

FSE LIFESTYLE

INTERIM REPORT
2024-2025

Enriching
Lifestyle

FSE

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Better HOME 🏠

Better LIFE 🖼️

Better QUALITY 🏆



#Property & Facility Management Services
#City Essential Services
#E&M Services



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

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 delivered through three key segments, whose companies are the market leaders in their respective industries:



PROPERTY & FACILITY MANAGEMENT SERVICES

- Property & Facility Management and Car Park Management – Urban Group (“Urban”)
- Property Management – International Property Management Limited (“International Property Management”)
- Property Management, and Sales & Leasing – Kiu Lok Service Management Group (“Kiu Lok”)



CITY ESSENTIAL SERVICES

- Cleaning & Pest Control Services – Waihong Services Group (“Waihong”)
- Insurance Solutions – Nova Insurance Group (“Nova”)
- Technical Support & Maintenance Services – Far East Engineering Services Group (“Far East Engineering Services”) and Turning Technical Services Limited (“Turning Technical Services”)
- Environmental Solutions – FSE Environmental Solutions Group
- Systems Security, Guarding & Event Services – General Security Group (“General Security”) and Perfect Event Services Limited (“Perfect Event”)



E&M SERVICES

- Engineering and Consultancy – FSE Engineering Group, Majestic Engineering Group and Young’s Engineering Group

With their professionalism and expertise, together with the extensive synergies among the companies under FSE Lifestyle, we have built up a strong network and offer comprehensive “one-stop-shop” professional services to our clients.

Our clientele includes the HKSAR Government, multinational corporations, property owners/developers, theme parks, universities, hotels and hospitals covering both private and public facilities. We devise solutions for clients providing cost effectiveness and service excellence.

Our Vision

BETTER *life*
BETTER *home*
BETTER *quality*
to You Everyday

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.

Our Core Values

Quality

Integrity

Passion

Teamwork

Caring

Innovation

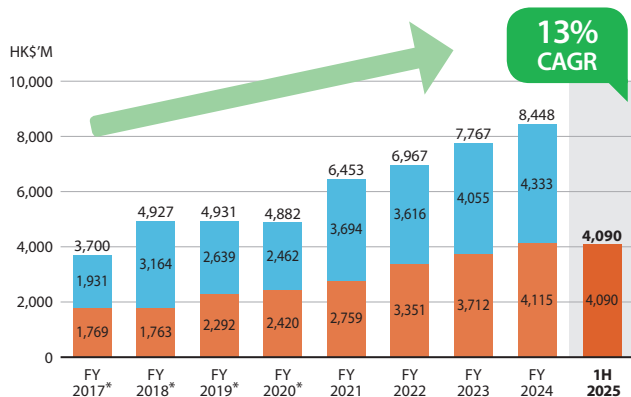
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9-YEAR ACHIEVEMENTS SINCE LISTING

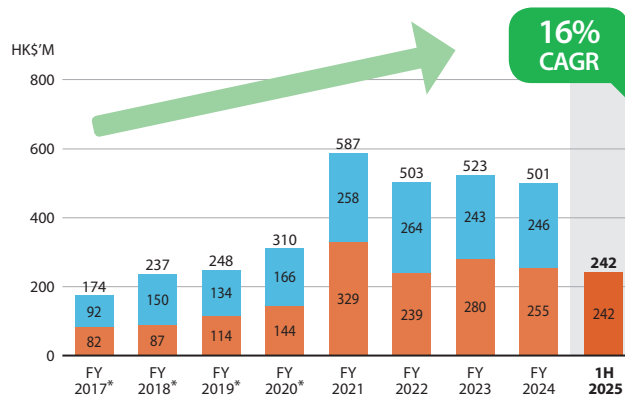
GROWTH TRENDS

Revenue



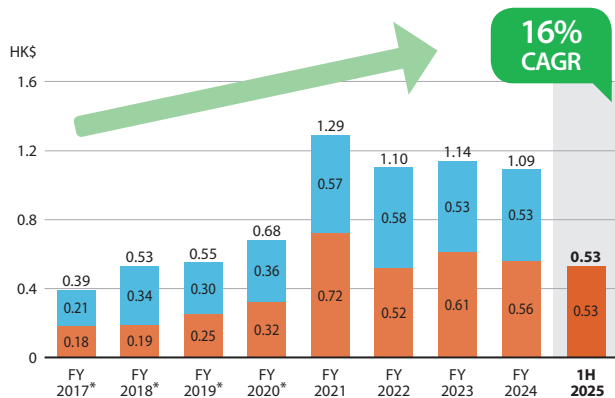
Through organic growth and acquisitions, consolidated revenue grew more than 120% from FY2017 to FY2024.

Profit Attributable to Shareholders



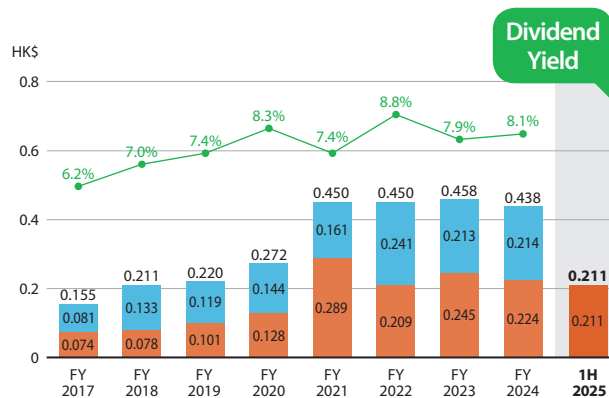
Compared with FY2017, consolidated profit attributable to shareholders for FY2024 increased more than 180%.

Earnings per Share



Earnings per share surged more than 170% from FY2017 to FY2024.

Dividends per Share



Compared with FY2017, dividends per share for FY2024 increased more than 180% and was maintained at a stable dividend payout ratio of about 40%.


First half Second half


* Reported figures per respective year's published annual results excluding subsequent restatements caused by business acquisitions.

9-YEAR ACHIEVEMENTS SINCE LISTING

OPERATIONAL PERFORMANCE

**PROPERTY
& FACILITY
MANAGEMENT
SERVICES**





**New and Renewed Contracts
in 1H2025***

14 Contracts
HK\$1,218 million

**Remaining Works
at 31 December 2024**

HK\$1,911 million

**CITY
ESSENTIAL
SERVICES**





**New and Renewed Contracts
in 1H2025***

169 Contracts
HK\$1,938 million

**Remaining Works
at 31 December 2024**

HK\$6,798 million

**E&M
SERVICES**





**New and Renewed Contracts
in 1H2025***

28 Contracts
HK\$1,193 million

**Remaining Works
at 31 December 2024**

HK\$5,946 million

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Loyal and Sizeable Workforce

(As at 31 December 2024)

Number of Staff


25,753

(1,662 as at 30 June 2016)


Environmental Targets

(FY2025 vs FY2024)


Fuel Consumption

 **1.0%**

Electricity Consumption

 **1.5%**

Paper Procured

 **8.0%**

People Development and Corporate Social Responsibility

(Six months ended 31 December 2024)

**Total Training Hours
Attended by Staff**

117,226

**Total Volunteer
Service Hours**

11,815

Number of Volunteers

1,546

9-YEAR ACHIEVEMENTS SINCE LISTING

MARKET POSITIONING



Note 1: Excluding developers' management companies

Source: Frost & Sullivan, September 2024

9-YEAR ACHIEVEMENTS SINCE LISTING

MEGA EVENTS CLIENTS

During July 2024 to December 2024, there were more than 110 mega events conducted in Hong Kong. Our Group's systems security, guarding & event services division provided services for roughly half of these events. Below are some highlights:

Jul 2024	Hong Kong Sports and Leisure Expo Ani-Com & Games Hong Kong 2024	Aug 2024	Food Expo PRO Hong Kong Computer & Communications Festival
Sep 2024	Philanthropy for Better Cities Forum Jewellery & Gem WORLD Hong Kong	Oct 2024	Global Sources Consumer Electronics & Electronic Components Show Fine Art Asia
Nov 2024	Hong Kong WinterFest – Christmas Town Super Terminal Expo	Dec 2024	DesignInspire LONGINES International Jockeys' Championship

FINANCIAL HIGHLIGHTS

	For the six months ended 31 December		% Change
	2024 HK\$M	2023 HK\$M	
Revenue	4,090.0	4,114.5	-0.6%
Gross profit	524.4	516.4	+1.5%
Profit attributable to shareholders of the Company ⁽ⁱ⁾	241.6	255.4	-5.4%
Basic earnings per share	HK\$0.53	HK\$0.56	-5.4%

The Board declared the payment of an interim dividend of HK21.1 cents (Six months ended 31 December 2023: HK22.4 cents) per ordinary share to the ordinary shareholders of the Company for the six months ended 31 December 2024⁽ⁱⁱ⁾.

Notes:

- (i) If excluding the effects of government grants in the Group's results for both periods to better illustrate the Group's financial results without such effects, the Group would record an increase in adjusted net profit of 3.9% to HK\$240.0M (i.e. after excluding government grants of HK\$1.6M from profit attributable to shareholders of the Company of HK\$241.6M) for the six months ended 31 December 2024 as compared to its adjusted net profit of HK\$231.0M (i.e. after excluding government grants of HK\$24.4M from profit attributable to shareholders of the Company of HK\$255.4M) for the six months ended 31 December 2023. 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 14.
- (ii) For the six months ended 31 December 2024, the dividend payout ratio of the Company is 40.0%, calculated based on the Group's adjusted profit for the six months ended 31 December 2024 attributable to ordinary shareholders of the Company of HK\$237.3M (i.e. after deducting preferred distribution to the holder of convertible preference shares of HK\$4.3M for the six months ended 31 December 2024 from profit attributable to shareholders of the Company of HK\$241.6M).

For the six months ended 31 December 2023, the dividend payout ratio of the Company was 40.1%, calculated based on the Group's adjusted profit for the six months ended 31 December 2023 attributable to ordinary shareholders of the Company of HK\$251.1M (i.e. after deducting preferred distribution to the holder of convertible preference shares of HK\$4.3M for the six months ended 31 December 2023 from profit attributable to shareholders of the Company of HK\$255.4M).

CHAIRMEN'S STATEMENT

As a large and unique lifestyle services conglomerate, we shall implement a trio-interactive strategy of safety & health, stakeholder engagement, and training & development, which are integral to our mission to deliver excellence in all aspects of our operations, and are fundamental to our long-term success.

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"), we are pleased to present the unaudited condensed consolidated interim results of the Company for the six months ended 31 December 2024 (the "Period").

DRIVING GROWTH WITH PROVEN TRIO-INTERACTIVE STRATEGY TO SUSTAIN LEADERSHIP NAVIGATING MARKET CHANGES

The year 2025 marks the ninth anniversary of the Company's listing in Hong Kong, which is going to be a pivotal year full of challenges, including a highly competitive market posing pressure on our profit margin. Given today's uncertain and complicated economic landscape, it is especially essential for us to diversify our client base, enhance internal controls on business solicitation and implement robust contingency plans to mitigate escalating counterparty risks.

Since listing, through organic growth and acquisitions, we have relentlessly diversified our businesses and grouped them into three core segments:



Property & Facility Management Services:

including Property & Facility Management, Car Park Management and Sales & Leasing



City Essential Services:

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



E&M Services:

including Engineering, and Consultancy

CHAIRMEN'S STATEMENT

The Group's consolidated revenue more than doubled, profit attributable to shareholders more than tripled and earnings per share had increased by more than 150% for FY2024 compared to FY2016.

Established Market Positions

Many of our subsidiaries are market leaders. According to the Frost & Sullivan market research conducted in September 2024, excluding management companies owned by property developers, our Property & Facility Management Group was ranked first in terms of managed units in residential estates and car parks and managed area in non-residential properties, our Cleaning & Pest Control Services was ranked number one in the environmental hygiene services industry, our Insurance Solutions business was ranked first among insurance brokers founded and based in Hong Kong, and our Systems Security, Guarding and E&M businesses were ranked second.

Relative to the year ended 30 June 2016, the Group's financial performance had markedly improved. Its consolidated revenue more than doubled in FY2024, profit attributable to shareholders more than tripled and earnings per share had increased by more than 150%. The Property & Facility Management Services and City Essential Services segments now account for more than half of the Group's revenue, gross profit and net profit, largely reducing cyclical risks for us. Continuing to manage its finance with prudence, the Group had a healthy balance sheet with diversified sources of cash flow and net gearing ratio at zero for the Period allowing it to tap more market opportunities.

Looking ahead, we will keep pushing forward our proven trio-interactive strategy encompassing safety and health, stakeholder engagement, and training and development.

The well-being of our workforce, our most valuable asset, is our top priority. Ensuring work safety, we employ relevant technologies to cultivate a culture of vigilance and help with mitigating risks. We work by the highest safety standards stated in the revised Occupational Safety and Health Ordinance (Cap. 509). The Group has increased targeted safety training hours for FY2025 by more than 20% to 90,000 hours.

To win in the increasingly competitive market, we need to engage stakeholders so we can understand and meet their evolving demands. Thus, we are dedicated to enhancing employees' skills to grasp stakeholders' and customers' demands and fortify client relationship.

Moreover, for succession planning, we have continually scrutinised and optimised the organisational frameworks of our different business units to improve management capabilities. People-centric at all times, we tailor training programmes to nurture a capable workforce, particularly young talent. The Group has increased targeted training hours for FY2025 by more than 20% to 240,000 hours.

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CHAIRMEN'S STATEMENT

At the same time, we endeavour to fortify our marketing strategies, foster cross-selling opportunities, enhance brand equity through meticulous Environmental, Social and Governance ("ESG") practices and technological integration – leveraging Artificial Intelligence ("AI") and Internet of Things ("IoT") to elevate customer satisfaction. Pursuing strategic mergers and acquisitions to diversify services and expand geographic presence has helped bolster our businesses, as exemplified by the recent acquisition of Beijing Nova Insurance Services Limited ("Beijing Nova").

As a result of implementing robust strategies and with a dedicated management team, the Group achieved profit attributable to shareholders of HK\$241.6 million for the Period and maintained a net cash position at the end of the Period. Excluding the impact of government grants in both years, the Group's adjusted net profit for the Period has increased by 3.9%. The Board has declared an interim dividend of HK21.1 cents per ordinary share for its ordinary shareholders for the six months ended 31 December 2024, representing a dividend payout ratio of 40.0%.

Property & Facility Management Services

Our Property & Facility Management Group, which comprises Urban, International Property Management and Kiu Lok, is among the largest independent property and car park management service providers in Hong Kong. With more than 50 years of experience, we provide property management services, building renovation and refurbishment, leasing and tenancy management that improve people's living conditions. Its clientele has also enabled us to cross sell other services the Group provides. The Group has strong technical, and engineering teams, making up of the most professionally qualified property management professionals holding altogether over 300 Tier 1 and Tier 2 property management licences. We currently have on hand more than 300 property management contracts covering no less than 150,000 residential units, 3.2 million square metres of commercial properties and approximately 40,000 car park spaces.

In the near term, despite the Government promising to ensure stable housing and land supply in the next decade including fast-track light public housing, we are facing stiff competition from mainland property management companies. The Group shall continue to embrace changes with an open mind-set, tightening management and continuously upgrading our teams' engagement skills. Furthermore, the segment shall continue to apply new and modern management standards and information technology in its operations to promote smart estate management and meet growing customer demand for smart, sustainable and green living, while providing our clients cost effective and quality services.

The Group achieved profit attributable to shareholders of HK\$241.6 million for the Period and the adjusted net profit for the Period has increased by 3.9%.

Have more than 300 property management contracts covering no less than 150,000 residential units, 3.2 million square metres of commercial properties and approx. 40,000 car park spaces.

