



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

Annual Report 2021-2022

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 331

# FSE Lifestyle Enriching Lifestyle



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## Our Core Values



**Quality**  
We pursue Quality



**Integrity**  
We pursue Integrity



**Innovation**  
We are Innovative



# 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 customized 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.



### Passion

We are Passionate



### Caring

We Care



### Teamwork

We work as a Team





**豐盛生活**  
**FSE LIFESTYLE**

## FSE Lifestyle Services Limited

FSE Lifestyle Services Limited (“FSE Lifestyle” or the “Company”) 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 and facility management services, city essential services and electrical and mechanical engineering (“E&M”) services.

Our services are being delivered through 8 major groups of companies which have all been the market leaders in their respective industries. They include Urban Group (“Urban”), Kiu Lok Group (“Kiu Lok”), Waihong Services Group (“Waihong”), FSE Environmental Technologies Group, Hong Kong Island Landscape Company Limited (“Hong Kong Island Landscape”), General Security Group (“General Security”), Nova Insurance Group (“Nova”) and FSE Engineering Group. With their professionalism and expertise, together with the extensive synergies generated among the companies under FSE Lifestyle, we are able to build up a strong network and offer comprehensive “one-stop shop” professional services to our clients who are engaged in a wide diversity of projects, including property developments, public infrastructures, education and transportation facilities, as well as entertainment and travel industries in Hong Kong, Macau and the Mainland China.

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



## Property & Facility Management Services

- Property Management
- Facility Management
- Agency Services



Urban Property &  
Facility Management



Kiu Lok Property  
Service Management



International Property  
Management



## City Essential Services

- Cleaning, Disinfection and Pest Control Services
- Technical Support & Maintenance Services
- Assets Protection & Security Services
- Concierge and Event Servicing
- Insurance Solutions
- Environmental Solutions



Waihong  
Cleaning



Far East  
Engineering  
Services



Turning  
Technical  
Services



General  
Security



Perfect  
Event  
Services



Nova  
Insurance



FSE  
Environmental  
Technologies



Extensive  
Trading



Hong Kong  
Island  
Landscape



## E&M Services

- Design and Installation Services
- Air-conditioning Services
- Electrical Services
- Fire Services
- Plumbing and Drainage Services



FSE Engineering  
Majestic Engineering  
Young's Engineering

# Financial Highlights

For the year ended 30 June	2022 HK\$M	2021 HK\$M	% Change
Revenue	6,966.9	6,452.7	+8.0%
Gross profit	992.5	1,135.1	-12.6%
Gross profit excluding government grants <sup>(i)</sup>	948.6	826.7	+14.7%
Profit attributable to shareholders of the Company	502.9	586.9	-14.3%
Adjusted net profit <sup>(iii)</sup>	414.7	306.8	+35.2%
Basic earnings per share	HK\$1.10	HK\$1.29	-14.7%

The Board recommended the declaration of a final dividend of HK24.1 cents (2021: HK16.1 cents) per ordinary share to the ordinary shareholders of the Company for the year ended 30 June 2022<sup>(iii)</sup>.

Notes:

- After excluding the corresponding effects of government grants of HK\$43.9M for the year ended 30 June 2022 and HK\$308.4M for the year ended 30 June 2021 from the Group's gross profit for both years to better illustrate the Group's performance without such effects. 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 42.
- After excluding the corresponding effects of government grants of HK\$88.2M from the Group's profit attributable to shareholders of the Company of HK\$502.9M for the year ended 30 June 2022, and HK\$280.1 million (which comprised: (a) government grants of HK\$340.0M, (b) losses related to laundry business of HK\$45.8M and (c) one-off professional fees for acquisition of HK\$14.1M) from the Group's profit attributable to shareholders of the Company of HK\$586.9M for the year ended 30 June 2021 to better illustrate the Group's financial results without the effects of such non-recurring items. 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 42.
- Together with the interim dividend of HK20.9 cents (2021: HK28.9 cents) per ordinary share paid in March 2022, total distribution of ordinary share dividends made by the Company to its ordinary shareholders for the year ended 30 June 2022 will be HK45.0 cents (2021: HK45.0 cents) per share.

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

For the year ended 30 June 2021, the dividend payout ratio of the Company was 48.7%, calculated based on the Group's adjusted profit for the year ended 30 June 2021 attributable to ordinary shareholders of the Company of HK\$416.1M (i.e. after excluding (a) the profit of HK\$162.3M made by the security guarding & event services, insurance solutions and landscaping services businesses during the period from 1 July 2020 to 19 April 2021, the day of completion of the Group's acquisition of these businesses as described in Note 2.1(iii) to the consolidated financial statements and (b) preferred distribution to the holder of convertible preference shares of HK\$8.5M for the year ended 30 June 2021 from profit attributable to shareholders of the Company of HK\$586.9M).

## FSE Lifestyle — Consolidated

### Revenue

For the year ended 30 June  
HK\$'million



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

### Profit Attributable to Shareholders of the Company

For the year ended 30 June  
HK\$'million



- Reported figures with no restatements, excluding non-recurring items<sup>(5)</sup>
- Restatements for property and facility management<sup>(3)</sup>
- Restatements for security & guarding, insurance solutions and landscaping, excluding non-recurring items<sup>(7)</sup>

## Property & Facility Management Services Segment

### Revenue

For the year ended 30 June  
HK\$'million



### Profit Attributable to Shareholders of the Company

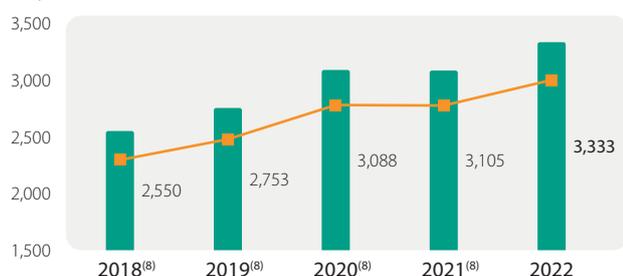
For the year ended 30 June  
HK\$'million



## City Essential Services Segment

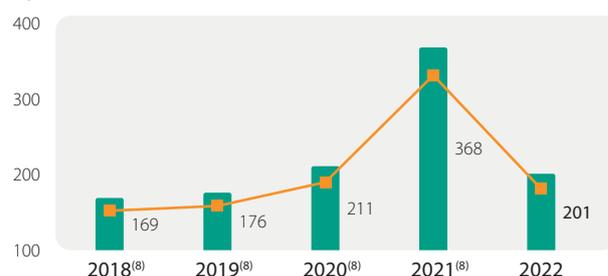
### Revenue

For the year ended 30 June  
HK\$'million



### Profit Attributable to Shareholders of the Company

For the year ended 30 June  
HK\$'million



## E&M Services Segment

### Revenue

For the year ended 30 June  
HK\$'million



### Profit Attributable to Shareholders of the Company

For the year ended 30 June  
HK\$'million



- (1) Restated for the Group's application of merger accounting for business combinations under common control
- (2) Reported figures per respective years' published annual results without including subsequent restatements caused by business acquisitions
- (3) Restatements for the amounts of property & facility management services business acquired in December 2019
- (4) Restatements for the amounts of security guarding & event services, insurance solutions and landscaping services businesses acquired in April 2021
- (5) Non-recurring items comprising (i) government grants of HK\$88.2M for the year ended 30 June 2022; (ii) government grants of HK\$340.0M, losses related to laundry business of HK\$45.8M and one-off professional fees for acquisition of HK\$14.1M for the year ended 30 June 2021 and (iii) government grants of HK\$67.0M and one-off professional fees for acquisition of HK\$12.1M for the year ended 30 June 2020
- (6) Reported figures per respective years' published annual results without including subsequent restatements caused by business acquisitions, excluding non-recurring items per item (5) above
- (7) Restatements for the amounts of security guarding & event services, insurance solutions and landscaping services businesses acquired in April 2021, excluding non-recurring items per item (5) above
- (8) Restated for the Group's reclassification of Extra Low Voltage ("ELV") business from the E&M Services segment to the City Essential Services segment during the year ended 30 June 2022

# Major Events and Accolades

## 2021

### Aug

- ▶ Nova received the “BOCHK Corporate Environmental Leadership Awards 2020 – Eco Partner” organised by the Federation of Hong Kong Industries, recognising its active participation in environmentally conscious practices in Hong Kong and the Pan-Pearl River Delta region.



