
Perfect Event Services Limited	Hong Kong	10,000 shares paid up to HK\$10,000	100	100	Provision of one-stop solution and support services to event activities
Plantgrove Developments Limited	British Virgin Islands	2 shares of US\$1 each paid up to US\$2	100	100	Investment holding
Premier Custodian Services Limited	Hong Kong	1 share paid up to HK\$1	100	100	Provision of premier cleaning services
Smart and Safe Fleet Management Limited	Hong Kong	1 share paid up to HK\$1	100	100	Provision of fleet management services in Hong Kong
Sunningdale (Management) Limited	Hong Kong	2 shares paid up to HK\$20	100	100	Provision of property management services for buildings
Turning Technical Services Limited	Hong Kong	200,000 shares paid up to HK\$200,000	99	99	Provision of cleaning, repairs and maintenance services for properties
Uniformity Security Limited	British Virgin Islands	1 share of HK\$1 paid up to HK\$1	100	100	Investment holding

## Notes to the Consolidated Financial Statements

### 35 PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation or establishment/ place of operation	Issued / Registered and paid-up capital	Attributable equity interest of the Group		Principal activities
			As at 30 June 2023	2022	
Urban Focus Limited	British Virgin Islands	1 share of US\$1 paid up to US\$1	100	100	Investment holding
Urban Management Services Limited	Hong Kong	10,000 shares paid up to HK\$10,000	100	100	Provision of property management services
Urban Property Management Limited	Hong Kong	49,995,498 ordinary shares and 4,502 non-voting deferred shares <sup>(1)</sup> paid up to HK\$50,000,000	100	100	Provision of property management services for buildings and investment holding
Urban Technical Services Limited	Hong Kong	2 shares paid up to HK\$2	100	100	Provision of repairs and maintenance services
Tridant Engineering Company Limited	Hong Kong	34,400,000 ordinary shares and 15,600,000 non-voting deferred shares <sup>(1)</sup> paid up to HK\$50,000,000	100	100	Provision of mechanical and electrical engineering services
Waihong Cleaning Limited	British Virgin Islands	1 share of HK\$1 paid up to HK\$1	100	100	Investment holding
Waihong Environmental Services Limited	Hong Kong	400,000 shares paid up to HK\$40,000,000	100	100	Provision and management of cleaning, pest control and waste disposal services and provision of recycling and environmental disposal services
Waihong Integrated Green Services Limited	Hong Kong	400,000 shares paid up to HK\$400,000	100	100	Provision of pest control services
Waihong Medicare Services Limited	Hong Kong	1 share paid up to HK\$1	100	100	Provision of cleaning services in hospitals
Wise Plaza Limited	Hong Kong	10,000 shares paid up to HK\$10,000	100	70	Investment holding
Young's Engineering Company Limited	Hong Kong	4,000,000 shares paid up to HK\$40,000,000	100	100	Mechanical and electrical engineering

### 35 PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation or establishment/ place of operation	Issued / Registered and paid-up capital	Attributable equity interest of the Group		Principal activities
			As at 30 June 2023	2022	
Young's Engineering (Macao) Company Limited	Macau	MOP100,000	100	100	Mechanical and electrical engineering
豐盛機電工程有限公司 <sup>(2)</sup>	Mainland China	RMB50,000,000	100	100	Mechanical and electrical engineering
北京遠東景福機電設備維修有限公司 <sup>(2)</sup>	Mainland China	US\$150,000	100	100	Mechanical, electrical engineering and maintenance
景福機電安裝工程（上海）有限公司 <sup>(2)</sup>	Mainland China	RMB15,000,000	100	100	Mechanical and electrical engineering
廣州凱康園林服務有限公司 <sup>(2)</sup>	Mainland China	RMB1,000,000	100	100	Provision of landscaping services

Notes:

1. The non-voting deferred shares do not carry any voting rights and are not entitled to any profits distribution by the subsidiary. On a return of assets on winding up or otherwise, the assets of the subsidiary to be returned shall be distributed firstly in paying HK\$1 billion per share to the holders of the ordinary shares and secondly in repaying to the holders of non-voting deferred shares the nominal amount paid up or credited as paid upon such shares. The balance of the assets of the subsidiary shall be distributed among the holders of the ordinary shares.
2. These subsidiaries are registered as wholly foreign owned enterprises under the law of Mainland China.