CHAIRMEN'S STATEMENT

Waihong has secured contracts exceeding HK\$250 million in the Kai Tak Development Area and has introduced new information technology and robots to improve operational efficiency and work safety.

The Group completed the acquisition of Beijing Nova, which will help its insurance solutions business expand and diverse geographically.

City Essential Services

Cleaning & Pest Control Services – According to Frost & Sullivan, Waihong is the biggest environmental hygiene services provider in Hong Kong. Given the importance of hygiene and environmental control, the Hong Kong Government currently awards cleaning service contracts worth about HK\$5 billion a year. That considered, Waihong has strategically put more resources into strengthening its competitiveness in the sector, enabling it to diversify its revenue sources and increase the proportion of revenue from the government and quasi-government sectors to more than 50%. Apart from growing business in the government-related sector, Waihong has maintained stable growth in its residential and commercial portfolios. In the Period, Waihong has secured contracts exceeding HK\$250 million in the Kai Tak Development Area.

To support its growing business, Waihong has introduced new information technology and robots to improve operational efficiency and work safety. It will continue to grow its green waste management business, actively seek more contracts in the high-end market making up of premier office buildings, shopping malls and hotels. Given the increasing public awareness of environmental hygiene post-pandemic, we are optimistic about the future of the industry.

Insurance Solutions – Nova is the largest local insurance broker in Hong Kong, with a 36-year track record making solid gross insurance brokerage revenue. It provides corporate and individual clients with one-stop risk management and insurance solutions, including but not limited to property, casualty, construction, and employee benefits. On 27 December 2024, the Group completed the acquisition of Beijing Nova, a national insurance broker company regulated under the National Financial Regulatory Administration in the PRC insurance industry. Since 2003, it has been providing a full spectrum of professional insurance services to its clients in China. China is the second largest insurance market in the world and one of the fastest growing markets globally. The Group expects this acquisition will help its insurance solutions business expand and diverse geographically. Additionally, the Group stands prime to reap synergistic benefits through cross-selling opportunities between existing operations and stronger insurance business, boosting brand awareness and competitive advantage. Nova is well-poised for growth given the aforesaid more extensive geographical reach, its extensive experience and the many proposed construction projects in Hong Kong including Northern Metropolis Development projects. Overall, the Group expects to continue to see its Insurance Solutions business thrives.

Technical Support & Maintenance Services – This division, which comprises Far East Engineering Services and Turning Technical Services, sees growing demand for term maintenance services, major alterations, additions and system upgrades from various

CHAIRMEN'S STATEMENT

commercial and residential buildings, hospitals, government properties and educational institutions. With Hong Kong's Climate Action 2050 Carbon Neutral Policy implemented, demand for enhancing energy conservation and decarbonisation in buildings, including chiller plant upgrading or replacement projects will grow. We have already started a pilot zero-carbon chiller system for a commercial complex in Tsuen Wan West. Furthermore, the division will continue to complement and support our Property & Facility Management Services business, particularly in assisting with building inspections under the government's Mandatory Building Inspection Scheme. In Macau, this division was awarded a number of hotel related renovation and system enhancement contracts during the Period.

Environmental Solutions – Environmental Solutions, which comprises three business lines: Environment Solutions, Smart Solutions and Green Solutions, aims to seize the booming opportunities from growing public concern for environmental sustainability and awareness of environmental issues.

Environment Solutions

To meet the demand for a better standard living environment, hygiene and green buildings, the Group will continue to focus on water treatment, indoor air quality ("IAQ") monitoring, environmental consultancy and assessment services crucial to building sustainability performance.

Smart Solutions

The division's extra low voltage team will develop new and innovative businesses and strengthen building management and environmental monitoring systems via employing digital technologies such as AI, IoT and various 5G mobile applications to boost energy efficiency and carbon management, helping customers achieve their sustainability goals. "Going electric" is also key to speeding up decarbonisation. The Group's residential Electric Vehicles ("EV") charging infrastructure business has so far installed EV charging equipment in more than 3,000 parking spaces.

Green Solutions

With the government launching greening policies, urban planning initiatives and various support schemes, the landscape service industry has a bright outlook. As an experienced and professional industry service provider, we are committed to developing more landscape design projects as well as tree sales and planting services to our prestigious clients. To combat climate change risks and promote sustainability, we will continue to deliver high quality arboricultural and horticultural services in Hong Kong.

We have already started a pilot zero-carbon chiller system for a commercial complex in Tsuen Wan West with Hong Kong's Climate Action 2050 Carbon Neutral Policy implemented.

The Group's residential EV charging infrastructure business has so far installed EV charging equipment in more than 3,000 parking spaces.

CHAIRMEN'S STATEMENT

General Security has been awarded the security services contract of Kai Tak Sports Park, the largest sports, entertainment and leisure precinct ever commissioned in Hong Kong.

Systems Security, Guarding & Event Services – General Security, which holds all three security service licences issued in Hong Kong, is the second largest security & guarding services provider in Hong Kong. In coming years, the Government intends to continue to promote the mega event tourism economy, actively reaching out to attract more world-class mega events to come to Hong Kong. General Security has been awarded the security services contract of Kai Tak Sports Park, the largest sports, entertainment and leisure precinct ever commissioned in Hong Kong. During the Period, it has participated in roughly half of the about 110 mega events conducted in Hong Kong. It has demonstrated its competence in serving multiple events concurrently involving over 100,000 people. Perfect Event has been performing well in meeting the service demands of local conferences, conventions and exhibitions. Technological advancement has also given birth to more advanced electronic security equipment, such as alarm systems and video surveillance cameras, essential for property management companies to offer more effective facility management services. To capture related business opportunities, the Group's Systems Security, Guarding & Event Services division will expand the product range of its security systems business.

E&M Services

Hong Kong

The Group's E&M Services segment, which comprises FSE Engineering Group, Majestic Engineering Group and Young's Engineering Group, is currently one of the two dominant service providers in the Hong Kong market. Its large-scale ongoing projects included the District Court at Caroline Hill Road, Tuen Mun South Extension MTRC Station, expansion of the Legislative Council Complex, the New Public Market in Tin Shui Wai and public housing/dedicated rehousing estate at Kwu Tung North New Town. Tenders submitted or being prepared included the URA's Joint User Complex at Sham Shui Po, public housing estate at Tung Chung and Building 1 of Hong Kong-Shenzhen Innovation and Technology Park. In addition, the Northern Metropolis and Railway Development Strategy, which provides opportunities for the city to upgrade its urban space, is set to become the most important urban development initiative.

The HK Government is committed to a stable supply of commercial and residential land, and the CIC expects average E&M construction expenditure to exceed HK\$56 billion in fiscal year 2025/26.

Looking ahead, despite the Hong Kong Government is committed to a stable supply of commercial and residential land, and that the Construction Industry Council expects average E&M construction expenditure to exceed HK\$56 billion in fiscal year 2025/26, the Group is facing very strong competition in the marketplace and the trend will likely continue in the foreseeable future. We shall thus optimise our tendering strategy and cost management to counter the challenges ahead. It is also our top priority to provide a safer working environment for our employees using a three-pronged approach – formulating comprehensive safety manuals and operational procedures, promoting use of robotic technology and enhancing training. Armed with proven technological strengths and differentiated competencies, such as Building Information Modelling ("BIM"), Modular Integrated Construction ("MiC") and Multi-trade integrated Mechanical, Electrical & Plumbing ("MiMEP"), the Group's contracting business has strong support for the future.

CHAIRMEN'S STATEMENT

Mainland China

Despite China's economic outlook remaining precarious, the Chinese Government has continued to pursue high-quality development and maintain reasonable growth adopting proactive fiscal policies and prudent monetary policies, while pressing on with urbanisation. Priding over 30 years of industry experience and reputable brands, and as one of the few Hong Kong-based E&M general engineering contractors with Class I qualification in Mainland China, the Group is set to optimise its project coverage, winning new contracts, and gain new growth momentum in the vast market. Over the past year, we have taken up sizeable mixed-use development projects in major cities such as Beijing, Shanghai, Hangzhou and Kunming. The Group will continue to strengthen business presence in Mainland China, on the brace of its supply/installation expertise and well-established brand.

Macau

With the Chinese Government rolling out favourable measures, the Macau economy and its travel and tourism industry have continued to revive. Most importantly, the six casino operators who have been granted 10-year concessions have promised to collectively invest near US\$15 billion to help the economy rebalance to become a world-class tourist destination. Relevant new investments and E&M tenders, and guest rooms renovation and MICE space enhancement will take place this year. Infrastructure improvement to increase accessibility for tourists will also fuel economic recovery and related construction contracts. As a major service provider of more than 20 years in Macau's E&M industry, we are well positioned to capture those business opportunities as they arise.

The Group is set to optimise its project coverage, winning new contracts, and gain new growth momentum in the vast market.

CONCLUSION

The Group is confident of its development prospect in the post-pandemic era. It will also continue to seek new business opportunities to expand its operations and maximise shareholder value.

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

Dr. Cheng Kar Shun, Henry
Chairman

Mr. Doo Wai Hoi, William
Chairman

Hong Kong, 27 February 2025

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 31 December 2024 (the “Period”), the Group recorded revenue amounting to HK\$4,090.0 million, representing a decrease of HK\$24.5 million or 0.6%, as compared with HK\$4,114.5 million for the six months ended 31 December 2023 (the “same period last year”). Profit attributable to shareholders for the Period was HK\$241.6 million, representing a decrease of HK\$13.8 million or 5.4% as compared with HK\$255.4 million for the same period last year, mainly resulted from a decrease in government grants and a lower contribution from the E&M services segment, partly offset by the effect of the strong performance of the city essential services segment (namely the cleaning & pest control, systems security, guarding & event services, technical support & maintenance and insurance solutions businesses). Details of the government grants recognised by the Group are set out in Note 6 to the condensed consolidated interim financial statements.

Summary of government grants

For the six months ended 31 December	2024 HK\$'M	2023 HK\$'M
Recognised as deduction of staff costs included in “Cost of services and sales”	1.6	8.2
Recognised as deduction of staff costs included in “General and administrative expenses”	–	1.0
Recognised as “Other income”	–	15.2
Total	1.6	24.4

Results excluding government grants

If excluding the effects of government grants in the Group’s results for both periods to better illustrate the Group’s financial results without such effects, the Group would record an increase in adjusted net profit for the Period of 3.9% to HK\$240.0 million (i.e. after excluding government grants of HK\$1.6 million from its profit attributable to shareholders of the Company of HK\$241.6 million) as compared to its adjusted net profit of HK\$231.0 million for the same period last year (i.e. after excluding government grants of HK\$24.4 million from its profit attributable to shareholders of the Company of HK\$255.4 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Tender submitted and contracts awarded

For the six months ended 31 December 2024	Tender submitted ⁽ⁱ⁾ HK\$'M	Contracts awarded ^{(i) (ii)} HK\$'M
Property & facility management services	1,076	1,218
City essential services		
– Cleaning & pest control services	4,629	983
– Insurance solutions	26	17
– Technical support & maintenance services	3,573	452
– Environmental solutions	360	140
– Systems security, guarding & event services	412	346
City essential services subtotal	9,000	1,938
E&M services	12,559	1,193
Total	22,635	4,349

Notes:

(i) With net contract sum not less than HK\$1 million for each contract.

(ii) Combining the submitted tenders from the previous months.

Gross value of contract sum and outstanding contract sum

As at 31 December 2024	Gross value of contract sum HK\$'M	Outstanding contract sum HK\$'M
Property & facility management services	2,190	1,911
City essential services		
– Cleaning & pest control services	6,509	3,493
– Insurance solutions	130	41
– Technical support & maintenance services	2,531	1,665
– Environmental solutions	709	473
– Systems security, guarding & event services	1,942	1,126
City essential services subtotal	11,821	6,798
E&M services	10,241	5,946
Total	24,252	14,655

PROPERTY & FACILITY MANAGEMENT Services

Number of staff
Over

5,300

Service contracts
Over

300



property & facility management



FSE Lifestyle's unique market differentiation lies in their integration of services, strong pool of professional talents and partnership approach with our clients. We are pioneer in the introduction of modern international standards and innovative service models in property and facility management in Hong Kong.

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 service providers in the residential, non-residential and car park property and facility management markets in Hong Kong, after excluding management companies owned by property developers. The companies provide comprehensive and recognised professional management services for their clients.

MANAGEMENT DISCUSSION AND ANALYSIS



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, including the self-developed eApplication systems – The Sm@rtUrban Apps for customers and the ComEasy App for internal operation, with the application of drones for high rise inspections, altogether create strong synergies to enhance the overall operational efficiency in its property and facility management services.

During the Period, our Property & Facility Management Group submitted tenders for 30 service contracts (with a contract sum not less than HK\$1 million for each service contract) with a total tender sum of HK\$1,076 million and, combining the submitted tenders from the previous months, was awarded 14 service contracts (with a net contract sum not less than HK\$1 million for each service contract) with a total contract sum of HK\$1,218 million. Among these 14 service contracts, three of them were major service contracts (with net contract sum not less than HK\$20 million for each service contract) for government facilities in several Hong Kong regions.

As at 31 December 2024, the property & facility management services segment has a total gross value of contract sum of HK\$2,190 million with total outstanding contract sum of HK\$1,911 million.

The Incorporated Owners of Allway Gardens

Urban Group's property management department proactively offered assistance in clearing clutter upon learning of residents' requests for help to improve their living environment. This initiative not only reflects your company's property management team's proactive approach to addressing community cases, enhancing residents' quality of life, but also demonstrates the team's efforts to improve service quality and enhance the living environment. Over the past year, the team has actively implemented various cost-saving measures, resulting in significant savings on maintenance expenses for the estate, thereby alleviating financial pressure.



MANAGEMENT DISCUSSION AND ANALYSIS



CITY ESSENTIAL *Services*

Number of staff
Over

19,200

Service contracts
Over

13,600

Building on FSE Lifestyle's recognisable brands, high service quality and strong cross-selling synergies created by our business ecosystem, we continued to successfully promote our city essential services during the Period.

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 disinfection, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Waihong's unique market differentiation lies in its integration of services, enormous working teams comprising approximately 13,000 staff, a strong fleet management with over 100 municipal vehicles and full support towards customers. Waihong has applied advanced technology, including AI systems for smart toilets, electronic face recognition attendance system (Check-in Easy) and real-time work monitoring system (ComEasy). High degree of service commitments keeps Waihong ranked the largest in the cleaning service industry in Hong Kong. It is a market leader and competent in providing clients with quality services.



During the Period, Waihong submitted tenders for 223 cleaning service contracts (with a contract sum not less than HK\$1 million for each service contract) with a total tender sum of HK\$4,629 million and, combining the submitted tenders from the previous months, was awarded 56 service contracts (with a net contract sum not less than HK\$1 million for each service contract) with a total contract sum of HK\$983 million. Among these 56 service contracts, ten of them were major service contracts (with net contract sum not less than HK\$20 million for each service contract), which included cleaning contracts for government facilities in three regions, two universities, a sports facility and a commercial complex in Kai Tak, an exhibition centre in Wan Chai, a bank and a public transport company.

Insurance Solutions

The Group's insurance solutions business, Nova, comprises Nova Insurance Consultants and International Reinsurance Management, both of which hold Insurance Broker Company Licenses 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 (out of 803) general insurance 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, good local knowledge and connections, 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 the Period, Nova secured placements for a number of operational insurances for a commercial complex and new cyber insurance policies. Nova also won a contract from one of the leading tertiary education institutions. 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.