*Nova received the "BOCHK Corporate Environmental Leadership Awards 2020 – Eco Partner"*

### Oct

- ▶ FSE Lifestyle presented awards to its long-serving staff and “FSE Children Academic Star Awards” to the children of its staff with outstanding academic performance, demonstrating our caring to staff and families.



*Mr. Patrick Lam, Executive Vice-Chairman, Mr. Rocky Poon, Chief Executive Officer and Mr. Doo William Junior, Executive Director of FSE Lifestyle presented the Grand Awards and "FSE Children Academic Star Awards"*

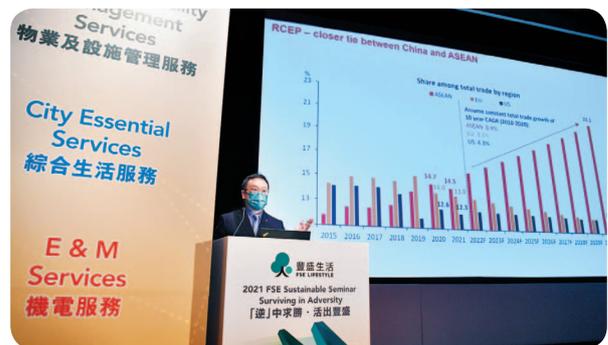
- ▶ FSE Lifestyle launched a book sharing stories involving staff who exceeded the Group’s Vision, Mission and Values (“VMV”). The book comprises 26 outstanding showcases from different business units, recognising staff working attitudes and spirits.



*FSE Lifestyle’s VMV books present the successful and encouraging stories of our staff*

### Nov

- ▶ FSE Sustainable Seminar with the theme “Surviving in Adversity” was held, our invited guests shared their valuable views with us on the topics of “Macroeconomic Outlook 2022”, “Crisis or Opportunities: Maintaining a Balanced Growth”, “Fighting the Battle; Winning the Game” and “Knowing Me; Knowing You”.



*FSE Sustainable Seminar aims to encourage our staff to continuously improve their service standards and contribute to the betterment of our Group and the society at large*

- ▶ FSE Lifestyle's Young Executive Training Programme had its first team building activity to enhance team bonding, leadership competence and exploration of potential.



*Inspiring innovative ideas of our young staff, they are encouraged to think out-of-the-box and to demonstrate the FSE Lifestyle's core values through the Young Executive Training Programme*

- ▶ FSE Lifestyle garnered the "Outstanding Listed Company Award 2021" from The Hong Kong Institute of Financial Analysts and Professional Commentators Limited, affirming our dedication in maintaining high level of transparency and delivering sustainable business performance throughout the year.



*Mr. Rocky Poon, Chief Executive Officer of FSE Lifestyle, was presented the "Outstanding Listed Company Award 2021"*

- ▶ 30 properties managed by Urban were granted the "Excellence in Facility Management Award" by The Hong Kong Institute of Facility Management, in recognition of its outstanding performance in facility management services, including technological advancement, green initiatives, carbon reduction, barrier-free access, and high standard of occupational health and safety.



*Dr. Edmond Cheng, Managing Director of Urban, led the teams to receive the "Excellence in Facility Management Award" from the Hong Kong Institute of Facility Management*

- ▶ General Security was awarded the "The Best HR Award 2021 – Best Employer Branding Video Award – Gold Award" from Ctgoodjobs, demonstrating its excellent employer branding strategy in attracting and engaging people.



*"The Best HR Award 2021 – Best Employer Branding Video Award – Gold Award"*

# Major Events and Accolades

## Dec

- ▶ Urban received 222 awards in the “Hong Kong Awards for Environmental Excellence 2020” from the Environmental Campaign Committee in recognition of its outstanding performance on environmental management and contributions in making positive impacts on environmental sustainability.



**"Hong Kong Awards for Environmental Excellence 2020"**

- ▶ Waihong received five awards in the “Project Clean Together – Toilet Cleaning Competition 2021” organised by the LINK.



**Waihong frontline staff won several awards, both individually and as a company, in the "Toilet Cleaning Competition 2021" Award Presentation Ceremony**

- ▶ Nova was awarded the “Smoke-Free Company” recognition in the Smoking Cessation Program in Workplace organised by The Lok Sin Tong Benevolent Society Kowloon, showing its support to this programme of promoting a smoke-free workplace and providing outreach smoking cessation services for working adults.



**Smoke-Free Company**

- ▶ Young’s Engineering Company Limited (“Young’s Engineering”), Majestic Engineering Company Limited (“Majestic Engineering”) and Far East Engineering Services Limited’s participated project “West Kowloon Government Offices” won the Chartered Institution of Building Services Engineers Hong Kong Award “Project of the Year Award – Public Use Building” to honor its practices in project delivery and lifecycle asset management.



**"Project of the Year Award – Public Use Building" from the Chartered Institution of Building Services Engineers Hong Kong**

- ▶ Young’s Engineering won the “Revitalisation Award – Specialist Contractor” at the “CIC Outstanding Contractor Award 2021” organised by the Construction Industry Council, acknowledging its efforts in training people, fostering innovation and professionalism in its day-to-day operations.



**Young’s Engineering team received the “Revitalisation Award – Specialist Contractor” presented by the Permanent Secretary for Development at Government House**

- ▶ FSE Lifestyle held its FSE Caring Day 2021 in the CIC-Zero Carbon Park, more than 200 volunteers to visit over 300 elders all over the 18 districts in Hong Kong.



**In the FSE Caring Day, FSE Lifestyle’s staff continued to promote the spirit of caring for the community and serving people in need**

# 2022

## Mar

- ▶ Young's Engineering and Majestic Engineering's participated project "Kai Tak Sports Park" won "The Grand Award" of the Hong Kong openBIM (Building Information Modelling)/openGIS (Geographic Information System) 2022 from the Hong Kong Alliance of Built Asset & Environment Information Management Associations and Building Smart Hong Kong in recognition of its demonstrated engineering excellence.



*The Grand Award of the Hong Kong openBIM/openGIS Award 2022 for our Kai Tak Sports Park project*

## May

- ▶ FSE Lifestyle, together with our subsidiaries, received a total of 32 "Caring Company" certificates by the Hong Kong Council of Social Service in appreciation of our continuous endeavour and devotions in creating a harmonious society.
- ▶ FSE Lifestyle's affiliate, Beijing Nova Insurance Services Limited formed a strategic partnership with Towngas Lifestyle (Shenzhen) Information Services Company Limited, aiming to establish a joint working group to build up professional service and technical teams to provide insurance brokerage services to the Towngas Group via an online platform.



*FSE Lifestyle and our business units continued to receive the Caring Company certifications and logos*



*Mr. Isaac Yeung (left), Head of Corporate Affairs of Towngas and Dr. Steve Cheng (right), Executive Director of FSE Lifestyle signed the Strategic Cooperation Framework Agreement*

## Jun

- ▶ FSE Lifestyle and FSE Engineering Group received the "Joyful@healthy Workplace Award – Outstanding Organization Award" from the Department of Health and the Occupational Safety and Health Council recognising our efforts in creating joyful and healthy working environments for employees.



*Mr. Rocky Poon, Chief Executive Officer, and Mr. Thomas Soon, Executive Director of FSE Lifestyle, represented FSE Lifestyle and FSE Engineering Group respectively to receive the "Joyful@healthy Workplace Award – Outstanding Organization Award"*

- ▶ Young's Engineering won the "First Runner-up" in the "Mechanical Innovation Award" for its self-developed semi-automatic overhead drilling machine at the "Institution of Mechanical Engineers Award Competition". The ultimate purpose of this winning SkyDrilling Machine is to help create a smart future where people can enjoy the best quality of life possible.