# Five-Year Financial Summary

## FSE LIFESTYLE — CONSOLIDATED<sup>(i)</sup>

RESULTS	For the year ended 30 June				
	2019	2020	2021	2022	2023
	(restated)	(restated)			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	6,159,736	5,656,086	6,452,741	6,966,935	7,767,209
Profit for the year attributable to shareholders of the Company	385,380	412,161	586,911	502,935	522,902

ASSETS, LIABILITIES AND EQUITY	As at 30 June				
	2019	2020	2021	2022	2023
	(restated)	(restated)			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	3,512,205	3,740,112	3,050,225	3,599,304	3,990,434
Total liabilities	2,438,215	3,023,655	2,950,711	3,162,530	3,291,013
Total equity	1,073,990	716,457	99,514	436,774	699,421

FINANCIAL INFORMATION PER SHARE	For the year ended 30 June/As at 30 June				
	2019	2020	2021	2022	2023
	(restated)	(restated)			
Earnings (HK\$)	0.86	0.91	1.29	1.10	1.14

KEY RATIOS	For the year ended 30 June/As at 30 June				
	2019	2020	2021	2022	2023
	(restated)	(restated)			
Return on assets	11.0%	11.0%	19.2%	14.0%	13.1%
Return on equity	35.9%	57.5%	589.6%	115.4%	74.9%
Current ratio (times)	1.2	1.3	1.0	1.2	1.2
Net gearing ratio	0%	0%	0%	0%	0%
Dividend payout ratio	40.0%	45.7%	48.7%	41.0%	40.1%

Note:

- (i) Consolidated figures after intra-group eliminations. For presentation purpose, the financial information for 2019 and 2020 have been restated for the Group's application of merger accounting for its acquisition of the Business Investments Group completed on 19 April 2021 which have been accounted for as a business combination under common control.

# Corporate Information

## BOARD OF DIRECTORS

### Non-executive Director

Dr. Cheng Kar Shun, Henry *GBM, GBS (Chairman)*

### Executive Directors

Mr. Lam Wai Hon, Patrick *(Executive Vice-Chairman)*

Mr. Poon Lock Kee, Rocky *MH (Chief Executive Officer)*

Mr. Doo William Junior Guilherme *BBS, JP*

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 *JP*

Mr. Lee Kwan Hung, Eddie

Dr. Tong Yuk Lun, Paul

### Alternate Director

Mr. Doo Wai Hoi, William *BBS, JP*

(alternate to Dr. Cheng Kar Shun, Henry)

## AUDIT COMMITTEE

Mr. Kwong Che Keung, Gordon *(Chairman)*

Mr. Hui Chiu Chung, Stephen *JP*

Mr. Lee Kwan Hung, Eddie

Dr. Tong Yuk Lun, Paul

## REMUNERATION COMMITTEE

Mr. Hui Chiu Chung, Stephen *JP (Chairman)*

Mr. Lee Kwan Hung, Eddie

Dr. Tong Yuk Lun, Paul

Mr. Lam Wai Hon, Patrick

Mr. Poon Lock Kee, Rocky *MH*

## NOMINATION COMMITTEE

Mr. Lee Kwan Hung, Eddie *(Chairman)*

Mr. Hui Chiu Chung, Stephen *JP*

Dr. Tong Yuk Lun, Paul

Mr. Poon Lock Kee, Rocky *MH*

Mr. Doo William Junior Guilherme *BBS, JP*

## ESG COMMITTEE

Dr. Cheng Chun Fai *(Chairman)*

Mr. Lee Kwok Bong

Mr. Soon Kweong Wah

Mr. Lee Kwan Hung, Eddie

Dr. Tong Yuk Lun, Paul

Mr. Kwan Chun Kit, Terry

Mr. Tsang Tin Ngai

## COMPANY SECRETARY

Mr. Chan Ju Wai

## AUDITOR

PricewaterhouseCoopers

Certified Public Accountants and Registered PIE Auditor

22/F Prince's Building

Central

Hong Kong

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

BNP Paribas Hong Kong Branch

Chong Hing Bank Limited

Crédit Agricole Corporate and Investment Bank, Hong Kong Branch

Fubon Bank (Hong Kong) Limited

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

JPMorgan Chase Bank NA, Singapore

Nanyang Commercial Bank, Limited

Standard Chartered Bank (Hong Kong) Limited

## REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## Corporate Information

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### STOCK CODE

331

### INVESTOR RELATIONS

Strategic Financial Relations Limited  
2401–02, Admiralty Centre I  
18 Harcourt Road  
Hong Kong

### WEBSITE

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**豐盛生活服務有限公司**  
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