MANAGEMENT DISCUSSION AND ANALYSIS

On 27 December 2024, Nova acquired the entire registered and paid-up capital of Beijing Nova Insurance Services Limited from (i) Guangzhou Sheng Gao Property Development Limited (40.1%), (ii) Baohua Equity Investment Limited (35.0%) and (iii) Nova Risk Services Holdings Limited (24.9%) at a total cash consideration of RMB123.1 million (equivalent to HK\$133.0 million) funded by the Group's internal resources. Beijing Nova, holding a nationwide insurance broking license granted by the National Financial Regulatory Administration in China, is a national insurance brokerage company for the insured established in Mainland China.

During the Period, Nova submitted tenders for 13 service contracts (with a contract sum not less than HK\$1 million for each service contract) with a total tender sum of HK\$26 million and was awarded nine service contracts (with a net contract sum not less than HK\$1 million for each service contract) with a total contract sum of HK\$17 million.

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 the Period, the Group submitted tenders for 312 maintenance service contracts (with a contract sum not less than HK\$1 million for each contract) with a total tender sum of HK\$3,573 million and, combining the submitted tenders from the previous months, was awarded 59 contracts (with a net contract sum not less than HK\$1 million for each contract) with a total net contract sum of HK\$452 million. Among these 59 contracts, six of them were major contracts

EcoPark Management Office

We write to express our commendation to the excellent services provided by your EcoPark cleaning team of Waihong Services Group due to your team's competence, effectiveness and efficiency in the past two years. We highly appreciated your team's effort in carrying out a series of intensive cleaning and daily cleaning for the EcoPark public areas. We would be more than willing to recommend your company to bid the cleaning jobs from any government departments and other organizations.



MANAGEMENT DISCUSSION AND ANALYSIS

Savills Hong Kong

The team of Waihong Services Group has consistently delivered exemplary service, ensuring not only a clean and hygienic environment for our estate but also providing peace of mind and comfort to all residents. The professionalism and attention to detail demonstrated by your team have earned our trust and admiration. Whether handling routine cleaning tasks or addressing special circumstances, your company has responded swiftly and efficiently, showcasing exceptional professional standards.



(with net contract sum not less than HK\$20 million for each contract), which included two chiller replacement and system upgrading contracts for a commercial building in Central, two chiller replacement contracts for various shopping centres in Shatin, Yuen Long, Lok Fu and Tsing Yi, a term contract for government buildings in Cheung Sha Wan and Tsuen Wan and a system enhancement contract for a hotel in Macau.

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" (water and air treatment, laboratory testing & certification) 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 towers, swimming pools, public toilets, 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 nine accredited IAQ certificate issuing bodies in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

The Hong Kong and China
Gas Company Limited

I am writing to express our sincere gratitude for the exceptional security services provided by General Security. Your team's dedication and professionalism have ensured the smooth operation of our security measures at the Towngas' premises. We have been consistently impressed by the reliability and quality of your personnel, which has greatly contributed to our peace of mind and operational efficiency. Your commitment to excellence is truly commendable.



(ii) "Smart Solutions" (ELV, EV and smart facilities) 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, as well as a full range of services covering material supply, electrical installation, design and engineering and project management for electric vehicle ("EV") charging infrastructure.

(iii) "Green Solutions" (landscape and building materials) in landscape management and maintenance services to a diversified business portfolio, including but not limited to property developers and managers, and trading of a wide range of 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.

During the Period, the Group submitted 84 service contracts tenders and quotations for its environmental, landscape, ELV, EV charging infrastructure and building material trading businesses (with a sum not less than HK\$1 million for each contract or quotation) with a total tender and quotation sum

of HK\$360 million and, combining the submitted tenders and quotations from the previous months, was awarded 27 environmental, landscape, ELV, EV charging infrastructure and building material trading service contracts and quotations (with a sum not less than HK\$1 million for each contract or quotation) with a total sum of HK\$140 million.

Systems Security, Guarding & Event Services

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

MANAGEMENT DISCUSSION AND ANALYSIS



security system incorporating a security device. It has a strong workforce capable of serving multiple events concurrently involving over 100,000 people. In addition, General Security operates a 24-hour Central Alarm Monitoring Station, an additional Central Alarm Monitoring Station (“CAMS”) license endorsement and is providing monitoring services to many jewelry stores and houses. It has adopted new technologies, including electronic key management systems, to enhance its service quality and efficiency.

Perfect Event has steadily gained a foothold in its two core businesses: (i) providing customer service ambassadors for

a variety of events such as art displays, exhibitions, concerts, pop music award ceremonies as well as private club events and (ii) providing technological support enhancements for events. Perfect Event is supported by General Security in management and back-office support, leaning on its vast operations experience and expertise. General Security and Perfect Event together offers comprehensive “one-stop-shop” professional systems security, guarding and event services to its clients.

During the Period, General Security and Perfect Event submitted tenders for 35 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\$412 million and, combining the submitted tenders from the previous months, was awarded 18 service contracts (with a net contract sum not less than HK\$1 million for each service contract) with a total contract sum of HK\$346 million. Among these 18 service contracts, three of them were major service contracts (with net contract sum not less than HK\$20 million for each service contract) including two residential estates in Sai Kung and Tin Hau and a multi-purpose sports venue in Kai Tak.

As at 31 December 2024, the city essential services segment has a total gross value of contract sum of HK\$11,821 million with a total outstanding contract sum of HK\$6,798 million.

The Hong Kong Jockey Club

We want to express our heartfelt appreciation for the outstanding performance of your General Security (GS) staff on National Day Raceday. Their swift and decisive actions in apprehending a theft suspect showcased exceptional vigilance and professionalism. We were impressed by the entire GS team’s commitment to ensuring a safe environment for all attendees. Please convey our sincere gratitude to them for their dedication and exemplary service.



MANAGEMENT DISCUSSION AND ANALYSIS



e&m

E&M Services

Number of staff
Over

1,000

Service contracts
Over

160

FSE Lifestyle's E&M services comprises FSE Engineering Group, Majestic Engineering Group and Young's Engineering Group, these companies have maintained its position as one of the leading E&M companies in Hong Kong.

The Group's E&M services business, comprising FSE Engineering Group, Majestic Engineering Group and Young's 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 and 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 and residential properties.

MANAGEMENT DISCUSSION AND ANALYSIS

Hip Hing Engineering Co Ltd

Majestic Engineering Company has been able to perform their contractual obligations with high quality workmanship. We are impressed with their technical expertise, their responsible attitude working with other contractors and the consultant team in resolving site problems. We appreciate the contribution of Majestic to success completion of the project and have no hesitation in recommending them to any engagement that requires quality and reliability.



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.

During the Period, the Group's E&M services business submitted tenders for 157 E&M engineering projects (with a contract sum not less than HK\$1 million for each project) with a total tender sum of HK\$12,559 million and, combining the submitted tenders from the previous months, was awarded 28 contracts (with a net contract sum not less than HK\$1 million for each project) with a total net contract sum of HK\$1,193 million. Among these contracts, five of them were major projects (with net contract sum not less than



HK\$100 million for each project), which included two residential projects in North Point and To Kwa Wan, two public housing projects in Fanling and Shek Kip Mei and a shopping mall development in Kwun Tong.

As at 31 December 2024, the E&M services segment has a total gross value of contract sum of HK\$10,241 million with a total outstanding contract sum of HK\$5,946 million.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

During the Period, the Group's revenue decreased by HK\$24.5 million or 0.6 % to HK\$4,090.0 million from HK\$4,114.5 million for the same period last year, reflecting lower revenue from the E&M services segment amounting to HK\$301.9 million, mitigated by higher revenue from the city essential services segment and the property & facility management services segment amounting to HK\$256.8 million and HK\$20.6 million respectively.

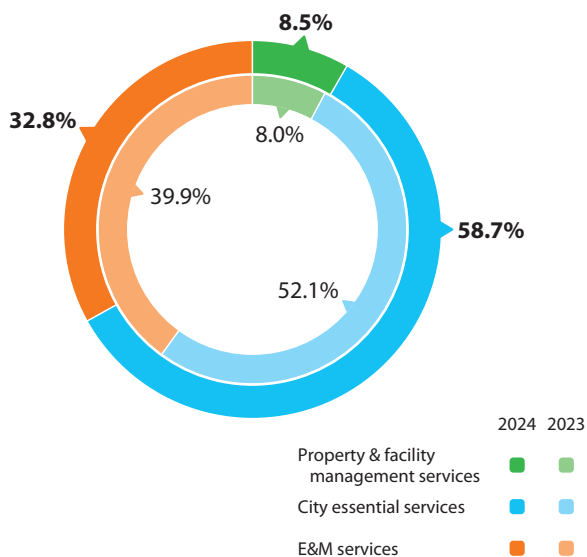
	For the six months ended 31 December		% Change
	2024 HK\$'M	2023 HK\$'M	
Property & facility management services*	350.4	329.8	6.2%
City essential services*	2,399.4	2,142.6	12.0%
E&M services*	1,340.2	1,642.1	(18.4%)
Total	4,090.0	4,114.5	(0.6%)

* Segment revenue does not include inter-segment revenue.

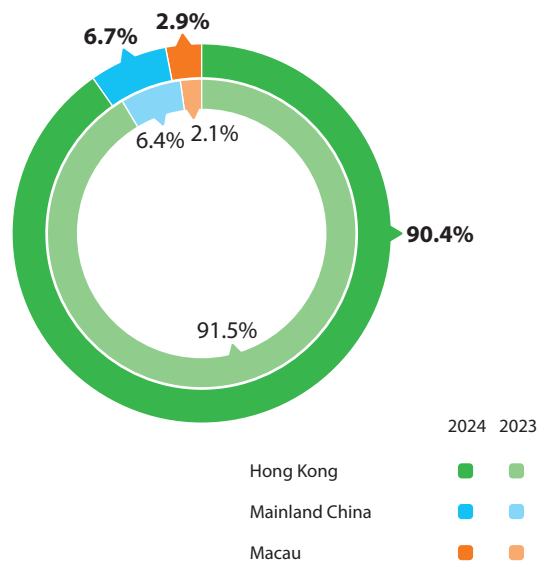
The Group's revenue from the property & facility management services segment and the city essential services segment in aggregate contributed 67.2% (2023: 60.1%), whereas the revenue from E&M services segment contributed 32.8% (2023: 39.9%).

During the Period, the Group's revenue contribution from Hong Kong, Mainland China and Macau was 90.4%, 6.7% and 2.9% (2023: 91.5%, 6.4% and 2.1%) respectively.

For the six months ended 31 December



For the six months ended 31 December



MANAGEMENT DISCUSSION AND ANALYSIS

- *Property & facility management services:* This segment contributed 8.5% (2023: 8.0%) of the Group's total revenue. The services were principally provided in Hong Kong.

Segment revenue increased by 6.2% or HK\$20.6 million to HK\$350.4 million from HK\$329.8 million. It mainly reflected an increase from the contract extensions for government office buildings and quarters.

Under the respective contract terms, approximately 20% of the property & facility management services segment's revenue is accounted for based on the 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 the Period would increase by HK\$1,500.0 million from its reported amount of HK\$350.4 million (2023: HK\$329.8 million) to about HK\$1,900.0 million (2023: HK\$1,900.0 million).

- *City essential services:* This segment contributed 58.7% (2023: 52.1%) of the Group's total revenue. The revenue of individual divisions of this services segment is as below:

	For the six months ended 31 December		% Change
	2024 HK\$'M	2023 HK\$'M	
Cleaning & pest control services	1,262.9	1,128.1	11.9 %
Insurance solutions	62.9	58.1	8.3%
Technical support & maintenance services	560.4	499.9	12.1%
Environmental solutions	179.0	150.2	19.2%
Systems security, guarding & event services	334.2	306.3	9.1%
Total	2,399.4	2,142.6	12.0%

Most of the revenue reflected an increase in contribution from Hong Kong (HK\$190.2 million) and Macau (HK\$66.8 million).

Segment revenue grew by 12.0% or HK\$256.8 million to HK\$2,399.4 million from HK\$2,142.6 million reflected growth in all its divisions.

- *E&M services:* This segment contributed 32.8% (2023: 39.9%) of the Group's total revenue and 81%, 19% and 0.1% (2023: 82%, 15% and 3%) of this segment's revenue were contributed from Hong Kong, Mainland China and Macau respectively. Lower revenue contribution was recorded in the Period from Hong Kong (HK\$273.6 million) and Macau (HK\$37.1 million), partly mitigated by an increase at Mainland China (HK\$8.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS

	For the six months ended 31 December		% Change
	2024 HK\$'M	2023 HK\$'M	
Hong Kong	1,078.3	1,351.9	(20.2%)
Mainland China	260.5	251.7	3.5%
Macau	1.4	38.5	(96.4%)
Total	1,340.2	1,642.1	(18.4%)

Segment revenue decreased by 18.4% or HK\$301.9 million to HK\$1,340.2 million from HK\$1,642.1 million and mainly reflected lower revenue contributions from a number of E&M engineering installation projects which were near completion at the same period last year including Immigration Headquarters in Tseung Kwan O, a commercial building in Wan Chai and Ningbo New World Plaza Comprehensive Development in Mainland China, and delays of certain design and construction projects in Hong Kong, mitigated by the substantial progress of the expansion of a government building in Central and a residential estate in Tuen Mun.

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 the Period would increase by HK\$600.0 million from its reported amount of HK\$1,340.2 million (2023: HK\$1,642.1 million) to about HK\$1,900.0 million (2023: HK\$2,700.0 million).

Gross profit

The following tables present the breakdown of the Group's gross profit by business segment:

	For the six months ended 31 December			
	2024		2023	
	Gross profit HK\$'M	Gross profit margin %	Gross profit HK\$'M	Gross profit margin %
Gross profit and gross profit margin including government grants				
Property & facility management services	110.7	31.6%	107.5	32.6%
City essential services	255.6	10.7%	227.2	10.6%
E&M services	158.1	11.8%	181.7	11.1%
Total	524.4	12.8%	516.4	12.6%

During the Period, the Group's property & facility management services segment, city essential services segment and E&M services segment contributed 21.1% (2023: 20.8%), 48.7% (2023: 44.0%) and 30.2% (2023: 35.2%) of its gross profit respectively. The Group's gross profit increased by HK\$8.0 million or 1.5% to HK\$524.4 million from HK\$516.4 million for the same period last year, with an overall gross profit margin increased to 12.8% from 12.6%, mainly reflecting higher contributions from all divisions of the Group's city essential services segment and its property & facility management services business, partly offset by a lower contribution from its E&M business and a decrease in government grants.

MANAGEMENT DISCUSSION AND ANALYSIS

	For the six months ended 31 December			
	2024		2023	
	Gross profit HK\$'M	Gross profit margin %	Gross profit HK\$'M	Gross profit margin %
Gross profit and gross profit margin				
Gross profit and gross profit margin as reported	524.4	12.8%	516.4	12.6%
Excluding government grants*	(1.6)	–	(8.2)	(0.2%)
Gross profit and gross profit margin excluding government grants	522.8	12.8%	508.2	12.4%

* 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 14.

If excluding the effects of these grants in the Group's gross profit for both periods (i.e. HK\$1.6 million for the Period and HK\$8.2 million for the same period last year) to better illustrate the Group's performance without such effects, its adjusted gross profit margin increased to 12.8% from 12.4% for the same period last year, mainly caused by margin improvements at the Group's property & facility management and E&M services businesses.

- Property & facility management services:** This segment recorded an increase in its gross profit of HK\$3.2 million to HK\$110.7 million from HK\$107.5 million, with a stable gross profit margin at 31.6%. This was caused by an increase in revenue from the contract extensions for government office buildings and quarters, partly offset by a decrease in government grants.
- City essential services:** This segment recorded an increase in its gross profit of HK\$28.4 million to HK\$255.6 million from HK\$227.2 million, with its gross profit margin remained stable at 10.7%. This was caused by higher contributions from (i) an increase in new cleaning service contracts mainly from the government; (ii) its technical support and maintenance services business' renovation works for a hotel in Macau; (iii) its environmental solutions business' water system engineering and electric vehicle charging infrastructure projects; (iv) more new contracts from regular guarding and ad-hoc services; and (v) an increase in new general insurance service contracts awarded.
- E&M services:** The gross profit of the E&M services segment decreased by HK\$23.6 million to HK\$158.1 million from HK\$181.7 million with its stable gross profit margin at 11.8%, principally reflected lower revenue from its projects in Hong Kong and Macau.