*Mr. Rocky Poon, the Chief Executive Officer of FSE Lifestyle, led his team to attend the Prize Award Ceremony and Presentation at The Hong Kong Polytechnic University*

- ▶ The Second FSE Executive Development Programme has commenced with the aim of grooming FSE Lifestyle's talented management staff to be its future leaders in meeting the Company expanding service portfolio.



*FSE Executive Development Programme's workshop on "Effective Leadership with Myers-Briggs Type Indicator" held on 24 June 2022*

# Chairman's Statement



“By continuing to diversify its range of service offerings with proactive marketing efforts, the Group broadened its revenue streams and improved its operating efficiency, enabling us to be better positioned to cushion against the impacts of the pandemic.”

## To Our Shareholders:

On behalf of the board of directors (the "Board") of FSE Lifestyle Services Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the annual results of the Company for the year ended 30 June 2022 ("FY2022" or the "Year").

## Thanks to a Tightly-Knitted Business Ecosystem

The year 2022 marks the sixth anniversary of the Company's listing in Hong Kong. Despite the multiple waves of pandemic outbreak and the complicated economic environment, with a solid foundation for growth, the Group's businesses had proven to be resilient in FY2022. By continuing to diversify its range of service offerings with proactive marketing efforts, the Group broadened its revenue streams, improving the stability of our operation, enabling us to be better positioned to cushion against the impacts of the epidemic.

Service quality is the cornerstone of the Group's development. With that to build on, during the Year, we rationalised our business lines and optimised our organisational structure and management teams, as part of our succession planning, and repositioned the Group as a large-scale and unique lifestyle services conglomerate offering the following comprehensive range of services to clients:

- i. **Property & Facility Management Services**
- ii. **City Essential Services** including Cleaning, Pest Control & Disinfection, Technical Support & Maintenance, Security Guarding & Event Services, Insurance Solutions and Environmental Solutions
- iii. **E&M Services**

When compared financial performance to our listing in the year ended 30 June 2016, the Group doubled the consolidated revenue and more than tripled the profit attributable to shareholders for the financial year ended 30 June 2022, and earnings per share increased by more than 160%.

The increase in revenue was owed primarily to our acquisition strategy creating cross-selling synergies and strengthening customer loyalty. This business ecosystem has successfully allowed us to hit the goal of balancing growth in scale and cash flow. The property & facility management services and city essential services segments accounted for more than half of the gross profits and net profits of the Group for the Year. Practising prudent financial management at all times, the Group kept its net gearing ratio unchanged at 0%. During the Year, amid the prevailing pandemic, there was a steady demand for professional and branded services, and we see this phenomenon to continue presenting the Group with abundant business opportunities.

Looking ahead, our roadmap for growth would be to focus on our recognisable brands, our service quality, our sustainability efforts, our use of technology and our sound corporate governance, delivering cost effectiveness to our clients. The Group boasts its unique capability in providing high quality complementary integrated services and creating cross-selling opportunities, with the use of advanced technologies and smart solutions as Artificial Intelligence (“AI”) and Internet of Things (“IoT”), to increase the satisfaction of our valued customers. To support the growth of our businesses, we will continue to invest in people and upgrade our colleagues, in particular young talents with diverse and tailored training. Thanks to the above efforts, the Group’s FY2022 profit attributable to shareholders reached HK\$502.9 million, with a net cash position maintained at the end of the Year. Although reported net profit was 14% less than the HK\$586.9 million for FY2021, if excluding the effects of government grants for both years and the one-off non-recurring items, the Group’s adjusted net profit for the Year would have increased by 35%. The Board has proposed a final dividend of HK24.1 cents per share for the Year. Including the interim dividend of HK20.9 cents per ordinary share for the six months ended 31 December 2021, the total dividend payout for the Year is HK45.0 cents per ordinary share, equivalent to a payout ratio of 41.0%.

## Property & Facility Management Services

Our Property & Facility Management Group, which comprises Urban, International Property Management Limited and Kiu Lok, is one of the largest independent service providers in property and car park management service markets in Hong Kong. We currently have more than 300 property management contracts covering not less than 150,000 residential flats, 3.2 million square metres of commercial properties and 70,000 car parks. During the volatile pandemic, there has been a growing demand for one-stop, high-quality comprehensive property and facility management services.

We help improve people’s living conditions including property pre-management services, building renovation and rejuvenation, leasing and tenancy management, some of which present ample cross-selling opportunities to our city essential services segment. With the Hong Kong Government’s determination to sustain housing and land supply, the property management market is expected to expand alongside growing number of property developments in Hong Kong. Urban renewal is another key government priority that will fuel the growth momentum of the property management industry in coming years.

Furthermore, armed with extensive E&M experience in Mainland China, the Group is also exploring opportunities in the Greater Bay Area via strategic collaboration and mergers and acquisitions. To satisfy the rising customer demand for smart, sustainable and green living, our Property & Facility Management Group is committed to, continuing application of new and modern management standards and information technologies in its operations.

## City Essential Services

Building on the excellent brand reputation of our property and facility management services and E&M services, the Group has continued to successfully promote its city essential services in the year:

**Cleaning Services** – Waihong is a top three player in the Hong Kong environmental hygiene services market. Amid the pandemic, the Hong Kong Government has emphasised hygiene and environmental control. Against that backdrop,

## Chairman's Statement

Waihong recently secured contracts from the Leisure and Cultural Services Department and the Department of Health, hence diversified its revenue sources and expanded by more than 40% the proportion of revenue from the Government and Quasi-government sector.

Equipped with extensive experience, high-quality customised services and a distinctive brand, Waihong will continue to increase participation in green waste disposal business to better accommodate the Hong Kong Government's environmental policy. Furthermore, with the solid waste-charging scheme to be implemented in 2023, together with the government pushing the Waste Blueprint 2035 and Climate Action Plan 2050, we are looking at different recycling business opportunities. Given the increasing public awareness of environmental hygiene and demand for disinfection service for fighting COVID-19, we are optimistic about the future of the industry.

**Technical Support & Maintenance Services** – Research from the Urban Renewal Authority revealed that there are more than 10,000 buildings aged 50 years or above in Hong Kong. Thus, this division envisages a growing demand for term maintenance contracts, large-scale alterations, additions and system retrofits in different commercial and residential buildings, hospitals, government properties and educational institutions. Besides, this division will continue its complementary role in supporting our property & facility management services business.

**Security Guarding & Event Services** – General Security holds all the three licenses for a security service company in Hong Kong and is a top two player in the security guarding services. Over the years, demand for security services has grown steadily and most noticeably in the residential sector. Amid the pandemic, we won ad-hoc contracts for manpower to conduct pandemic prevention procedures. Moreover, our Event Services division has been delivering and actively targeting the service needs of meeting, incentive, convention and exhibition sector, and leisure and cultural activities. It aims to capture large-scale event services in the event and exhibition sector. Technological advancement has also created more demand for advanced electronic security devices like alarm controls, video surveillance cameras. To capture this business opportunity, the Group will expand

the product range of its security system business. Cloud technology and AI will also be widely adopted for patrol and manpower planning to heighten operational efficiency.

**Insurance Solutions** – Nova is the leader among local insurance brokers in Hong Kong in terms of gross insurance brokerage income. It offers to corporate and individual clients one-stop risk management and insurance solutions for, including but not limited to, property, casualty, construction and employee benefits. Given Nova's wealth of experience, with a large number of construction projects expected in the near term, and a strong demand for specialty insurances such as cyber insurance and professional indemnity insurance, the Group expects to see further growth of its insurance solutions business.

**Environmental Solutions** – The Hong Kong Government has placed much emphasis on green development, which is an important focus of development for the Group. We intend to seize the numerous opportunities brought by the growing public awareness of environmental issues. Aware of the high living environment and hygiene standards expected, the Group will focus on development of integrated facility management solutions including smart office, smart toilet, real time indoor air quality ("IAQ") monitoring and rodent control.

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

Furthermore, given the government's consistent greening policies, town planning initiatives and various support schemes, as a landscape service provider, we can and are ready to contribute to development of the industry and provide high-quality arboriculture and horticulture services to our prestigious clients.

### E&M Services

#### Hong Kong

The Hong Kong Government has pledged to maintain a stable commercial and residential land supply, with average E&M construction work expenditure for the fiscal

year 2022/23, according to Construction Industry Council data, expected to exceed HK\$27 billion in the public sector and HK\$23 billion in the private sector. The Group's E&M services segment is currently one of two dominant players in the Hong Kong market. Despite the large-scale projects on hand, including the Kai Tak Sports Park, the Immigration Headquarters in Tseung Kwan O and 11 SKIES in Chek Lap Kok, the Group is adequately prepared to take on more sizeable infrastructure and building projects. Among the major design and construction tenders we have submitted, the more notable ones included the District Court on Caroline Hill Road, the Public New Markets in Tin Shui Wai and Expansion of the Legislative Council Complex, all of which are currently under negotiation. Preparation is also underway in relation to tenders for the District Cooling System at Tung Chung New Town Extension East and projects in the 10-year Hospital Development Plan. In addition, the Northern Metropolis Development Strategy, which is centered around urban-rural integration, is set to become the most important city development initiative. The Group will continue to march forward applying its technological strengths and differentiated competencies, such as Building Information Modelling ("BIM") and Modular Integrated Construction ("MiC"), to expand its featured contracting business. Finally, the Group will closely monitor and navigate the operational risks brought by the recurrent waves of pandemic, particularly supply chain interruption, via responsible financial planning and flexible resource deployment.

#### **Mainland China**

In Mainland China, with the pandemic resurging in recent months, the operating environment for the Group has become more challenging. However, mainland authorities have introduced a series of relevant regulatory and credit policies and insisted on pursuing the all-important common prosperity objective of promoting quality growth, social well-being, and environmental sustainability. Furthermore, thanks to its proximity to the Greater Bay Area, another significant strategic focus of the Chinese government, the Group expects to see new growth impetus for its businesses. As one of the few Hong Kong-based E&M general engineering contractors with Class I Qualification in Mainland China, the Group has an advantage in optimising its project coverage in

this sizable market. In addition, with substantial experience accumulated over 30 years, extensive goodwill and trusted brands, the Group has a strong platform for winning new contracts in this market. Its Qianhai and Zengcheng projects are in good progress approaching completion, which will help consolidate the foundation of the Group for future development. As in previous years, the Group will continue to strive to bolster its business presence in Mainland China, with its dual-core engine driving, plus supply/installation and project management expertise and well-established brand.

#### **Macau**

The pandemic-related travel restrictions and recurrence of COVID-19 outbreaks has impacted the number of visitors to Macau and adversely affected the Macau economy in 2022. Nevertheless, we remain optimistic about Macau's long-term development. We anticipate new investments and related E&M works after the award of the gaming licences. The increased usage of the Hong Kong-Zhuhai-Macau Bridge will also fuel economic recovery and related contracting works in Macau.

## **Conclusion**

Despite the challenges posed by the pandemic in Hong Kong, the Group has and will continue to grow. It will also continue to seek new business opportunities to expand its operations and maximise shareholder value.

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

**Dr. Cheng Kar Shun, Henry**

Chairman

Hong Kong, 5 September 2022

# Board of Directors and Senior Management

## BOARD OF DIRECTORS



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

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

Dr. Cheng, aged 75, was appointed the Chairman and Non-executive Director of the Company in August 2015. Dr. Cheng assumes an advisory role in respect of the overall strategic planning of the Group. Dr. Cheng has substantial corporate management experiences in a wide range of industries and has been assuming management roles in various listed public companies in Hong Kong, including the Chairman and an executive director of New World Development Company Limited, NWS Holdings Limited and Chow Tai Fook Jewellery Group Limited, and the Chairman and a non-executive director of i-CABLE Communications Limited. He was the Chairman and a non-executive director of New World Department Store China Limited up to his resignation on 13 May 2021 and a non-executive director of DTXS Silk Road Investment Holdings Company Limited up to his resignation on 19 March 2021, both being listed public companies in Hong Kong. Dr. Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation. He was a Standing Committee Member of the Twelfth Chinese People's Political Consultative Conference of The People's Republic of China. Dr. Cheng was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 2001 and 2017 respectively by the Government of the Hong Kong Special Administrative Region. Dr. Cheng is the brother and brother-in-law of Mrs. Doo Cheng Sau Ha, Amy and Mr. Doo Wai Hoi, William respectively, with Mrs. Doo Cheng Sau Ha, Amy being one of the controlling shareholders of the Company. He is also the uncle of Mr. Doo William Junior Guilherme and the cousin of Mr. Poon Lock Kee, Rocky's spouse.



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

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

Mr. Doo, aged 77, was appointed as alternate director to Dr. Cheng Kar Shun, Henry in December 2021. He is the vice-chairman and non-executive director of New World Development Company Limited, a non-executive director of Lifestyle International Holdings Limited and an independent non-executive director of Shanghai Industrial Urban Development Group Limited, all being listed public companies in Hong Kong.

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



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

Mr. Lam, aged 60, was appointed an Executive Director of the Company and a member of the Remuneration Committee of the Board in April 2016, became the Vice-Chairman of the Company in January 2017, and was redesignated as Executive Vice-Chairman of the Company in June 2022. He is on the boards of various companies within the Group, and is responsible for the overall strategic planning of the Group. Mr. Lam is currently an executive director and the Chief Executive Officer of FSE Holdings Limited, a controlling shareholder of the Company. He was a non-executive director of NWS Holdings Limited, a listed public company in Hong Kong, up to his retirement on 25 November 2020 when he was appointed as the alternate director to Mr. Doo William Junior Guilherme, a non-executive director of NWS Holdings Limited. Mr. Lam is a Fellow of the Hong Kong Institute of Certified Public Accountants and of the Institute of Chartered Accountants in England and Wales, and a Member of the Chartered Professional Accountants of Ontario, Canada. He is Acting Chairman of the Asia Advisory Board of the Ivey Business School, Western University, Canada, a founding director of the University of Edinburgh Hong Kong Foundation, and a Member of the Hong Kong Essex Global Leader Network, University of Essex. As well, Mr. Lam is a Governor of the Canadian Chamber of Commerce in Hong Kong. In 2021, he was made a Chevalier of the Order of National Merit of France in recognition of his contribution to France.



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

Mr. Poon, aged 66, joined the Group in February 1989 and is the Chief Executive Officer and Executive Director of the Company, and a member of each of the Nomination Committee and the Remuneration Committee of the Board. He also sits on the boards of various companies within the Group. He is primarily responsible for overseeing daily operational management and business performance of the Group and leading our E&M engineering business units in Hong Kong, Macau and the PRC. Mr. Poon is a member of the American Society of Mechanical Engineers, a Chartered Engineer of the Engineering Council in the United Kingdom, and a fellow of both the Chartered Institution of Building Services Engineers in the United Kingdom and the Hong Kong Institute of Engineers. Mr. Poon was awarded the Medal of Merit — Professions by the Macau Government in September 2019. He is also the President of the Macau Air-Conditioning & Refrigeration Chamber of Commerce, Past President of the Hong Kong E&M Contractors' Association Limited, appointed Council Member of Construction Industry Council and the 10th Council — Vice President of Macau Construction Association. Mr. Poon is a Council President of the Hong Kong Federation of Electrical & Mechanical Contractors Limited, a committee member of the Committee of the Chinese People's Political Consultative Conference in Shaoguan City and the Hubei Province of the PRC, a Deputy Chairman of the Shaoguan Overseas Friendship Association (Hong Kong & Macau Region) (韶關海外聯誼會理事會 (港澳)) a member of the Trust Committee of the Henry Fok Foundation (澳門霍英東基金會信託委員會), and a director of Macau Urban Renewal Limited. Mr. Poon is the cousin-in-law of Dr. Cheng Kar Shun, Henry and Mrs. Doo Cheng Sau Ha, Amy, with Mrs. Doo Cheng Sau Ha, Amy being one of the controlling shareholders of the Company.