General and administrative expenses

General and administrative expenses of the Group for the Period increased by HK\$11.8 million or 5.0% to HK\$248.8 million from HK\$237.0 million for same period last year, reflected an increase in staff costs.

	For the six months ended 31 December			
	2024 HK\$'M	2023 HK\$'M	Change HK\$'M	% Change
General and administrative expenses excluding government grants				
General and administrative expenses as reported	248.8	237.0	11.8	5.0%
Excluding government grants	–	1.0	(1.0)	(100.0%)
General and administrative expenses excluding government grants	248.8	238.0	10.8	4.5%

MANAGEMENT DISCUSSION AND ANALYSIS

If excluding the effects of government grants in the Group's general and administrative expenses for both periods (i.e. Nil for the Period and HK\$1.0 million same period last year) to better compare their amounts without such effects, its adjusted general and administrative expenses increased 4.5% to HK\$248.8 million compared to HK\$238.0 million for the same period last year.

Other income, net

Other net income of HK\$4.1 million was recorded by the Group during the Period compared to HK\$21.6 million recorded in same period last year.

The other net income recorded during the Period mainly represented gains on disposal of properties in the Mainland China. The net income recorded in the same period last year mainly represented the recognition of government grants in Hong Kong and gains on disposal of properties in the Mainland China.

Finance income

The Group recorded finance income of HK\$18.1 million (2023: HK\$10.9 million).

Finance costs

The Group's finance costs of HK\$12.8 million (2023: HK\$10.6 million) for the Period included interest expenses of (i) HK\$6.8 million (2023: HK\$7.8 million) for the Group's bank loan financing its acquisition of property & facility management services business in December 2019, (ii) HK\$1.3 million (2023: HK\$0.9 million) for lease liabilities and (iii) HK\$4.7 million (2023: HK\$1.9 million) for other bank borrowings and liabilities.

Income tax expenses

The effective tax rate of the Group remained stable at 15.4% (2023: 15.5%).

Profit for the period attributable to shareholders of the Company

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

	For the six months ended 31 December		Change HK\$'M	% Change
	2024 HK\$'M	2023 HK\$'M		
Profit attributable to shareholders including government grants				
Property & facility management services	45.1	65.8	(20.7)	(31.5%)
City essential services	122.5	101.0	21.5	21.3%
E&M services	84.5	99.9	(15.4)	(15.4%)
Unallocated corporate expenses and finance costs*	(10.5)	(11.3)	0.8	(7.1%)
Total	241.6	255.4	(13.8)	(5.4%)

* Unallocated corporate expenses and finance costs comprise the Company's corporate expenses of HK\$3.7 million (2023: HK\$3.5 million) and interest expenses of HK\$6.8 million (2023: HK\$7.8 million).

The Group's profit for the Period decreased by 5.4% or HK\$13.8 million to HK\$241.6 million compared to HK\$255.4 million for the same period last year. The decrease mainly resulted from a decrease in government grants and a lower contribution from the E&M services segment, partly offset by the effect of the strong performance of the city essential services segment (namely cleaning & pest control, systems security, guarding & event services, technical support & maintenance and insurance solutions

MANAGEMENT DISCUSSION AND ANALYSIS

businesses). Details of the government grants recognised by the Group are set out in Note 6 to the condensed consolidated interim financial statements. The net profit margin of the Group decreased to 5.9% for the Period from 6.2% for the same period last year.

	For the six months ended 31 December		Change HK\$'M	%Change
	2024 HK\$'M	2023 HK\$'M		
Profit attributable to shareholders excluding government grants				
Profit attributable to shareholders as reported	241.6	255.4	(13.8)	(5.4%)
Excluding government grants	(1.6)	(24.4)	22.8	(93.4%)
Profit attributable to shareholders excluding government grants	240.0	231.0	9.0	3.9%

If excluding the effects of government grants in the Group's results for both periods to better illustrate the Group's financial results without such effects, the Group would record an increase in adjusted net profit for the Period of 3.9% to HK\$240.0 million (i.e. after excluding government grants of HK\$1.6 million from its profit attributable to shareholders of the Company of HK\$241.6 million) as compared to its adjusted net profit of HK\$231.0 million for the same period last year (i.e. after excluding government grants of HK\$24.4 million from its profit attributable to shareholders of the Company of HK\$255.4 million).

Other comprehensive income

The Group recorded other comprehensive income for the Period of HK\$7.0 million (2023: HK\$2.0 million), reflected the remeasurement gains on long service payment liabilities of HK\$8.0 million (2023: HK\$0.2 million) and defined benefit retirement scheme of HK\$0.4 million (2023: losses of HK\$0.6 million), partly offset by an unfavourable exchange reserve movement of HK\$1.4 million (2023: favourable exchange movement of HK\$2.4 million) recorded during the Period following a depreciation of the Renminbi ("RMB") for conversion of the Group's net investments in Mainland China.

Capital structure

	As at 31 December 2024		As at 30 June 2024	% to total equity	Increase/ (decrease) HK\$'M
	HK\$'M	% to total equity	HK\$'M		
Non-current assets	375.3	33.1%	304.6	30.8%	70.7
Cash and bank balances	622.4	54.9%	601.3	60.8%	21.1
Borrowings ⁽ⁱ⁾	410.3	36.2%	235.8	23.8%	174.5
Net cash ⁽ⁱⁱ⁾	212.1	18.7%	365.5	37.0%	(153.4)
Working capital ⁽ⁱⁱⁱ⁾	1,078.9	95.2%	774.0	78.3%	304.9
Total equity	1,132.8	100.0%	988.9	100.0%	143.9

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

The Group's finance and treasury functions are centrally managed and controlled at its headquarters in Hong Kong. As at 31 December 2024, the Group had total cash and bank balances of HK\$622.4 million (30 June 2024: HK\$601.3 million), of which 81%, 15% and 4% (30 June 2024: 96%, 2% and 2%) were denominated in Hong Kong dollars, RMB and other currencies respectively, and total borrowings of HK\$410.3 million (30 June 2024: HK\$235.8 million), of which HK\$389.0 million (30 June 2024: HK\$218.8 million) were denominated in Hong Kong dollars and HK\$21.3 million (30 June 2024: HK\$17.0 million) were denominated in RMB. The Group's net cash balance decreased by HK\$153.4 million to HK\$212.1 million as at 31 December 2024 as compared to HK\$365.5 million as at 30 June 2024 mainly reflecting the distribution of the Company's final dividend for its financial year ended 30 June 2024 of HK\$96.3 million and preferred distribution on the convertible preference shares of HK\$8.5 million, net cash outflow from the acquisition of Beijing Nova of HK\$69.8 million and the Group's payments for principal portions of lease liabilities of HK\$24.1 million, partly mitigated by net cash inflow from operating activities. The Group's net gearing ratio was maintained at zero as at 31 December 2024 (30 June 2024: zero). This ratio is calculated as net debt divided by total equity. Net debt is calculated as total bank borrowings less cash and cash equivalents.

The Group's net gearing ratio was maintained at zero as at 31 December 2024.

Adopting a prudent financial management approach in implementing its treasury policies, the Group maintained a healthy liquidity position throughout the reporting period. As at 31 December 2024, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees

and/or trade financing of HK\$3,089.8 million (30 June 2024: HK\$3,134.9 million). As at 31 December 2024, HK\$410.3 million (30 June 2024: HK\$235.8 million) of the Group's banking facilities had been utilised for bank borrowings and HK\$919.9 million (30 June 2024: HK\$790.8 million) of the Group's banking facilities had been utilised for 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 31 December 2024, the Group's total debts amounted to HK\$410.3 million (30 June 2024: HK\$235.8 million), of which HK\$40.0 million is renewed on a weekly basis, HK\$151.3 million on a monthly basis and HK\$219.0 million matures in October 2026. The Group has managed its debt maturity profile to minimise its refinancing risks. All of these debts, including HK\$389.0 million denominated in Hong Kong Dollar and HK\$21.3 million denominated in RMB, bear interest at floating rates.

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 into 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\$221.5 million as at 31 December 2024 (30 June 2024: HK\$130.2 million). 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Adopting a prudent financial management approach in implementing its treasury policies, the Group maintained a healthy liquidity position throughout the reporting period.

During the Period, the fluctuation of RMB against Hong Kong dollars was 4% (comparing the highest exchange rate with the lowest exchange rate of the RMB against the Hong Kong dollars during the Period).

As at 31 December 2024, if the Hong Kong dollars had strengthened/weakened by another 4% against the RMB with all other variables unchanged, the Group's other comprehensive income would have been HK\$8.9 million lower/higher.

Capital commitments

As at 31 December 2024, the Group had capital commitments of HK\$6.9 million (30 June 2024: HK\$5.4 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 31 December 2024.

Convertible preference shares

On 16 December 2019, the Group acquired Legend Success Investments Limited ("Legend Success") (together with its subsidiaries, the "Legend Success Group"), which 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.

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 31 December 2024, the effect of their conversion is not included in the calculation of the diluted earnings per share for six months ended 31 December 2024 and 2023 pursuant to HKAS 33's requirements as described in Note 9 to the condensed consolidated interim financial statements. Assuming that all of the outstanding convertible preference shares were converted as at the end of the Period of

MANAGEMENT DISCUSSION AND ANALYSIS

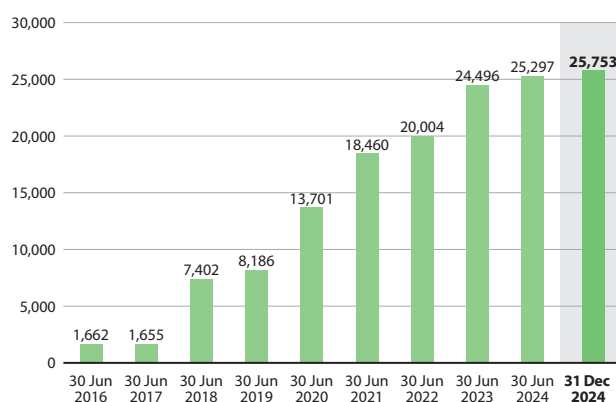
31 December 2024 and assuming their conditions for conversion were met, the Company's earnings per share after taking into account of the dilutive impact of such conversion for the six months ended 31 December 2024 would be HK\$0.49 per share, calculated as the Group's profit attributable to shareholders of the Company of HK\$241.6 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.



As at 31 December 2024, the Group had a total of 25,753 employees (31 December 2023: 24,881) including 9,638 (31 December 2023: 9,683) 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 Period, including salaries and benefits, were HK\$1,930.0 million (2023: HK\$1,756.6 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.

Number of Staff



MANAGEMENT DISCUSSION AND ANALYSIS

The Company maintains 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.

OUTLOOK



Property & Facility Management Services Segment

The segment has over 50 years' experience providing quality management services to help clients maintain properties and facilities, improving their quality, reputation and value. The higher demand for enhanced and one-stop professional property and facility management solutions represents growth opportunities for the Group. The business has ample opportunities and a robust outlook:

- Demand for professional property management services in Hong Kong is increasing and will continue to increase thanks to government policy to boost residential unit supply in the next decade.
- As social awareness of the need to protect property owners' rights, demand for services from independent (non-property own developer related) property and facility management companies is growing.

Demand for professional property management services in Hong Kong is increasing and will continue to increase thanks to government policy to boost residential unit supply in the next decade.

- Continuous growth of residential properties supply in Hong Kong is presenting the Group with opportunities in the first-hand property sales market. Moreover, the government's new immigrant admission schemes, particularly the Top Talent Pass Scheme ("TTPS"), are in favour of property sales and leasing, conducive to driving housing demand and the Group offering sale and leasing services.
- The segment has over 5,000 strong staff and is capable of adopting new operating methods, combining skills with innovative technologies and IoT applications to enhance overall service efficiency and effectiveness. The segment well-versed in applying advanced technologies is able to capitalise on the trend of more and more clients opting for technological solutions. The Group has adopted many technology applications, including Sm@rtUrban, ComEasy and Drones, at over 120 sites to enhance operational efficiency and service effectiveness.
- Urban, International Property Management and Kiu Lok under the segment are licensed property management companies under the Property Management Services

MANAGEMENT DISCUSSION AND ANALYSIS

Ordinance “PMSO”) (Cap. 626 of the Laws of Hong Kong), which together maintain a strong team of over 300 Tier 1 and Tier 2 property management practitioners, one of the largest licensed service teams in the industry. They ensure smooth operation and statutory compliance of managed properties and facilities. As such, the Group is well-prepared to cater to PMSO-associated market demand and maintain competitive advantages over its peers in new tenders and business development in coming years.

- The segment has an experienced technical and engineering team with expertise in various building repairs, maintenance, renovations and refurbishment projects. It has participated in and coordinated such projects for large private housing estates, commercial premises and modern intelligent buildings, helping raise their value. It has an engineering team with over 500 highly-trained technicians. Urban renewal and the accelerated implementation of urgent repair works under the Mandatory Building Inspection Scheme will provide another growth driver in coming years.

Urban renewal and the accelerated implementation of urgent repair works under the Mandatory Building Inspection Scheme will provide another growth driver in coming years.

- Enjoying synergies with other business units, the segment has partners in different professional service providers and contractors. According to economies of scale and strong bargaining power, it is able to deliver the most cost-effective services at competitive pricing and the highest operational efficiency to its clients.
- Beyond meeting statutory requirements, the segment implements stringent governance practices covering environmental protection and care, corporate social

responsibility, and risk and crisis control. Urban, for example, is dubbed “Hong Kong’s Premier Community Manager”, mounting over 50 corporate social responsibility activities a year. It also maintains a meticulous risk and crisis management system to address issues from building service disruptions to pandemic control.



- As a reputable property manager, the Group has earned the trust of clients, thus has a strong customer network to leverage in providing property sales and leasing services. It uses such digital platforms as webpages, social media channels and instant messaging to effectively engage clients and provide them with convenient access to property information plus promote its property sale and leasing services.

City Essential Services Segment

1. Cleaning & Pest Control Services

Able to maintain healthy and stable business growth in the past year, particularly in expanding its portfolio in the Kai Tak Development Area, Waihong sees promising prospects in coming years:

- With tourism, entertainment, international conferences, trade fairs and sports competitions as emphasis, Hong Kong’s mega events economy has a crucial role to play in supporting the general economy. Alongside the recovering tourism and exhibition industries, bringing massive extra business opportunities, Waihong will benefit.

MANAGEMENT DISCUSSION AND ANALYSIS

- Although the Municipal Solid Waste Charging Scheme has been suspended in August 2024, Hong Kong citizens have continued to actively participate in food waste collection and recycling. Waihong's waste management team runs a fleet of over 100 vehicles to deal with current market demands. Waihong is closely working with property management staff and residents to get ready to seize opportunities and tackle challenges once the government relaunches waste charging related schemes. Furthermore, the Hong Kong Environmental Protection Department ("EPD") has agreed in principle to Waihong's application for "Conducting Trial Projects on Using Hydrogen as Fuel". The relevant EPD working group is expected to issue a written notification to allow Waihong to start a trial project test running two Hydrogen Fuel Cell vehicles – one in the North and the other in East New Territories. Waihong will fully comply with all applicable laws and relevant statutory requirements to support the government's plan to widen use of new energies in the city in the long run.

Alongside the recovering tourism and exhibition industries, bringing massive extra business opportunities, Waihong will benefit.

- Innovative technologies are increasingly being adopted and applied in environmental services. Waihong has strived to enhance operational efficiency and customer satisfaction by using different kinds of advanced software and hardware to improve its work processes such as scheduling and inventory management. For example, IoT systems and robotic machines are used to



improve cleaning service processes. Innovative systems that pinpoint operation needs, including smart toilets, electronic face recognition attendance system (Check-in Easy) and real-time work monitoring system (ComEasy) have been introduced to improve management efficiency and meet client requirements. Waihong also provides QR codes to frontline workers for accessing training materials to improve their knowledge and abilities for effectively handling daily tasks.

- Waihong is introducing more innovative services and green initiatives to differentiate it from traditional cleaning service providers, allowing it to sharpen its competitive edges and effect high-quality growth in the future. To help address the global concern of environmental sustainability and fulfil group ESG goals. Waihong is going to implement green practices including providing municipal solid waste, medical waste, liquid waste, construction waste disposal services, and collecting wastepaper, food waste, aged batteries, and purchasing electric vehicles. With more and more clients opting for cleaning services and products that would not harm the environment, providing relevant products and treatments is the prime consideration of Waihong's purchasing and marketing policies.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Insurance Solutions

As the largest local insurance broker founded and based in Hong Kong with a 36-year history and a strong professional team, Nova has competitive advantages over its peers and is set for growth in the foreseeable future:

- Corporate insurance buyers have complex requirements and are extremely price conscious, thus need a professional broker to help them get better deals. Nova's quality services have enabled it to win more accounts from its competitors.
- Nova has continued to do what it does best, including construction work related insurance. With a lot of new commercial and residential developments and infrastructure projects in the government pipeline, it is looking at ample business opportunities to come in Hong Kong.
- With extensive experience and a proven track record plus local flair, Nova is well positioned to seize opportunities in the thriving market. In addition, Nova has a vast network of local customers and enjoys synergies with the other divisions of the Group. The fact that some international brokers tried to grow business in Hong Kong in recent years but failed points clearly to the importance of having local knowledge and that has been one of Nova's strongest edges.
- Looking ahead, Nova will strive to win more clients in industries where its experience and expertise lie, such as construction, property management, hospitality, educational institutions, non-government organisations,

and employee benefits such as group medical and MPF schemes. It will also focus on specialty products with higher yields such as cyber insurance, professional indemnity insurance, directors & officers liability insurance and trade credit insurance.

Having completed the acquisition of Beijing Nova Insurance Services Limited on 27 December 2024, Nova can enter and expand its presence in the lucrative Chinese insurance brokerage market.

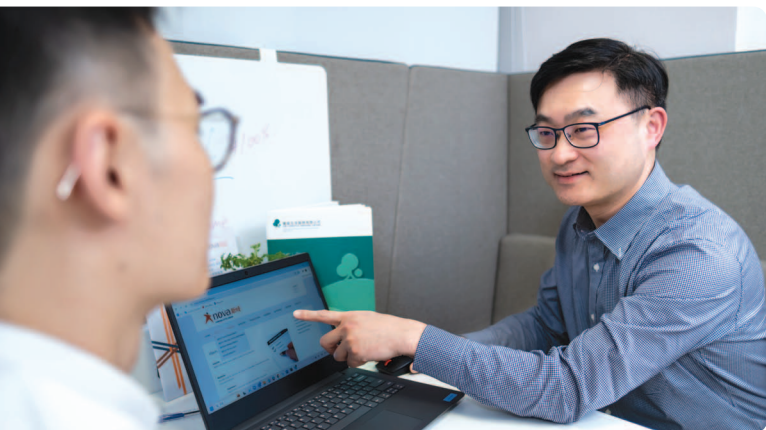
- Having completed the acquisition of Beijing Nova Insurance Services Limited on 27 December 2024, Nova can enter and expand its presence in the lucrative Chinese insurance brokerage market, and diversify its business operations geographically, lowering the risks from relying too much on a single market and ensuring it has a more balanced revenue stream. Other than synergistic benefits, the close collaboration between Beijing Nova and Nova Hong Kong will allow them to tap new opportunities in the Greater Bay Area and the entire country.

3. Technical Support & Maintenance Services

The division plans to expand the scope of government term contracts to include fire services and electrical systems.

Although it is a complementary business of the Group, the division boasts strong growth prospects and potential to bolster the Group's revenue and profit:

- In the private sector, the division brings in steady and stable income from maintenance and system retrofit works that support the main businesses of the Group. In Macau, casino groups were raising investment in the second half of 2024 principally in enhancement projects in gaming halls, guest accommodations, and dining and retail establishments. The division will strive to secure contracts for system upgrade and large-scale Alterations and Additions works from the casino groups.



MANAGEMENT DISCUSSION AND ANALYSIS

- Against the backdrop of Hong Kong targeting to achieve carbon neutrality before 2050 and society expecting buildings to afford better energy performance, large developers are looking to enhance the energy performance of their properties, existing and new, to trim carbon emissions. Demand for retrofitting works will prevail, meaning there is an immense and sustainable market for the division to expand business. In 2023, the division landed a contract from CLPe Solutions, a wholly-owned subsidiary of CLP Holdings, on chiller replacement work – the first zero-carbon chiller system in Hong Kong. Accomplishing this great challenge - converting the air-cooled system to a 9,300-refrigerant-ton water-cooled chiller system - will be a significant milestone for the Group, in favour of fostering collaboration with power companies and other commercial parties in the future. Retro-commissioning is another effective way to optimise buildings' operational performance and is recommended by the Electrical and Mechanical Services Department of the Hong Kong Government. The division, armed with certified professional qualifications from the Hong Kong Green Building Council, is apt to meet those market demands.



- The division embraces innovative technologies that can help it work more efficiently and effectively. Its innovative management system that combines Building Information Modeling ("BIM") with the Group's well-developed mobile app for maintenance services is designed with occupational safety in mind, allowing employees to manage safety issues effectively, thereby reduce work-related accidents and enhance work efficiency to the Group's and clients' peace of mind.

4. Environmental Solutions

As public demand for better living environment grows, the division sees abundant business opportunities for its Environment Solutions, Smart Solutions and Green Solutions in coming years:

Environment Solutions (water and air treatment, laboratory testing & certification)

- The Group's environmental assessment services have continuous support from increasing public awareness of the importance of environmental protection, the Building Energy Efficiency Ordinance (Cap. 610 of the Laws of Hong Kong) taking effect from 2012 and the Hong Kong Government pledging to achieve carbon neutrality by 2050 in the "Hong Kong Climate Action Plan 2050" published in 2021.

Environmental engineering operation has grown steadily, driven by its seawater and freshwater treatment products, such as electrochlorination systems, and odour removal products.

- The segment's environmental engineering operation has grown steadily, driven by its seawater and freshwater treatment products, such as electrochlorination systems, and odour removal products like biotech deodorisation systems. Despite the fierce competition in HVAC water treatment services, equipped with a patented nanobubble ozonation system and capable of real-time monitoring, it has good prospects in enlarging market share.

Smart Solutions (ELV, EV charging and smart facilities)

- Regarding ELV business, with more property developers adopting IT infrastructure and advanced technologies in their projects to enhance building sustainability and energy control, it has good opportunities ahead to generate revenue and profit.

MANAGEMENT DISCUSSION AND ANALYSIS

- The Hong Kong Roadmap on Popularisation of Electric Vehicle (“EV”) announced by the Government in 2021, targeting to achieve zero vehicular emissions by 2050 has fuelled the demand for relevant installation in car parks to support and encourage EV adoption, and that has presented the Group with ample business opportunities.
- With finger on the pulse of the market, the business segment has worked hard on identifying new and more powerful 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 building management and environmental monitoring systems, so as to enhance building sustainability and environmental quality, and in turn increase customer satisfaction.
- For the Group’s building materials trading business, technological advancement and emphasis on healthy and green living concepts will translate into new opportunities for promoting new products with new features. Collaborating with the Group’s environment solutions team, the business has been able to identify new building materials and products that agree with latest market trends.

Government efforts to promote mega-event tourism, bringing diverse and more high-quality mega events to Hong Kong, will also significantly boost demand for security services.



Green Solutions (landscape and building materials)

- Growing market demand for green elements in both indoor and outdoor spaces to enhance the aesthetic and ecological environment has provided more opportunities to the Group’s landscape services business. The greening policies, urban planning initiatives of and relevant support from the government encourage development of the business.
- A significant factor driving demand is the anticipated need for public housing over the next five years, projected to reach 189,000 units. Additionally, several government projects are underway, including Phase 2 of the AsiaWorld-Expo and the development of Lok Ma Chau. When in operation, these projects will significantly boost demand for security services. Furthermore, the debut of the Kai Tak Sports Park and the imminent operation of 11 SKIES, a prominent office and entertainment project near the airport, are expected to add to the demand for security services.
- Government efforts to promote mega-event tourism, bringing diverse and more high-quality mega events to Hong Kong, will also significantly boost demand for security services. Founded about three years ago and strategically positioned in the event services industry, Perfect Event has succeeded in meeting customer needs and expectations and prided notable profit growth.

MANAGEMENT DISCUSSION AND ANALYSIS



- Manpower shortages though have eased for the division, it has remained a significant challenge for the industry at large. With expertise in event security and customer services, plus strong strategic partnerships with major event operators and managers, General Security and Perfect Event are well-positioned to capitalise on market opportunities. They will strategically allocate resources to the event and ad hoc business sectors, which promise to yield higher financial returns. Additionally, General Security plans to diversify business by integrating AI and new technologies into its security systems.

E&M Services Segment

The Group's E&M services business is well-equipped to seize business opportunities in sizeable infrastructure and building projects forthcoming in Hong Kong, Mainland China and Macau in coming years:

- Capital and Construction Expenditure – According to Construction Industry Council forecast in July 2023, expenditure on E&M construction works in each of the next five years will exceed HK\$30 billion for the public sector and over HK\$25 billion for the private sector. This points to an increasing demand for professional construction services and rendering those services to public and private housing and infrastructure projects will be the Group's focus in coming years.
- Public Housing – As mentioned in the Chief Executive's 2023 Policy Address, the Hong Kong Government has identified sufficient land to build 410,000 public housing

units and 132,000 private housing units in the coming decade. In addition, there is the "Northern Metropolis" proposal that includes supply of more than 500,000 housing units in 20 years.

Another more than 150,000 public and private housing units are also expected to be available in the next 10 to 15 years along the Northern Link and in Siu Ho Wan MTR Depot topside development.

Moreover, in the five years between 2025/2026 and 2029/2030, Light Public Housing ("LPH") to be built using MiC approach will ensure supply of overall 189,000 public housing units (including 30,000 LPH units at eight sites) while another 80,000 private housing units are expected to be introduced to market. Three sites have also been identified for building subsidised sales flats under a new public-private partnership pilot scheme, with the first two sites providing at least 2,000 units.

The increasing demand for professional construction services and rendering those services to public and private housing and infrastructure projects will be the Group's focus in coming years.

- Private Housing – Continuing and forthcoming projects included private residential and commercial redevelopments driven by the Urban Renewal Authority ("URA") and the Hong Kong Housing Society, developments in the Kai Tak Development Area, Yau Tong and Ap Lei Chau, and associated railway property projects, development of Tseung Kwan O Area 137 by the Government for residential and commercial use and other relevant purposes. In the next five years, the URA will commence redevelopment of the "Nullah Road Urban Waterway" in Mong Kok East and the "Street Consolidation Areas" in Yau Ma Tei South, and in the second half of 2025 will also submit the renewal master plans for Tsuen Wan and Sham Shui Po.

MANAGEMENT DISCUSSION AND ANALYSIS

- **Railway Development** – With the Hong Kong Government embarking on railway extension, the MTR has started building two-line extensions (Tuen Mun South Extension and Tung Chung Line Extension) and the Kwu Tung Station and Oyster Bay Station. In addition, the Government has completed the public consultation on enhancing three railways, namely the Hong Kong-Shenzhen Western Rail Link (Hung Shui Kiu-Qianhai), the Central Rail Link and the Tseung Kwan O Line Southern Extension. And, to match development of new towns in the proposed Northern Metropolis, the MTR has kicked off studies on the proposal to build two new railways – Northern Link (NOL) Eastern Extension and Northeast New Territories Line.
- **Smart and Green Mass Transit Systems** – The Government has invited suppliers and operators to study and build three smart and green mass transit systems for the East Kowloon and Kai Tak projects, and the Hung Shui Kiu/Ha Tsuen projects.
- **District Cooling System** – Using District Cooling Systems (“DCS”) is also a government initiative echoing its commitment to low-carbon development. Apart from the additional DCS in the West Kowloon Cultural District, tendering or construction is in progress to provide DCS in new development areas (i.e. Tung Chung East and Kwu Tung North). Such systems will also be available in new development areas including the proposed Northern Metropolis to help reduce energy consumption.
- **Convention and Exhibition** – To ensure Hong Kong’s position as a premier venue for large-scale international conventions and exhibitions, the Airport Authority had invited tenders in end 2024 for the AsiaWorld-Expo Phase 2 project (which will include the largest indoor arena with up to 20,000 seats). In addition, the Government will proceed with the Wan Chai North redevelopment project near the Hong Kong Convention and Exhibition Centre a few years from now.
- **Sports and Recreational Facilities** – The Culture, Sports and Tourism Bureau will map out a 10-year development blueprint for 30 sports and recreational 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 proposed Northern Metropolis. The Government will review the redevelopment plan for the Hong Kong Stadium to ensure its synergy with the Kai Tak Sports Park.
- **Technology Park and Manufacturing Centre** – To encourage and enhance Innovation and Technology (“I&T”), the Hong Kong Government is collaborating with Shenzhen to develop the Shenzhen-Hong Kong I&T Co-operation Zone adopting a “one zone, two parks” model. Development of the Hong Kong Park of Hetao Shenzhen-Hong Kong Science and Technology Innovation Co-operation Zone consists of two phases from west to east. Construction of the first three buildings will be completed in phases, starting at the end of 2024. The remaining five buildings will be completed in the coming five years. In addition, the Government will expedite development of the San Tin Technopole in the Northern Metropolis, and work to expand the Science Park and Cyberport will be completed in phases starting in 2025.
- **Airport Development** – The Hong Kong Government has also been working with the Airport Authority Hong Kong to realise the “Airport City” vision, turning Lantau into an Aerotropolis connecting the Greater Bay Area with the world. On top of a new hotel and three Grade-A office towers completed, 11 SKIES, an integrating retail, dining and entertainment facilities will open in the second half of 2025. New projects including an ecosystem for the art industry, AsiaWorld-Expo Phase 2 development, a marina with ancillary facilities and a fresh food market, expected to be completed between 2026 and 2031 will help promote high-end commercial, tourism and leisure activities.

To match development of new towns in the proposed Northern Metropolis, the MTR has kicked off studies on the proposal to build two new railways – Northern Link (NOL) Eastern Extension and Northeast New Territories Line.

MANAGEMENT DISCUSSION AND ANALYSIS

- Northern Metropolis – The Government has identified three land parcels in the Hung Shui Kiu/Ha Tsuen New Development Areas (“NDA”), Fanling North NDA and San Tin Technopole as pilot sites, which will be granted to successful bidders for collective development of commercial and community facilities. Development plan for the Northern Metropolis consists of (i) modern logistics clusters in the Hung Shui Kiu/Ha Tsuen NDA; (ii) over 80 hectares of land in Ngau Tam Mei for the Northern Metropolis University Town, the third medical school campus and an integrated medical teaching and research hospital; (iii) the Second Hospital Development Plan such as Ngau Tam Mei Hospital and Hung Shui Kiu Hospital.
- Technology and Operational Efficiency – Increasing construction volumes, rising construction costs, an ageing workforce and skilled worker shortage, plus safety-related incidents, many serious, in different large-scale projects in recent years have posed pressure and challenges to the local construction industry. In 2019, the Development Bureau launched the “Construction 2.0” initiative (Innovation, Professionalisation and Revitalisation), which the Group supports. In 2023, the Bureau reviewed the labour shortage situation in the city and introduced the Labour Importation Scheme for the Construction Sector, with the import ceiling set at 12,000. To date, approvals have been given to about 8,000 workers under the Scheme.