## Board of Directors and Senior Management



**Mr. Doo William Junior Guilherme JP**  
Executive Director

Mr. Doo Junior, aged 48, joined the Group in June 2014 and is an Executive Director of the Company and a member of the Nomination Committee of the Board. He also sits on the boards of various companies within the Group, and is primarily responsible for the overall strategic planning, overseeing business development and major management decisions for the Group. Mr. Doo Junior is also an executive director and Deputy Chief Executive Officer of FSE Holdings Limited, a controlling shareholder of the Company. Mr. Doo Junior is a solicitor admitted in Hong Kong and is currently a non-practising solicitor in England and Wales. Mr. Doo Junior is a Standing Committee Member of the Thirteenth Chinese People's Political Consultative Conference in Beijing of the PRC. He was appointed a Justice of Peace by the Chief Executive of Hong Kong in July 2018. Prior to joining the Group, Mr. Doo Junior had legal practice experience in one of the largest global law firms specialising in finance and corporate transactions. Mr. Doo Junior is also a non-executive director of NWS Holdings Limited and an independent non-executive director of The Bank of East Asia, Limited, both being listed public companies in Hong Kong. He was an independent non-executive director of The Bank of East Asia (China) Limited up to his resignation on 1 September 2020. Mr. Doo Junior is the son of Mr. Doo Wai Hoi, William and Mrs. Doo Cheng Sau Ha, Amy, with Mrs. Doo Cheng Sau Ha, Amy being one of the controlling shareholders of the Company. Mr. Doo Junior is also the nephew of Dr. Cheng Kar Shun, Henry and his mother is the cousin of Mr. Poon Lock Kee, Rocky's spouse.



**Mr. Lee Kwok Bong**  
Executive Director

Mr. Lee, aged 51, joined the Group in July 2010 and is an Executive Director of the Company and a member of the Sustainability Committee of the Board. He is also on the boards of various companies within the Group. Mr. Lee is primarily responsible for the overall financial management of the Group. He has been the Chief Financial Officer of FSE Holdings Limited, a controlling shareholder of the Company, since August 2010.

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



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

#### **Executive Director**

Mr. Soon, aged 63, joined the Group in May 1983 and is an Executive Director, Chairman of the Risk Management Committee and a member of the Sustainability Committee of the Board. Mr. Soon also sits on the boards of various companies within the Group, and is primarily responsible for the overall operational management and business performance control of the Group's E&M engineering installation business in Hong Kong, as well as directing the research and analysis on the business opportunities and assessing potential markets and projects for this business unit.

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

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



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

#### **Executive Director**

Mr. Wong, aged 71, joined the Group in October 1986 and was appointed as an Executive Director of the Company in December 2017. He is on the boards of certain subsidiaries of the Group. Mr. Wong is mainly responsible for the operation and management of the Group's E&M engineering projects, and supervision of contracts managers, project managers and engineers. Mr. Wong obtained a Bachelor's degree in Mechanical Engineering from National Cheng Kung University, Taiwan and a Master of Science Degree in Heat Transfer Engineering from the Imperial College of Science and Technology, U.K. He has over 40 years' experience in the E&M engineering business in Hong Kong.

## Board of Directors and Senior Management



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

#### **Executive Director**

Dr. Cheng, aged 64, joined the Group in April 2018 and was appointed as an Executive Director of the Company and the Chairman of the Sustainability Committee of the Board in January 2021 and February 2022 respectively, and is primarily responsible for business development and operation of the Group. He is also a director of certain subsidiaries of the Company and Director of Operations and Corporate Development in FSE Holdings Limited, a controlling shareholder of the Company. Dr. Cheng obtained a Master of Business Administration from the University of South Australia in 2008, a Master of Laws in Chinese Business Law from the Open University of Hong Kong in 2010 and a Doctor of Philosophy in Business Administration from the Bulacan State University in 2012. He has over 20 years' experience in operational management in different industries. He is also the chairman of the Executive Committee of The Council of Hong Kong Professional Associations Limited and a member of the executive committee and vice chairperson of the committee on social enterprise and employment of The Hong Kong Society for Rehabilitation.



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

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

Mr. Kwong, aged 73, was appointed an Independent Non-executive Director of the Company and the Chairman of the Audit Committee of the Board in November 2015. Mr. Kwong is also an independent non-executive director of a number of listed public companies in Hong Kong, including Agile Group Holdings Limited, Chow Tai Fook Jewellery Group Limited, COSCO SHIPPING International (Hong Kong) Co., Ltd., Henderson Investment Limited, Henderson Land Development Company Limited and NWS Holdings Limited. He is also an independent non-executive director of Piraeus Port Authority S.A., a listed public company in Athens, Greece. He was an independent non-executive director of China Power International Development Limited (up to his retirement on 3 June 2021) and Global Digital Creations Holdings Limited (up to his retirement on 22 May 2020), both being listed public companies in Hong Kong. Mr. Kwong graduated with a Bachelor of Social Science degree from the University of Hong Kong in 1972 and was qualified as a Chartered Accountant in the Institute of Chartered Accountants in England and Wales. He was a partner of Price Waterhouse (now known as PricewaterhouseCoopers) from 1984 to 1998 and an independent member of the Council of the Stock Exchange from 1992 to 1997, during which he had acted as the convener of both the Compliance Committee and the Listing Committee of the Stock Exchange. Mr. Kwong is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.



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

Mr. Hui, aged 75, was appointed an Independent Non-executive Director of the Company, and the Chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee of the Board in November 2015. Mr. Hui has 50 years of experience in the securities and investment industry. He had for years been serving as a member and Second Vice-chairman of Council of the Stock Exchange, a member of the Advisory Committee of the Hong Kong Securities and Futures Commission, a director of the Hong Kong Securities Clearing Company Limited, a member of the Listing Committee of the Stock Exchange, an appointed member of the Securities and Futures Appeal Tribunal, a member of Standing Committee on Company Law Reform, a member of the Committee on Real Estate Investment Trusts of the Hong Kong Securities and Futures Commission, an appointed member of the Hong Kong Institute of Certified Public Accountants Investigation Panel A and also a government appointed independent non-executive director of Hong Kong Exchanges and Clearing Limited. He was also an appointed member of Zhuhai Municipal Committee of the Chinese People's Political Consultative Conference from 2006 to 2017. Mr. Hui is a member of Hengqin New Area Development Advisory Committee, and Hong Kong and Macao Legal Issues Expert Group of The Administrative Committee of Hengqin New Area, Zhuhai. Mr. Hui is also an independent non-executive director of a number of listed public companies in Hong Kong, including Agile Group Holdings Limited, China South City Holdings Limited, Gemdale Properties and Investment Corporation Limited, Lifestyle International Holdings Limited and SINOPEC Engineering (Group) Co., Ltd. He is also a non-executive director of Luk Fook Holdings (International) Limited, also a listed public company in Hong Kong. Mr. Hui was appointed as an independent non-executive director of HK Acquisition Corporation, a Special Purpose Acquisition Company (SPAC), on 18 May 2022. Mr. Hui was an independent non-executive director of Zhuhai Holdings Investment Group Limited, a listed public company in Hong Kong until its listing was withdrawn on 18 June 2021, up to his resignation on 6 September 2021. Mr. Hui is a fellow of The Hong Kong Institute of Directors and a senior fellow of the Hong Kong Securities and Investment Institute.

## Board of Directors and Senior Management



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

Mr. Lee, aged 57, was appointed an Independent Non-executive Director of the Company, and the Chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee of the Board in November 2015. He is also a member of the Sustainability Committee of the Board. Mr. Lee is also an independent non-executive director of a number of listed public companies in Hong Kong, including Embry Holdings Limited, NetDragon Websoft Holdings Limited, Newton Resources Ltd, Red Star Macalline Group Corporation Ltd., Ten Pao Group Holdings Limited and Tenfu (Cayman) Holdings Company Limited. He was an independent non-executive director of Glory Sun Financial Group Limited (up to his resignation on 17 July 2022), China BlueChemical Ltd. (up to his resignation on 27 May 2021) and Landsea Green Properties Co., Ltd. (up to his retirement on 19 June 2020), all being listed public companies in Hong Kong. He obtained a Bachelor of Laws (Honours) degree from the University of Hong Kong in 1988 and was admitted as a solicitor in Hong Kong in 1991 and in the United Kingdom in 1997. He was a partner of Woo, Kwan, Lee & Lo and is currently a consultant of Howse Williams. Mr. Lee was successively a manager and a senior manager of the Listing Division of the Stock Exchange from December 1992 to April 1994.