New projects of The Venetian and Wynn Macau Group will begin in 2025 and 2026. In addition, there is a robust demand for public and private residential housing.

- Macau – In Macau, there is a constant demand for renovation and improvement works from hotels and casinos in both the Macau Peninsula and Cotai. New projects of The Venetian and Wynn Macau Group will begin in 2025 and 2026. In addition, there is a robust demand for public and private residential housing. And, since the gaming licences of the six major casino operators were renewed in November 2022 for 10 years, development of Galaxy Macau Phase 4 has been underway, and renovation works in existing casinos and hotel areas are also in progress or will begin. In addition, Macau is determined to transform from a gambling-centric economy into a versatile tourism-driven destination. All these factors are expected to create business opportunities for the Group in the coming few years.



MANAGEMENT DISCUSSION AND ANALYSIS

- Mainland China - The Group has followed a disciplined business development approach focusing on providing E&M services to major property projects of Hong Kong developers and foreign investors. Apart from its two core bases in Beijing and Shanghai, the Group has established presence in other first- and second-tier cities in Mainland China such as Tianjin, Shenyang, Wuhan, Kunming and Hangzhou. Development of the Greater Bay Area will enhance economic and social growth of the 11 cities therein and there are the three rapidly developing Guangdong Pilot Free Trade Zones – Hengqin, Qianhai and Nansha, which together will bring new business opportunities to the Group.
- In recent years, the Group has been providing project management services across Mainland China to including an international exhibition centre development in Shenyang, two high-rise building complexes in Tianjin and Guangzhou, and two commercial buildings in Beijing. It firmly believes, boasting 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 for high-end projects in Mainland China.
- With a long-standing brand and substantial experience, the Group has maintained the position as one of the leading E&M service companies in Hong Kong and as a capable and trustworthy E&M service partner in Mainland China and Macau.
- On top of having a full range of licences and qualifications and being able to effectively manage 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. These attributes have enabled the business segment to continuously improve operational efficiency and provide the most cost-effective services to clients at optimum prices.
- To cope with corporate clients' and property investors' growing emphasis on sustainability and environmental, social responsibility and governance, the Group's E&M services business remains committed to helping build a greener future via optimising designs and exploring relevant innovative methods. At project level, green building principles are applied in using building services equipment to reduce energy usage, carbon emissions and construction wastes, which green building designs, MiC, MiMEP, DfMA are adopted.
- To boost operational efficiency and its project management capabilities, the Group has invested in innovative construction technologies such as BIM, Digital Works Supervision System ("DWSS"), modularisation and prefabrication, Robotic Total Solution and Sky Drilling Machine, 3D laser scanning and mobile Apps solutions, etc.
- In addition, senior executives of the E&M services business hold key roles in leading industry organisations, including the Construction Industry Council, and such professional institutions as The Hong Kong Institution of Engineers and trade/industry associations including The Hong Kong Federation of Electrical and Mechanical Contractors Limited. Apart from strengthening its brand visibility, these involvements speak volumes to the commitment of the Group to professionalism and keeping pace with development of the modern construction industry.

CONCLUSION

Despite facing various challenges and difficulties, the Group's operations remained stable during the Period. Going forward, the Group will strive to maintain a strong financial position to ensure it is ready to grasp new business opportunities when they arise. We are confident in striving for continuous growth.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

To the Board of Directors of FSE Lifestyle Services Limited

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 46 to 80, which comprises the interim condensed consolidated statement of financial position of FSE Lifestyle Services Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2024 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 February 2025

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

CONDENSED CONSOLIDATED INCOME STATEMENT — UNAUDITED

		For the six months ended 31 December	
	Notes	2024 HK\$'000	2023 HK\$'000
Revenue	5	4,090,017	4,114,523
Cost of services and sales		(3,565,596)	(3,598,168)
Gross profit		524,421	516,355
General and administrative expenses		(248,823)	(236,965)
Other income, net	6	4,101	21,599
Operating profit	7	279,699	300,989
Finance income		18,085	10,938
Finance costs		(12,759)	(10,640)
Share of results of associates		576	802
Share of results of joint ventures		(73)	131
Profit before income tax		285,528	302,220
Income tax expenses	8	(43,857)	(46,765)
Profit for the period		241,671	255,455
Attributable to:			
Shareholders of the Company		241,620	255,430
Non-controlling interests		51	25
		241,671	255,455
Earnings per share for profit attributable to ordinary shareholders of the Company (expressed in HK\$)			
Basic and diluted	9	0.53	0.56

The notes on pages 52 to 80 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

	For the six months ended 31 December	
	2024 HK\$'000	2023 HK\$'000
Profit for the period	241,671	255,455
Other comprehensive (loss)/income:		
<i>Item that may be subsequently reclassified to condensed consolidated income statement:</i>		
Currency translation differences	(1,416)	2,392
<i>Items that will not be subsequently reclassified to condensed consolidated income statement:</i>		
Remeasurement gains on long service payment liabilities, net of tax	8,034	161
Remeasurement gains/(losses) on defined benefit retirement scheme, net of tax	385	(550)
Other comprehensive income for the period, net of tax	7,003	2,003
Total comprehensive income for the period	248,674	257,458
Attributable to:		
Shareholders of the Company	248,623	257,433
Non-controlling interests	51	25
	248,674	257,458

The notes on pages 52 to 80 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

	Notes	As at 31 December 2024 HK\$'000 (Unaudited)	As at 30 June 2024 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	59,362	65,425
Right-of-use assets	11	58,553	51,962
Other intangible assets	11	244,287	173,021
Interests in associates		204	218
Interests in joint ventures		1,098	1,171
Deferred income tax assets		8,236	9,445
Pension assets		3,516	3,329
		375,256	304,571
Current assets			
Trade and other receivables	12	2,479,567	2,427,496
Contract assets		568,690	598,739
Inventories		15,839	17,578
Cash and bank balances	13	622,357	601,288
		3,686,453	3,645,101
Total assets		4,061,709	3,949,672
EQUITY			
Ordinary shares	14	45,000	45,000
Convertible preference shares	14	140,900	140,900
Reserves		946,514	802,645
Shareholders' funds		1,132,414	988,545
Non-controlling interests		378	327
Total equity		1,132,792	988,872

The notes on pages 52 to 80 are an integral part of these condensed consolidated interim financial statements.

	Note	As at 31 December 2024 HK\$'000 (Unaudited)	As at 30 June 2024 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		218,920	–
Lease liabilities		22,541	10,027
Long service payment liabilities		49,393	56,687
Deferred income tax liabilities		29,095	21,489
Pension liabilities		1,373	1,480
		321,322	89,683
Current liabilities			
Trade and other payables	15	2,048,974	2,115,466
Contract liabilities		288,847	392,918
Borrowings		191,334	235,789
Current portion of lease liabilities		26,431	30,783
Taxation payable		52,009	96,161
		2,607,595	2,871,117
Total liabilities		2,928,917	2,960,800
Total equity and liabilities		4,061,709	3,949,672
Net current assets		1,078,858	773,984
Total assets less current liabilities		1,454,114	1,078,555

The notes on pages 52 to 80 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Ordinary shares (Note 14) HK\$'000	Convertible preference shares (Note 14) HK\$'000	Reserves HK\$'000	Equity attributable to shareholders of the Company HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
As at 1 July 2023	45,000	140,900	513,252	699,152	269	699,421
Profit for the period	–	–	255,430	255,430	25	255,455
Other comprehensive income/(loss):						
Currency translation differences	–	–	2,392	2,392	–	2,392
Remeasurement losses on defined benefit retirement scheme, net of tax	–	–	(550)	(550)	–	(550)
Remeasurement gains on long service payment liabilities, net of tax	–	–	161	161	–	161
Total comprehensive income for the period	–	–	257,433	257,433	25	257,458
Transactions with shareholders:						
Dividend to ordinary shareholders	–	–	(95,850)	(95,850)	–	(95,850)
Distribution to convertible preference shareholder (Note 10)	–	–	(8,454)	(8,454)	–	(8,454)
As at 31 December 2023	45,000	140,900	666,381	852,281	294	852,575
As at 1 July 2024	45,000	140,900	802,645	988,545	327	988,872
Profit for the period	–	–	241,620	241,620	51	241,671
Other comprehensive (loss)/income:						
Currency translation differences	–	–	(1,416)	(1,416)	–	(1,416)
Remeasurement gains on defined benefit retirement scheme, net of tax	–	–	385	385	–	385
Remeasurement gains on long service payment liabilities, net of tax	–	–	8,034	8,034	–	8,034
Total comprehensive income for the period	–	–	248,623	248,623	51	248,674
Transactions with shareholders:						
Dividend to ordinary shareholders	–	–	(96,300)	(96,300)	–	(96,300)
Distribution to convertible preference shareholder (Note 10)	–	–	(8,454)	(8,454)	–	(8,454)
As at 31 December 2024	45,000	140,900	946,514	1,132,414	378	1,132,792

The notes on pages 52 to 80 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS — UNAUDITED

		For the six months ended 31 December	
	Notes	2024 HK\$'000	2023 HK\$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	16(a)	119,236	(15,061)
Hong Kong profits tax paid		(85,871)	(90,677)
Mainland China and Macau income tax paid		(2,669)	(1,289)
Interest paid		(8,871)	(10,539)
Decrease/(increase) in trust cash		1,932	(38,084)
Net cash generated from/(used in) operating activities		23,757	(155,650)
Cash flows from investing activities			
Acquisition of a subsidiary	16(b)	(69,822)	–
Purchase of property, plant and equipment		(6,522)	(7,861)
Interest received		7,986	10,938
Proceeds from disposal of right-of-use assets		4,004	6,703
Proceeds from disposal of property, plant and equipment		1,433	1,773
Dividend received from associates		590	810
Net cash (used in)/generated from investing activities		(62,331)	12,363
Cash flows from financing activities			
Proceeds from bank borrowings		608,259	91,434
Repayments of bank borrowings		(433,700)	(96,476)
Dividend paid to ordinary shareholders		(96,300)	(95,850)
Payments of principal portion of lease liabilities		(24,147)	(24,523)
Distribution paid to convertible preference shareholder		(8,454)	(8,454)
Acquisition of non-controlling interests	16(c)	–	(457)
Net cash generated from/(used in) financing activities		45,658	(134,326)
Net increase/(decrease) in cash and cash equivalents during the period		7,084	(277,613)
Cash and cash equivalents at the beginning of the period		559,011	715,949
Exchange differences	16(d)	(222)	195
Cash and cash equivalents at the end of the period		565,873	438,531
Representing:			
Cash and bank balances as stated in the condensed consolidated statement of financial position		622,357	512,567
Less: Trust cash	13	(56,484)	(74,036)
Cash and cash equivalents at the end of the period		565,873	438,531

The notes on pages 52 to 80 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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, the Cayman Islands.

The Company is an investment holding company and its subsidiaries (together, the “Group”) are principally engaged in provision of property & facility management services, property agency and related services for buildings, car park management services, cleaning & pest control and management of waste disposal services, recycling and environmental disposal services, insurance solutions services, trading of environmental products and provision of related engineering consultancy services, provision of ELV engineering services, EV charging infrastructure services, trading of building materials, landscaping services, systems security, guarding & event 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 (“FSE Holdings”) incorporated in the Cayman Islands. The directors consider Mrs. Doo Cheng Sau Ha, Amy to be the ultimate controlling shareholder (the “Ultimate Controlling Shareholder”).

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

This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated.

This condensed consolidated interim financial information has been approved for issue by the board of directors of the Company (the “Board”) on 27 February 2025.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 31 December 2024 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The interim financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2024, which has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies applied are consistent with those set out in the annual report for the year ended 30 June 2024, except for the adoption of new and amended standards as set out below.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

(a) Adoption of new amendments to existing standards by the Group

For the six months ended 31 December 2024, the Group adopted the following new amendments to existing standards which are effective for the accounting periods of the Group beginning on 1 July 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
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

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

(b) New standards 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 standards and amendments to existing standards have been issued but not yet effective for the Group's financial year beginning on 1 July 2024 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual Improvements to HKFRS Accounting Standards	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
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 condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 30 June 2024.

There have been no changes in the risk management policies since the Group's financial year ended 30 June 2024.

3.2 Fair value estimation

At 31 December 2024 and 30 June 2024, the carrying amounts of Group's financial assets and liabilities approximate their fair values due to the short-term maturities of these assets and liabilities.

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to its consolidated financial statements for the year ended 30 June 2024.

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 & facility management services, property agency and related services for buildings, car park management services and guarding services;
- (ii) City essential services — Provision of cleaning & pest control and waste disposal services, recycling and environmental disposal services, insurance solutions, technical support & maintenance services, environmental solutions services (including environmental engineering services, ELV engineering services, EV charging infrastructure services and landscaping services) and systems security, guarding & event services and trading of environmental, EV charging and building materials products; and
- (iii) E&M services — Provision of engineering and consultancy services on installation.

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

	For the six months ended 31 December	
	2024 HK\$'000	2023 HK\$'000
Revenue		
Property & facility management services	350,412	329,797
City essential services		
— Cleaning & pest control services	1,262,906	1,128,052
— Insurance solutions	62,908	58,091
— Technical support & maintenance services		
— Renovations, system retrofit and repairing ⁽ⁱ⁾	501,869	448,139
— Routine maintenance ⁽ⁱⁱ⁾	58,553	51,795
— Environmental solutions		
— Rendering of services ⁽ⁱⁱⁱ⁾	160,294	124,622
— Sales of goods ^(iv)	18,741	25,588
— Systems security, guarding & event services		
— Rendering of services	320,686	302,460
— Sales of goods ^(v)	13,471	3,855
City essential services subtotal	2,399,428	2,142,602
E&M services	1,340,177	1,642,124
Total ^(vi)	4,090,017	4,114,523

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) 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, EV charging infrastructure, IoT solutions, consultancy services for energy audit, carbon audit, building environmental assessment, indoor air quality and water quality assessment, laboratory services and landscape management.
- (iv) 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, EV charging products and plants.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Notes: *(Continued)*

- (v) Systems security, guarding & event services — Sales of goods: Sales of CCTV, burglar alarm, mobile patrol, access control, intercom, car park barrier and face reader systems, and handheld and walkthrough metal detectors.
- (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 six months ended 31 December	
	2024 HK\$'000	2023 HK\$'000
Contracting revenue recognised based on percentage of completion method		
Technical support & maintenance services		
— Renovations, system retrofit and repairing	248,588	181,672
Environmental solutions		
— Rendering of services	89,704	76,169
E&M services	1,340,177	1,642,124
Total	1,678,469	1,899,965

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 allowances 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 purposes unless the segment is engaged in financing activities.

As at 31 December 2024 and 30 June 2024, unallocated assets and unallocated liabilities represented the assets and liabilities not arising from the operations of the operating segments.

Additions to non-current assets comprises mainly additions to property, plant and equipment, right-of-use assets and other intangible assets (Note 11).

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) For the six months ended and as at 31 December 2024

The segment results for the six months ended 31 December 2024 and other segment items included in the condensed 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	350,412	2,399,428	1,340,177	–	4,090,017
Revenue — Internal	556	57,396	–	(57,952)	–
Total revenue	350,968	2,456,824	1,340,177	(57,952)	4,090,017
Timing of revenue recognition					
Over time	350,968	2,395,468	1,340,177	(53,890)	4,032,723
At a point in time	–	61,356	–	(4,062)	57,294
Total revenue	350,968	2,456,824	1,340,177	(57,952)	4,090,017
Operating profit before unallocated corporate expenses	52,283	139,547	91,507	–	283,337
Unallocated corporate expenses					(3,638)
Operating profit					279,699
Finance income					18,085
Finance costs					(12,759)
Share of results of associates					576
Share of results of joint ventures					(73)
Profit before income tax					285,528
Income tax expenses (Note 8)					(43,857)
Profit for the period					241,671
Other items					
Depreciation and amortisation	6,226	19,952	12,688	–	38,866
Impairment losses on trade and other receivables, net (Note 7)	770	742	–	–	1,512
Provision for inventories (Note 7)	–	16	–	–	16
Additions to non-current assets (other than financial instruments and deferred income tax assets)	13,884	92,234	6,602	–	112,720

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) For the six months ended and as at 31 December 2024 *(Continued)*

The segment assets and liabilities as at 31 December 2024 are as follows:

	Property & facility management services HK\$'000	City essential services HK\$'000	E&M services HK\$'000	Total HK\$'000
Segment assets	429,403	2,095,323	1,533,629	4,058,355
Unallocated assets				3,354
Total assets				4,061,709
Segment liabilities	163,412	1,052,394	1,247,550	2,463,356
Unallocated liabilities				465,561
Total liabilities				2,928,917

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) For the six months ended 31 December 2023 and as at 30 June 2024

The segment results for the six months ended 31 December 2023 and other segment items included in the condensed 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	329,797	2,142,602	1,642,124	–	4,114,523
Revenue — Internal	1,365	42,296	–	(43,661)	–
Total revenue	331,162	2,184,898	1,642,124	(43,661)	4,114,523
Timing of revenue recognition					
Over time	331,162	2,121,758	1,642,124	(41,304)	4,053,740
At a point in time	–	63,140	–	(2,357)	60,783
Total revenue	331,162	2,184,898	1,642,124	(43,661)	4,114,523
Operating profit before unallocated corporate expenses	72,243	117,275	114,933	–	304,451
Unallocated corporate expenses					(3,462)
Operating profit					300,989
Finance income					10,938
Finance costs					(10,640)
Share of results of associates					802
Share of results of joint ventures					131
Profit before income tax					302,220
Income tax expenses (Note 8)					(46,765)
Profit for the period					255,455
Other items					
Depreciation and amortisation	6,342	16,285	14,866	–	37,493
Impairment losses on trade and other receivables, net (Note 7)	–	419	–	–	419
Reversal of provision for inventories (Note 7)	–	(21)	–	–	(21)
Additions to non-current assets (other than financial instruments and deferred income tax assets)	431	11,630	7,089	–	19,150

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) For the six months ended 31 December 2023 and as at 30 June 2024 *(Continued)*

The segment assets and liabilities as at 30 June 2024 are as follows:

	Property & facility management services HK\$'000	City essential services HK\$'000	E&M services HK\$'000	Total HK\$'000
Segment assets	413,547	1,910,240	1,623,468	3,947,255
Unallocated assets				2,417
Total assets				3,949,672
Segment liabilities	166,658	1,035,767	1,475,653	2,678,078
Unallocated liabilities				282,722
Total liabilities				2,960,800

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 six months ended 31 December	
	2024 HK\$'000	2023 HK\$'000
Revenue		
Hong Kong	3,698,418	3,763,035
Mainland China	274,100	263,719
Macau	117,499	87,769
Total	4,090,017	4,114,523

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

The non-current assets other than deferred income tax assets and pension assets are allocated based on the regions in which the non-current assets are located as follows:

	As at 31 December 2024 HK\$'000	As at 30 June 2024 HK\$'000
Non-current assets, other than deferred income tax assets and pension assets		
Hong Kong	340,898	269,917
Mainland China	21,227	19,390
Macau	1,379	2,490
Total	363,504	291,797

6 OTHER INCOME, NET

	For the six months ended 31 December	
	2024 HK\$'000	2023 HK\$'000
Gains on disposal of right-of-use assets, net	2,637	4,279
Gains on disposal of property, plant and equipment, net	805	1,200
Sundries	670	398
Ex-gratia payment from the government for retirement of motor vehicles	221	305
Exchange (losses)/gains, net	(232)	199
Government grants ⁽ⁱ⁾	–	15,218
Total	4,101	21,599

Note:

- (i) During the six months ended 31 December 2024, the Group was entitled to government grants under various schemes from the Government of the Hong Kong Special Administrative Region (the "HKSAR Government") as financial support for its businesses, amounting to HK\$1.6 million in total (Six months ended 31 December 2023: HK\$24.4 million). All of which was offset in its staff costs (Note 7) (Six months ended 31 December 2023: HK\$15.2 million was recognised as "Other income, net" and HK\$9.2 million was net off in its staff costs).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7 OPERATING PROFIT

		For the six months ended 31 December	
		2024	2023
		HK\$'000	HK\$'000
Operating profit is stated after charging/(crediting):			
Staff costs (including Directors' emoluments)		1,929,957	1,756,649
Subcontracting fees		1,070,507	1,190,369
Raw materials and consumables used		609,763	697,243
Depreciation of right-of-use assets	11	24,326	24,738
Cost of inventories sold		12,748	13,807
Depreciation of property, plant and equipment	11	12,614	10,829
Amortisation of other intangible assets ⁽ⁱ⁾	11	1,926	1,926
Impairment losses on trade and other receivables, net		1,512	419
Expenses relating to short-term leases		710	752
Provision/(reversal of provision) for inventories		16	(21)

Note:

- (i) Included in general and administrative expenses.

Save as disclosed in this note and elsewhere in the condensed consolidated interim 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 INCOME TAX EXPENSES

		For the six months ended 31 December	
		2024	2023
		HK\$'000	HK\$'000
Current income tax			
Hong Kong profits tax		43,586	45,337
Macau taxation		57	1,883
Mainland China income tax		676	378
Deferred income tax credit		(462)	(833)
Total		43,857	46,765

Hong Kong profits tax has been provided at the rate of 16.5% (Six months ended 31 December 2023: 16.5%) on the estimated assessable profit. Taxation on Mainland China and Macau profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the jurisdictions in which the Group operates. These rates range from 12% to 25% for the six months ended 31 December 2024 (Six months ended 31 December 2023: 12% to 25%).

9 EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY

(a) Basic

The calculation of basic earnings per share for the period is based on the following:

	For the six months ended 31 December	
	2024 HK\$'000	2023 HK\$'000
Profit attributable to shareholders of the Company	241,620	255,430
Less: Preferred distribution to the holder of convertible preference shares	(4,262)	(4,262)
Earnings used in the basic earnings per share calculation	237,358	251,168
Weighted average number of ordinary shares in issue (shares in thousands)	450,000	450,000
Basic earnings per share (HK\$)	0.53	0.56

(b) Diluted

On 16 December 2019, the Company issued convertible preference shares, with details set out in Note 14, 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 31 December 2024 and 2023, therefore, the effect of their conversion is not included in the calculation of the diluted earnings per share for the six months ended 31 December 2024 and 2023. As a result, the diluted earnings per share equals to the basic earnings per share for the six months ended 31 December 2024 and 2023.

10 DIVIDEND AND DISTRIBUTION

At a meeting held on 27 February 2025, the Board has resolved to declare the payment of an interim dividend of HK21.1 cents (Six months ended 31 December 2023: HK22.4 cents) per ordinary share to the ordinary shareholders of the Company for the six months ended 31 December 2024, equivalent to a total amount of HK\$94.95 million (Six months ended 31 December 2023: HK\$100.80 million). The interim dividend will be paid in cash.

At a meeting held on 13 September 2024, the Board has resolved to pay a preferred distribution calculated at 6.0% per annum on the issue amount of the Company's convertible preference shares of HK\$140.9 million, equivalent to a total amount of HK\$8.5 million (Six months ended 31 December 2023: HK\$8.5 million). The preferred distribution was paid in December 2024.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND OTHER INTANGIBLE ASSETS

	Property, plant and equipment HK\$'000	Right-of- use assets HK\$'000	Other intangible assets HK\$'000
Six months ended 31 December 2023			
Opening net book value as at 1 July 2023	57,415	87,696	176,870
Exchange differences	49	127	–
Additions	7,861	11,289	–
Disposals	(573)	(2,424)	–
Depreciation and amortisation charges	(10,829)	(24,738)	(1,926)
Closing net book value as at 31 December 2023	53,923	71,950	174,944
Six months ended 31 December 2024			
Opening net book value as at 1 July 2024	65,425	51,962	173,021
Exchange differences	(25)	(40)	–
Additions	6,522	30,095	–
Acquisition of a subsidiary (Note 16(b))	682	2,229	73,192*
Disposals	(628)	(1,367)	–
Depreciation and amortisation charges	(12,614)	(24,326)	(1,926)
Closing net book value as at 31 December 2024	59,362	58,553	244,287

* Comprising customer relationships of HK\$25.0 million, customer contracts of HK\$1.3 million, license of HK\$3.0 million and goodwill of HK\$43.9 million as shown in Note 16(b).

12 TRADE AND OTHER RECEIVABLES

	As at 31 December 2024 HK\$'000	As at 30 June 2024 HK\$'000
Trade receivables		
Third parties	1,218,404	1,077,518
Related companies (Note 17(c))	157,295	148,930
	1,375,699	1,226,448
Less: Provision for impairment		
Third parties	(11,729)	(10,987)
Related companies (Note 17(c))	(45)	(45)
	1,363,925	1,215,416
Retention receivables		
Third parties	288,242	303,384
Related companies (Note 17(c))	108,394	124,433
	396,636	427,817
Accrued contract revenue	360,681	414,505
Less: Provision for impairment	(149)	(149)
	360,532	414,356
Other receivables and prepayments		
Third parties	328,841	314,579
Related companies (Note 17(c))	30,874	55,799
	359,715	370,378
Less: Provision for impairment		
Third parties	(1,241)	(471)
	358,474	369,907
Total	2,479,567	2,427,496

Generally, no credit period is granted by the Group to customers for provision of property & facility management services, insurance solutions services, landscaping services and systems security, guarding & event services and its retail customers for trading of building materials and planting and materials. The credit periods generally granted by the Group to its other customers is 30 to 60 days.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12 TRADE AND OTHER RECEIVABLES *(Continued)*

Expected credit losses

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, retention receivables, accrued contract revenue 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 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 expected credit loss is minimal as the majority of the trade and other receivables are due from a number of independent customers for whom there is no recent history of default, except for certain trade receivables, retention receivables, accrued contract revenue and contract assets with full impairment provision being provided because they have been undergoing financial difficulties.

The ageing analysis of the Group’s trade receivables (including amounts due from related parties of trading in nature) based on invoice due date, net of provision for impairment, is as follows:

	As at 31 December 2024 HK\$’000	As at 30 June 2024 HK\$’000
Current to 90 days	1,163,778	1,096,997
91 to 180 days	118,877	42,552
Over 180 days	81,270	75,867
Total	1,363,925	1,215,416

13 CASH AND BANK BALANCES

	As at 31 December 2024 HK\$’000	As at 30 June 2024 HK\$’000
Time deposits with original maturities within three months	259,232	237,150
Trust cash ⁽ⁱ⁾	56,484	42,277
Other cash at banks and on hand	306,641	321,861
Total	622,357	601,288

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.

14 SHARE CAPITAL

The numbers of the Company's shares authorised and issued are as follows:

	For the six months ended 31 December			
	2024		2023	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each				
As at 1 July and 31 December	900,000,000	90,000	900,000,000	90,000
Convertible preference shares of HK\$0.1 each (Note a)				
As at 1 July and 31 December	100,000,000	10,000	100,000,000	10,000
Total	1,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK\$0.1 each				
As at 1 July and 31 December	450,000,000	45,000	450,000,000	45,000
Convertible preference shares of HK\$0.1 issued at HK\$3.2260 each (Note a)				
As at 1 July and 31 December	43,676,379	140,900	43,676,379	140,900
Total	493,676,379	185,900	493,676,379	185,900

As at 31 December 2024 and 30 June 2024, the total nominal amount of the Company's issued shares was HK\$49,367,638, comprising HK\$45,000,000 for ordinary shares and HK\$4,367,638 for convertible preference shares.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14 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 FSE Management Company Limited ("FMC, a fellow subsidiary of the Company) 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.

15 TRADE AND OTHER PAYABLES

	As at 31 December 2024 HK\$'000	As at 30 June 2024 HK\$'000
Trade payables		
Third parties	540,317	475,552
Related companies (Note 17(c))	828	–
	541,145	475,552
Other payables		
Third parties	244,987	298,776
Related companies (Note 17(c))	7,357	12,276
	252,344	311,052
Retention payables		
Third parties	277,105	281,940
Accrued expenses	492,852	519,324
Provision for contracting costs	485,528	527,598
Total	2,048,974	2,115,466

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 31 December 2024 HK\$'000	As at 30 June 2024 HK\$'000
1 to 90 days	428,583	406,026
91 to 180 days	34,254	25,114
Over 180 days	78,308	44,412
Total	541,145	475,552

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 31 December 2024.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

16 NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to cash generated from/(used in) operations:

		For the six months ended 31 December	
	Notes	2024 HK\$'000	2023 HK\$'000
Profit before income tax		285,528	302,220
Depreciation of right-of-use assets	11	24,326	24,738
Finance costs		12,759	10,640
Depreciation of property, plant and equipment	11	12,614	10,829
Long service payment liabilities			
Expenses recognised in the condensed consolidated income statement		4,448	3,880
Benefit paid		(2,121)	(4,110)
Amortisation of other intangible assets	11	1,926	1,926
Impairment losses on trade and other receivables, net	7	1,512	419
Unrealised exchange differences		232	(199)
Pension costs on defined benefits plan		184	159
Share of results of joint ventures		73	(131)
Provision/(reversal of provision) for inventories	7	16	(21)
Finance income		(18,085)	(10,938)
Gains on disposal of right-of-use assets, net	6	(2,637)	(4,279)
Gains on disposal of property, plant and equipment, net	6	(805)	(1,200)
Share of results of associates		(576)	(802)
Operating cash flows before changes in working capital		319,394	333,131
Change in working capital:			
Trade and other payables		(95,801)	(76,473)
Net contract assets and liabilities		(76,268)	(165,416)
Trade and other receivables		(29,795)	(108,918)
Pension assets		(17)	(22)
Inventories		1,723	2,637
Cash generated from/(used in) operations		119,236	(15,061)

16 NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

(b) Acquisition of a subsidiary

On 27 December 2024, the Group acquired the entire registered and paid up capital of Beijing Nova Insurance Services Limited ("Beijing Nova") at a total consideration of RMB123.1 million (equivalent to HK\$133.0 million), which includes RMB115.4 million (equivalent to HK\$124.8 million) of initial sum of consideration paid in October 2024 and RMB7.7 million (equivalent to HK\$8.2 million) of final cash payment of consideration paid in February 2025. The total consideration for this acquisition is financed by the Group's internal resources. Beijing Nova is a national insurance brokerage company for the insured established in Mainland China.