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

Dr. Tong, aged 81, was appointed an Independent Non-executive Director of the Company and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board in April 2016. He is also a member of the Sustainability Committee of the Board. Dr. Tong holds a Bachelor of Science degree in Engineering and a Master of Science degree in Engineering from the University of Hong Kong, and a Doctor of Philosophy degree from the Victoria University of Manchester. Dr. Tong is a member of the Institute of Civil Engineers, London and the Hong Kong Institution of Engineers, and has solid and extensive experience in the construction industry.

## SENIOR MANAGEMENT

### Corporate Management



#### **Mr. Chan Ju Wai**

##### **Chief Financial Officer and Company Secretary**

Mr. Chan, aged 54, is the Chief Financial Officer and Company Secretary of the Company. Mr. Chan is also a director of certain subsidiaries of the Company. Mr. Chan is principally responsible for overseeing the Group's financial management, treasury, investor relations, legal and corporate governance functions.

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

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



#### **Mr. Kwan Chun Kit, Terry**

##### **Director of Human Resources**

Mr. Kwan, aged 52, rejoined the Group in November 2021 and is the Director of Human Resources of the Company and the E&M Engineering Group. Mr. Kwan is also a member of the Sustainability Committee of the Board and he first joined the Group in 2019. Mr. Kwan is responsible for the overall human resources management, strategic human capital planning, talent development and management, employer branding, compensation and benefits, and performance management.

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

## Board of Directors and Senior Management

### Property & Facility Management, Agency Services

#### Urban Group



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

##### **Managing Director**

Dr. Cheng, aged 63, has been the Managing Director of Urban Group since February 2002. Dr. Cheng has over 40 years substantial experiences in real estate, property asset management and facility services. He is responsible for the formulation of strategic directions, corporate business development, operations and management systems enhancement as well as new market development activities of Urban Group.

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

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

#### Kiu Lok Service Management Group



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

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

Mr. Chan, aged 66, is the Director and General Manager of Kiu Lok Service Management Group and is responsible for the overall management of Kiu Lok. He joined Kiu Lok in 1994 and has over 40 years' experience in property management field.

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

## City Essential Services

### Waihong Services Group



#### Mr. Chung Wai Man

##### Director and General Manager

Mr. Chung, aged 64, is the Director and General Manager of Waihong Services Group. He joined Waihong in 1978 which has become a member of the Group since April 2018. Mr. Chung has accumulated over 40 years' experience in the cleaning and environmental industry, and is responsible for the stipulation of business directions, management control and operation systems enhancement as well as new market development activities of the Group's sanitation, cleaning and environmental services businesses.

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

## Technical Support and Maintenance Group



#### Mr. Yu Shek Chung

##### Director and General Manager

Mr. Yu, aged 50, joined the Group in 1996 and is the Director and General Manager of Far East Engineering Services Limited. He is mainly responsible for the overall management and business performance control of the technical support and maintenance business in both Hong Kong and Macau, as well as operating the research and analysis on the business opportunities and assessing potential markets and projects for the business units. Mr. Yu has over 25 years' experience in the E&M engineering business in Hong Kong.

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

## Board of Directors and Senior Management

### Environmental Solutions Group



#### **Mr. Ko Ngai Chun**

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

Mr. Ko, aged 37, joined the Group in July 2016 and is the Director and General Manager of Environmental Solutions Group. He is responsible for the overall management and business development of the environmental and landscaping business and trading of building materials of the Group.

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

### General Security Group



#### **Mr. Lai Yuk Tim**

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

Mr. Lai, aged 62, is the Director and General Manager of General Security Group and Perfect Event Services Limited, and is also the General Manager – Corporate Development of FSE Holdings Limited, a controlling shareholder of the Company. He is responsible for formulating strategic planning, corporate business development and management of the security services and event services of the Group.

Mr. Lai has over 37 years of extensive experience in security and facility management field. Prior to joining General Security Group, Mr. Lai was the Senior Group Manager of Urban Group and the Director and General Manager of Urban Parking Limited under NWS Holdings Limited.

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



## Nova Insurance Group

### **Mr. Chan Chi Kong, Patrick** **Director and General Manager**

Mr. Chan, aged 57, joined Nova Insurance in 2003 and is the Director and General Manager of Nova Insurance Group managing its operations in Hong Kong, Macau as well as mainland China under an affiliated company of the Group.

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

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

## Board of Directors and Senior Management

### E&M Services

#### FSE Engineering Group



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

Mr. Cheung, aged 58, joined the Group in 1989 and is the Deputy Managing Director of the FSE Engineering Group. He is mainly responsible for the overall management and business performance control of the Group's E&M engineering projects, and supervision of contracts managers, project managers and engineers as well as operating the research and analysis on the business opportunities and assessing potential markets and projects for the business units. Mr. Cheung has over 35 years' experience in the E&M engineering business in Hong Kong, Macau and Mainland China.

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



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

Mr. Lee, aged 57, first joined the Group in December 1992 and had worked for the Group for over 15 years during the period from 1992 to 2009. Mr. Lee rejoined the Group in June 2012 and is the General Manager of our E&M Engineering operations in Mainland China. He is responsible for the overall project administration and business marketing for Mainland China projects. He has over 30 years' experience in quantity surveying and E&M project administration in Mainland China.

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

# Corporate Governance Report

## Corporate Governance Practice

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

Code provision F.2.2 requires the chairman of the board to attend the annual general meeting. Dr. Cheng Kar Shun, Henry, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 19 November 2021 (the "2021 AGM") due to his prior commitment to another important engagement. Mr. Lam Wai Hon, Patrick, the Executive Vice-Chairman of the Board, who took the chair of the 2021 AGM, together with members of the Board who attended the 2021 AGM, were of sufficient caliber for answering questions at the 2021 AGM.

## Directors' Securities Transactions

The Company has adopted its own Securities Dealing Code, with terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, as the code for dealing in securities of the Company by its directors (the "Directors"). All Directors confirmed, following specific enquiry by the Company, that they had complied with the required standard set out in the Securities Dealing Code adopted by the Company throughout the Year.

## Board of Directors

### Board diversity policy

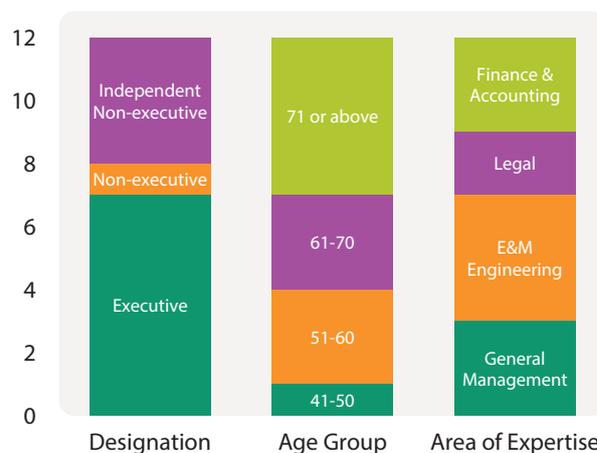
The Board has adopted a Board diversity policy which recognises and embraces the benefits of a Board that possess a balance of skills, knowledge, professional experience, expertise and diversity of perspectives appropriate to the requirement of the businesses of the Group. In ensuring diversity of the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

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

### Composition and responsibilities

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

### No. of Directors



The names, biographical details and relationship amongst them, if any, are set out on pages 14 to 20 in the section "Board of Directors and Senior Management".

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

# Corporate Governance Report

## Nomination policy

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

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

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

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

- reputation for integrity;
- qualifications, skills and experience that are relevant to the business of the Group;

- commitment in respect of available time to carry out duties as a director;
- independence in character and judgement to act in the best interest of all shareholders of the Company;
- contribution to the Company’s Board diversity policy; and
- any other perspectives that meet the current and anticipated needs of the Board.

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

## Corporate governance functions

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

## Independence of Independent Non-executive Directors

The Company has assessed the independence of all Independent Non-executive Directors and considers all of them to be independent having regard to (i) their annual confirmation on independence as required under the Listing Rules; (ii) the absence of involvement in the daily management of the Company; and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgement.

## Directors' continuous professional development

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

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

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

Dr. Cheng Kar Shun, Henry, the Non-executive Chairman, leads the Board and ensures that the Board works effectively.

Mr. Lam Wai Hon, Patrick, the Executive Vice-Chairman and Mr. Poon Lock Kee, Rocky, the Chief Executive Officer jointly manage the Company's day-to-day businesses and implement major strategies and policies of the Company. The positions of the Chairman, the Executive Vice-Chairman and the Chief Executive Officer are held by separate individuals so as to maintain an effective segregation of duties.

## Non-Executive Directors

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

# Corporate Governance Report

## Board Committees

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

### Executive Committee

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

### Audit Committee

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

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

During the Year, the Audit Committee held two meetings and reviewed, amongst other matters, the Company's audit plans, internal control procedure, financial reporting system, continuing connected transactions, risk management policy and the adequacy of resources, qualifications and experience of staff in the Group's accounting, financial reporting and internal audit functions. The Committee also reviewed the interim results for the six months ended 31 December 2021 and the annual results for the Year and submitted recommendations to the Board for its approval, and discussed the Reports to the Audit Committee prepared by external auditor relating to accounting issues and major findings in the course of review and audit.

### Risk Management Committee

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

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

### Remuneration Committee

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

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

During the Year, the Remuneration Committee held two meetings and reviewed the Company's remuneration policy and structure, including that for the Directors and senior management of the Company. The Committee also reviewed and approved the yearly salary adjustments effective 1 January 2022 and the bonus payment for FY2021.

### Nomination Committee

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

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

During the Year, the Nomination Committee held three meetings and reviewed the structure, size, composition of the Board with due consideration to the appropriate balance of skill and experience required by the Company. It also assessed and confirmed the independence of all the four Independent Non-executive Directors having regard to the criteria as set out in Rule 3.13 of the Listing Rules, and recommended to the Board the nomination of Mr. Lee Kwok Bong, Mr. Soon Kweong Wah, Mr. Kwong Che Keung, Gordon and Mr. Hui Chiu Chung, Stephen for reappointment as Directors by the shareholders at the 2021 AGM. The Committee also discussed and resolved to recommend to the Board the appointment of Mr. Doo Wai Hoi, William by Dr. Cheng Kar Shun, Henry as his alternate director, and the redesignation of Mr. Lam Wai Hon, Patrick as Executive Vice-Chairman.

### Sustainability Committee

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

The Sustainability Committee is responsible for the oversight of the Group's sustainability and environmental, social and governance ("ESG") issues. It formulates the Group's sustainability strategies, priorities and policies, and advises the Board on the adoption, progress and achievement of sustainability targets and measures.

During the Year, the Sustainability Committee held two meetings to discuss, review and monitor the preparation of the ESG Report for FY2022. It also discussed and decided the KPIs and target settings for the ESG Report for FY2023.

# Corporate Governance Report

## Attendance of meetings

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

	Number of meetings attended / eligible to attend							2021 AGM
	Board Meeting	Executive Committee Meeting	Audit Committee Meeting	Risk Management Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Sustainability Committee Meeting	
<b>Non-executive Directors</b>								
Dr. Cheng Kar Shun, Henry	1/5 <sup>(i)</sup>	–	–	–	–	–	–	0/1
<b>Executive Directors</b>								
Mr. Lam Wai Hon, Patrick	5/5	8/8	–	–	2/2	–	–	1/1
Mr. Poon Lock Kee, Rocky	5/5	8/8	–	–	2/2	3/3	–	1/1
Mr. Doo William Junior Guilherme	5/5	8/8	–	–	–	3/3	–	1/1
Mr. Lee Kwok Bong	5/5	8/8	–	–	–	–	2/2	1/1
Mr. Soon Kweong Wah	5/5	8/8	–	4/4	–	–	2/2	1/1
Mr. Wong Shu Hung	5/5	8/8	–	–	–	–	–	1/1
Dr. Cheng Chun Fai	5/5	8/8	–	–	–	–	2/2	1/1
<b>Independent Non-executive Directors</b>								
Mr. Kwong Che Keung, Gordon	5/5	–	2/2	–	–	–	–	1/1
Mr. Hui Chiu Chung, Stephen	5/5	–	2/2	–	2/2	3/3	–	1/1
Mr. Lee Kwan Hung, Eddie	5/5	–	2/2	–	2/2	3/3	2/2	1/1
Dr. Tong Yuk Lun, Paul	5/5	–	2/2	–	2/2	3/3	2/2	1/1
<b>Alternate Director</b>								
Mr. Doo Wai Hoi, William	3/3 <sup>(i)</sup>	–	–	–	–	–	–	–

Note:

- (i) Mr. Doo Wai Hoi, William, alternate director to Dr. Cheng Kar Shun, Henry since his appointment on 6 December 2021, has attended three board meetings at which Dr. Cheng Kar Shun, Henry was not available. There were three board meetings held since the appointment of Mr. Doo Wai Hoi, William during the Year.

## Auditor's Remuneration

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

Type of services	Fees paid/payable for the year ended 30 June	
	2022 HK\$'000	2021 (restated) HK\$'000
Audit services	6,009	5,983
Non-audit services*	575	2,719
Total	6,584	8,702

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

## Directors' Responsibility for the Financial Statements

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

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

### Annual report and financial statements

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

### Accounting policies

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

### Accounting records

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

### Safeguarding assets

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

## Going concern

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

The reporting responsibilities of PricewaterhouseCoopers, the Company's external auditor, are stated in the Independent Auditor's Report on pages 85 to 88 of this annual report.

## Risk Management and Internal Control

### Risk management policy

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

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

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

# Corporate Governance Report

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

## Risk management objectives

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

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

## Risk management culture

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

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

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

## Risk appetite

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

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

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

## Risk management structure and responsibilities

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

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

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

Chaired by one of the Executive Directors, the Risk Management Committee is established to report to the Audit Committee on the design, implementation and monitoring of the comprehensive risk management systems.

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

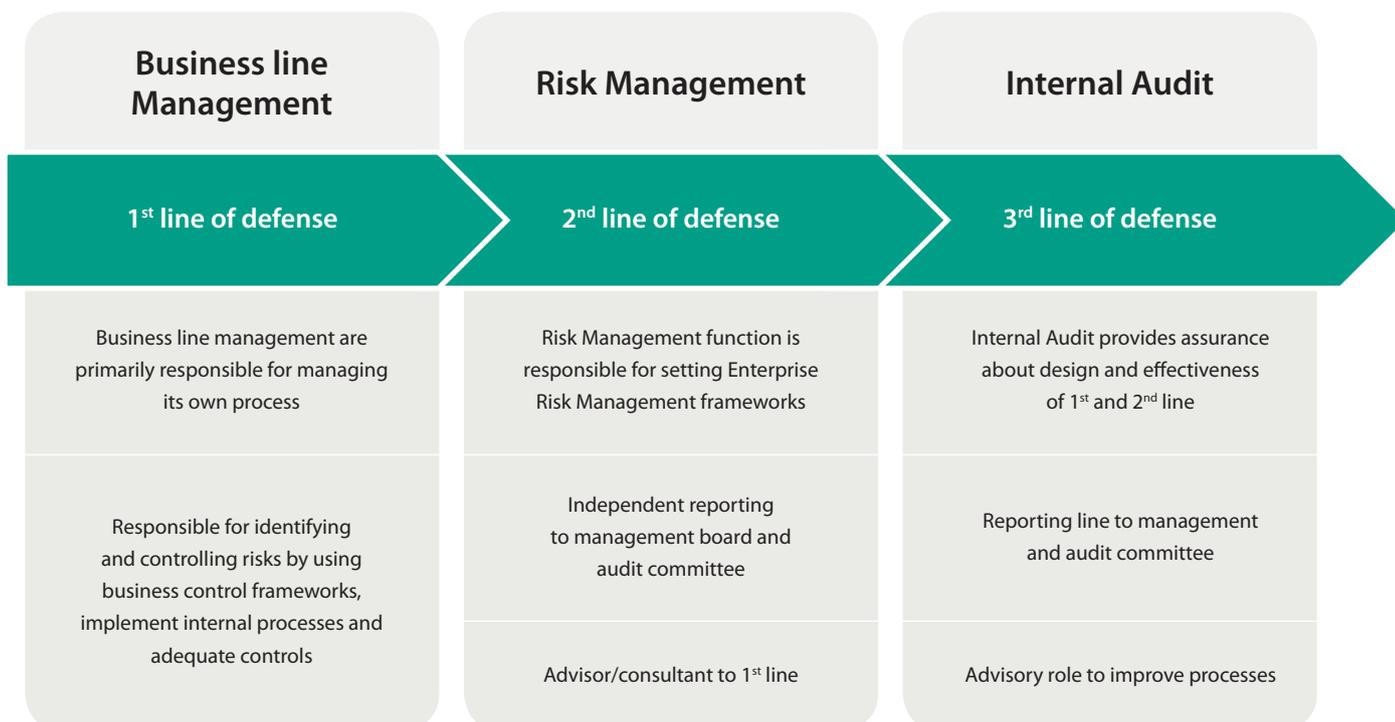
During the Year, the Internal Audit Department carried out analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Group though, among others, examination of risk-related documentation, conducting interviews with employees as well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