The following table summarises the provisional amounts of fair values of assets acquired, liabilities assumed and goodwill recognised by the Group and the Group's net cash outflow arising from the acquisition as at 27 December 2024:

	HK\$'000
Property, plant and equipment (Note 11)	682
Right-of-use assets (Note 11)	2,229
Other intangible assets (Note 11)	29,323*
Trade and other receivables	17,105
Cash and cash equivalents	55,026
Trust cash	16,139
Trade and other payables	(21,679)
Taxation payable	(86)
Deferred income tax liabilities	(7,330)
Current portion of lease liabilities	(2,229)
Fair values of net identifiable assets acquired	89,180
Goodwill (Note 11)	43,869
Cash consideration	133,049
Less: Consideration payable	(8,201)
Less: Cash and bank equivalents acquired	(55,026)
Net cash outflow	69,822

* Comprising customer relationships of HK\$25.0 million, customer contracts of HK\$1.3 million and license of HK\$3.0 million.

The amount of goodwill recognised by the Group was determined based on management's estimates of the fair values of the identifiable assets acquired and liabilities assumed, and subject to revision upon their further assessment. The valuation and assessment had not been completed by the date the Group's condensed consolidated financial statements for the six months ended 31 December 2024 were approved for issue by the Board of Directors. If new information obtained within one year of the acquisition date about facts and circumstances that existed at the acquisition dates identifies adjustments to the above provisional amounts, or any provisions that existed at the acquisition date, then the accounting for the acquisition will be revised.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

16 NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

(b) Acquisition of a subsidiary *(Continued)*

The goodwill arising on the acquisition of Beijing Nova pertains to, but is not limited to, the expected economic benefit from the synergies in the Group arising from the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes. The fair value and gross contractual amount of trade and other receivables at the date of acquisition amounted to HK\$17.1 million. The transaction costs of HK\$1.3 million incurred for this business combination have been recognised as general and administrative expenses in the condensed consolidated income statement.

Since the date of acquisition, no amounts of revenue and profit of Beijing Nova are included in the condensed consolidated income statement of the Group for the six months ended 31 December 2024. If the acquisition had taken place on 1 July 2024, the revenue and profit for the six months ended 31 December 2024 of the Group would have been HK\$4,113.3 million and HK\$242.8 million, respectively.

(c) Acquisition of non-controlling interests

On 12 June 2023, the Group acquired the remaining 30% interest in Wise Plaza Limited at a consideration of HK\$22.8 million, which includes HK\$22.4 million of initial sum of consideration paid in June 2023 and HK\$0.4 million of final cash payment of consideration paid in July 2023.

(d) Exchange differences

The exchange differences of cash and cash equivalents during the period mainly arises from the remeasurement of the Group's foreign currency denominated cash and bank balances at the period end exchange rates.

(e) Major non-cash transactions

During the six months ended 31 December 2024, the Group acquired right-of-use assets and recognised lease liabilities, including lease modifications, totaling HK\$30.1 million (Six months ended 31 December 2023: HK\$11.3 million).

(f) Funds held on behalf of third parties

As at 31 December 2024, the Group held cash and bank balances totalling HK\$1,426.6 million (30 June 2024: HK\$1,300.9 million) in trust for owners of certain buildings which were under its management. These funds have not been included in the condensed consolidated interim financial statements of the Group.

17 RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated interim financial information, 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 six months ended 31 December 2024 and 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
China Fame Enterprise Limited	Note i
Ease King Investment Limited	Note i
Fast Solution Limited	Note i
FSE Management Company Limited	Note i
Fung Seng Enterprises Limited	Note i
Great City Developments Limited	Note i
Kingdom of Morocco (Consulate General-HK) Company Limited	Note i
Perfect Modern Limited	Note i
Power Estate Investments Limited	Note i
Silver Asia Investments 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
上海豐昌物業管理有限公司	Note i
Anway Limited	Note ii
AOS Management (HK) Limited	Note ii
AOS Management Limited	Note ii
Bright Link Engineering Limited	Note ii
Broadway-Nassau Investments Limited	Note ii
Calpella Limited	Note ii
Cheer Globe Limited	Note ii
CHI Studio Company Limited	Note ii
Chow Tai Fook Enterprises Limited	Note ii
Chow Tai Fook Jewellery Company Limited	Note ii
Chow Tai Fook Life Insurance Company Limited	Note ii
Cititop Limited	Note ii
CTF Services Limited (formerly known as NWS Holdings Limited)	Note ii

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

17 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
Daily Land Limited	Note ii
Diamond International Limited	Note ii
Eastrade Holdings Limited	Note ii
Ever Light 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
Hip Hing Builders Company Limited	Note ii
Hip Hing Construction Company Limited	Note ii
Hip Hing Engineering 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
Humansa Imaging Limited	Note ii
Hyatt Regency Hong Kong	Note ii
Joy Century Limited	Note ii
K11 AFLM Limited	Note ii
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
K11 Select Limited	Note ii
K11 Theme Parks Limited	Note ii
Kai Tak Sports Park Limited	Note ii
Karnival TP-FT Limited	Note ii

17 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
Kid World Services Limited	Note ii
Kiu Lok Properties Services (China) Limited	Note ii
Loyalton Limited	Note ii
Luxba Limited	Note ii
Maronne Limited	Note ii
Nature Discovery Park Limited	Note ii
New Gain Limited	Note ii
New Town Project Management Limited	Note ii
New World China Estate Agents 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 Property Management Company Limited	Note ii
New World Strategic Investment Limited	Note ii
New World Tower Company Limited	Note ii
NW Project Management Limited	Note ii
Park New Astor Hotel 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
Sunfield Investments Limited	Note ii
Sunny Goal Limited	Note ii
The Artizen Management Company Limited	Note ii

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

17 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
The Automall 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
Vibro Construction Company Limited	Note ii
Victoria Educational Organisation Limited	Note ii
Wealth Master Corporation Limited	Note ii
Wise City Investment Limited	Note ii
北京崇文•新世界房地產發展有限公司	Note ii
商順置業(深圳)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
新世界百貨(中國)有限公司	Note ii
新世界協中建築有限公司	Note ii
新世界嘉業(武漢)有限公司	Note ii
廣州永沛房地產開發有限公司	Note ii
瀋陽博覽館商務會展有限公司	Note ii

Notes:

- (i) These companies are commonly controlled by the Ultimate Controlling Shareholder and/or the family member 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.

17 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with related parties

Save as disclosed elsewhere in the condensed consolidated interim financial statements, the Group had the following transactions with related companies during the six months ended 31 December 2024 and 2023.

	For the six months ended 31 December	
	2024 HK\$'000	2023 HK\$'000
Contract revenue (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	921	1,639
Other related companies (Note ii)	588,078	908,110
Total	588,999	909,749
Cleaning service income (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	813	846
Other related companies (Note ii)	87,692	81,335
Total	88,505	82,181
Premises management service fee and building manager remuneration (Note iii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	722	792
Other related companies (Note ii)	10,252	9,621
Total	10,974	10,413
Security service income (Note iv)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	2,146	2,133
Other related companies (Note ii)	133,869	106,942
Total	136,015	109,075
Insurance solutions consultancy fee income from related companies (Note v)	12	13
Landscaping service income (Note vi)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	14	14
Other related companies (Note ii)	3,875	3,172
Total	3,889	3,186

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

17 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

	For the six months ended 31 December	
	2024 HK\$'000	2023 HK\$'000
Additions of right-of-use assets and rental expenses (Note vii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	17,330	6,914
Other related companies (Note ii)	25	25
Total	17,355	6,939
Appointment fees to other related companies (Note ii, viii)	1,452	1,408
Contracting service expenses to other related company (Note ii, ix)	425	4,004
Miscellaneous service fees expenses to other related companies (Note ii, x)	65	308

Notes:

- (i) Revenue from provision of contracting work and cleaning service income is principally charged in accordance with the terms of the 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 were charged based on certain percentages of total expenditures of the properties in accordance with the management contracts.
- (iv) Security service 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) Additions of rights-of-use assets and rental expenses 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 expenses 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.

17 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

	As at 31 December 2024 HK\$'000	As at 30 June 2024 HK\$'000
Trade receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	420	496
Other related companies (Note i)	156,830	148,389
Total	157,250	148,885
Retention receivables due from related companies (Note i)	108,394	124,433
Other receivables due from related companies (Note i)	30,874	55,799
Contract assets due from related companies (Note i)	183,433	159,166
Contract liabilities due to related companies (Note i)	42,268	84,681
Trade payables due to related companies (Note i)	828	–
Other payables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	3,057	2,217
Other related companies (Note i)	4,300	10,059
Total	7,357	12,276
Lease liabilities		
Related companies commonly controlled by the Ultimate Controlling Shareholder	23,888	21,551

Note:

- (i) These related companies are companies of which the key management personnel are close members of the family of the Ultimate Controlling Shareholder.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

17 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 six months ended 31 December	
	2024 HK\$'000	2023 HK\$'000
Fees	2,284	1,863
Salaries and other emoluments	53,786	54,137
Contributions to defined contribution schemes	2,770	2,441
Total	58,840	58,441

18 CAPITAL COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	As at 31 December 2024 HK\$'000	As at 30 June 2024 HK\$'000
Property, plant and equipment	6,895	5,418

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK21.1 cents (Six months ended 31 December 2023: HK22.4 cents) per ordinary share to the ordinary shareholders of the Company for the six months ended 31 December 2024. The interim dividend will be paid in cash to shareholders whose names appear on the register of ordinary shareholders of the Company at the close of business on Tuesday, 18 March 2025. It is expected that the dividend warrants will be posted to shareholders on or about Friday, 28 March 2025.

CLOSURE OF REGISTER OF ORDINARY SHAREHOLDERS

For the purpose of determining shareholders' entitlement to the interim dividend, the register of ordinary shareholders of the Company will be closed. Details of such closure are set out below:

Ex-dividend date	13 March 2025
Latest time to lodge transfer documents for registration	4:30 pm on 14 March 2025
Closure of register of ordinary shareholders	17 and 18 March 2025
Record date	18 March 2025
Interim dividend payment date	on or about 28 March 2025

During the above closure period, no transfer of ordinary shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than the latest time specified above.

OTHER INFORMATION

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company was established by the Board for the purposes of, among other things, reviewing and providing supervision over the Group's financial reporting process and internal controls. It currently comprises four independent non-executive directors of the Company. The Audit Committee has reviewed the Group's unaudited condensed consolidated interim financial statements for the six months ended 31 December 2024 and discussed financial related matters with the management and the external auditors of the Company.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 December 2024 have been reviewed by the Company's external auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and enhance corporate value of the Group. Throughout the six months ended 31 December 2024, the Company had complied with all the code provisions set out in the Corporate Governance Code contained in Appendix C1 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), 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. Both Dr. Cheng Kar Shun, Henry and Mr. Doo Wai Hoi, William ("Mr. Doo"), Chairmen of the Board, were unable to attend the annual general meeting of the Company held on 25 November 2024 (the "2024 AGM") due to their prior commitment to other important engagements. Mr. Lam Wai Hon, Patrick, alternate director to Dr. Cheng Kar Shun, Henry, together with other members of the Board who attended the 2024 AGM, were of sufficient caliber for answering questions at the 2024 AGM.

DIRECTORS' DEALINGS IN THE COMPANY'S SECURITIES

The Company has adopted its own Securities Dealing Code, which is 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 C3 to the Listing Rules, as the code for dealing in securities of the Company by its directors. All directors of the Company 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 six months ended 31 December 2024.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of directors of the Company since the publication of the 2023-2024 Annual Report are set out below:

1. Mr. Poon Lock Kee, Rocky ceased to be a member of the standing committee of directors of the Macao Chamber of Commerce and was appointed as a director of the Macao Chamber of Commerce in January 2025.
2. Mr. Hui Chiu Chung, Stephen resigned as an independent non-executive director of HK Acquisition Corporation and SINOPEC Engineering (Group) Co., Ltd with effect from 30 October 2024 and 8 November 2024 respectively.

Except as mentioned above, there are no other changes in information of the directors of the Company that are required to be disclosed under Rule 13.51B(1) of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2024, 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 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.

OTHER INFORMATION

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

Name	Capacity/nature of interest	Number of shares	Percentage of Shareholding ⁽⁵⁾
Mr. Doo	Interest of spouse	440,000,000 ⁽¹⁾	88%
Mr. Lam Wai Hon, Patrick (“Mr. Lam”)	Interest of controlled corporation	20,000,000 ⁽²⁾	4%
Mr. Doo William Junior Guilherme (“Mr. Doo Jr”)	Interest of controlled corporation	35,000,000 ⁽³⁾	7%
Mr. Lee Kwok Bong (“Mr. Lee”)	Interest of controlled corporation	5,000,000 ⁽⁴⁾	1%

Notes:

1. 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.
2. 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.
3. 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.
4. 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.
5. The percentage of shareholding is calculated on the basis of 500,000,000 shares of FSE Holdings in issue as at 31 December 2024.

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 31 December 2024.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2024, 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 ⁽⁶⁾
FSE Holdings	Beneficial interest and interest of controlled corporation ⁽⁵⁾	337,500,000 ⁽¹⁾	43,676,379 ⁽²⁾	381,176,379 ⁽³⁾	84.71%
Sino Spring ⁽⁴⁾	Interest of controlled corporation	337,500,000	43,676,379	381,176,379	84.71%
Fung Seng Holdings (X) Limited ("Fung Seng") ⁽⁵⁾	Interest of controlled corporations	337,500,000	43,676,379	381,176,379	84.71%
Fungseng Prosperity Holdings Limited ("Fungseng Prosperity") ⁽⁵⁾	Interest of controlled corporations	337,500,000	43,676,379	381,176,379	84.71%
Doo Family Prosperity Holdings Limited ("Doo Family") ⁽⁵⁾	Interest of controlled corporations	337,500,000	43,676,379	381,176,379	84.71%
Mrs. Doo ⁽⁵⁾	Interest of controlled corporations	337,500,000	43,676,379	381,176,379	84.71%
FSE Management Company Limited ("FMC") ⁽²⁾	Beneficial interest	–	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.

OTHER INFORMATION

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 Fungseng Prosperity and 25% by Mrs. Doo. Fungseng 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, Fungseng 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 31 December 2024. 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, Fungseng 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 31 December 2024.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 20 November 2015. No share option has been granted under the Scheme since its adoption. The number of options available for grant under the Scheme as at 1 July 2024 and 31 December 2024 was 45,000,000 without any sub-limit for any category of eligible participants.

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 six months ended 31 December 2024.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Directors

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

Mr. Poon Lock Kee, Rocky *MH*

Executive Directors

Mr. Doo Wai Hoi, William *BBS, JP (Chairman)*

Mr. Lam Wai Hon, Patrick

(Executive Vice-Chairman & Chief Executive Officer)

(also alternate to Dr. Cheng Kar Shun, Henry)

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

Ms. Leung Wan Chong Christine

AUDIT COMMITTEE

Mr. Kwong Che Keung, Gordon *(Chairman)*

Mr. Hui Chiu Chung, Stephen *JP*

Mr. Lee Kwan Hung, Eddie

Ms. Leung Wan Chong Christine

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. Doo William Junior Guilherme *BBS, JP*

NOMINATION COMMITTEE

Mr. Lee Kwan Hung, Eddie *(Chairman)*

Mr. Hui Chiu Chung, Stephen *JP*

Dr. Tong Yuk Lun, Paul

Mr. Lam Wai Hon, Patrick

Mr. Doo William Junior Guilherme *BBS, JP*

ESG COMMITTEE

Dr. Cheng Chun Fai *(Chairman)*

Mr. Lee Kwok Bong

Mr. Soon Kweong Wah

Dr. Tong Yuk Lun, Paul

Ms. Leung Wan Chong Christine

Mr. Kwan Chun Kit, Terry

Mr. Tsang Tin Ngai

COMPANY SECRETARY

Mr. Chan Ju Wai

CORPORATE INFORMATION

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
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
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

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

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INVESTOR RELATIONS

Strategic Financial Relations Limited
2401-02, Admiralty Centre I
18 Harcourt Road
Hong Kong

WEBSITE

www.fse.com.hk