### Internal audit

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

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

### Three lines of defense



# Corporate Governance Report

## Risk management process

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

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

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

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

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

## Risk assessment

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



### Risk identification

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

### Risk analysis

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

### Risk impact and risk likelihood

Risk impact is the measurement unit of the potential value (financial or non-financial) of occurrence of a risk event.

Risk likelihood is the measurement unit of the probability of occurrence of the risk event. The following guidelines are used to determine the risk impact and risk likelihood level:

Rating	Value of Risk Event	Calibration
5	Major	H
3	Moderate	M
1	Minor	L

## Risk factors

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



Hong Kong entered the fifth wave ("Omicron") of the COVID-19 pandemic in February 2022. Hong Kong Government responded by tightening control measures and a mass testing programme. The pandemic died down in April 2022 but steadily revived in July 2022 with a contagious variant of thousands of cases reported on a daily basis.

Despite the diversification of businesses, the Group's business operations have been inevitably affected to some extent. The Group continues to monitor the overall impact of COVID-19 and to contain its operational and financial risks. Different levels of proactive measures and contingency plans have been formulated to act on possible situations in order to sustain the Group's business operations.



The construction market in Hong Kong, Macau and Mainland China are largely influenced by the local government policies and regulations, as well as global and regional economic trend. The property markets in Hong Kong and Mainland China have witnessed volatility in recent years. New developments in casino-related projects in Macau are significantly slow down. China's economic growth prospect is likely to be dragged down with further escalation in trade tensions between the US and Mainland China. Any significant drop in the level of economic growth in these regions could adversely affect the Group's financial results of operations. The Group closely monitors any changes in the relevant government policies and legislations, and adopts advanced technology to increase its operational efficiency.



Due to aging workforce and less young people willing to join the construction market, Hong Kong construction industry is facing severe labour shortage in the coming years when several infrastructure works such as airport related projects are to be completed. This may affect the Group's ability to sustain a stable workforce to complete the projects in time. As a result, labour costs have been increasing in the past few years; and may keep in the rising trend.

Similarly, the Group's cleaning business is also impacted by labour shortage with a consequential increase in labour costs. Labour shortage therefore affects the Group's business and results of operations. The Group maintains good relationship and frequent communication with its labour subcontractors to ensure the availability of sufficient qualified and skilled labourers needed for the delivery of quality services of the projects.

# Corporate Governance Report



## Currency fluctuations

The results of the Group are presented in Hong Kong dollars. As part of the Group's business was carried out in Mainland China, part of the Group's assets and liabilities are denominated in Renminbi ("RMB"). Therefore, the Group is exposed to RMB fluctuations on translation of net assets of subsidiaries in Mainland China and may have an impact on the Group's financial performance. The Group closely monitors currency movements and adopts various measures to limit the exposure of currency risk.



## Material price fluctuations

The Group's E&M services segment is required to procure a vast amount of building materials for its works. These building materials are subject to high volatility of price in raw materials, particularly steel and copper. The Group's business and results may be affected by the price fluctuation in the building materials. When the contract is awarded, the Group procures materials in time to reduce the risk in material price fluctuation.



## Safety and personal injuries

The Group's businesses, particularly site construction, cleaning, guarding and landscape services have operations involving safety risks such as working at height, operation of machinery, public disorder, electrical system and appliances, lifting of heavy objects, etc. Failure of implementing safety measures may result in personal injuries or even fatality. As a result, the Group may face litigation claims and suspension of tendering from public works for certain periods, resulting in a large impact on the Group's business opportunity. The Group always puts safety as its first priority by enhancing safety supervision and improving safety facilities to mitigate the safety risks.



## Delays and latent defects

The Group's business involves working in uncertain site conditions, such as ground conditions, confined spaces and adverse weather. The Group is also responsible for material and labour quality. Any delay due to site conditions, late material delivery or poor installation quality may incur additional costs to the Group including any damages recoverable from other parties.

In addition, the Group remains liable for latent defects for years and bear the associated costs despite the projects had been completed and occupied. The Group's business and operation results may be adversely affected. The Group always closely monitors the construction programme and keeps proper records in order to mitigate any potential liabilities due to project delay.



## Contract renewals and tenders

The Group's businesses are subject to the risks associated with tendering process. The contracts of the Group's businesses are normally awarded through a competitive tendering process on a project-by-project basis. There is no assurance that the Group's businesses will be successful in securing or renewing its contracts during the tendering process. If the Group's businesses fail to secure engagement for new projects on favourable terms or at all, their businesses and results of operation could be materially affected. To increase tender competitiveness, the Group strives for operational efficiency and cost effectiveness in all aspects and continues to seek opportunities in growing its business.



### Environmental concerns

The Group is required to comply with increasingly stringent environmental protection laws, regulations and requirements in Hong Kong, Macau and Mainland China. If the Group fails to comply with the applicable laws, the Group may be required to pay fines or take remedial actions, which may cause negative impacts on the costs and operations of the projects.

Furthermore, any updates on impending laws may induce additional costs to the Group for compliance; failing which may lead to suspension or ceasing of our relevant licences to operate the Group's business, thus in turn adversely affect the Group's operation and financial results. To address these risks, the Group adopts green features products and keeps track of the latest environmental requirements.



### Cyber security

With the increased application of Information Technology (IT) in the Group's businesses, the threats to IT systems including cyber-attacks are imminent and present a real challenge to the Group's business operations. As such, our Group has implemented a set of comprehensive security and business continuity policies and procedures to address those threats and mitigate the potential loss of the Group's assets and operations, reduce the impact on our business and resume our business operations as soon as practical.

In addition, advanced monitor and detection mechanisms, including multi-layered firewalls, intrusion prevention, and offensive behavior detection technologies are established to promptly identify and minimise those threats. Periodic security reviews are also performed by professional security consultants to mitigate the risk of cyber attacks.



### Talent recruitment and retention

The Group fosters the training and development culture to improve staff competence creating shared common value amongst our employees. The Human Resources Department constantly reviews remuneration and benefit packages and compare ours with industry benchmarks to ensure we stay market competitive.

Talent attraction and retention is an important business strategy to support business operations and to achieve business objectives. Different talent development programmes include 1-year Executive Development Programme ("EDP") for executives, and 2-year Young Executive Training Programme ("YETP") for young leaders have been organised to foster employee growth and development.



### ESG-related issues

Stakeholders have increased awareness towards ESG-related issues such as climate-related disclosures, environmental and social impacts to business strategy and operations of the Group, working and safety condition, training and CSR hours, accident rates, anti-bribery and corruption practices and compliance to relevant laws and regulations.

Whilst ESG-related issues may cause impact to business operations, it is equally important to realise the value that ESG opportunities can bring. These include operating expense reduction, reduced regulatory intervention and legal costs, and higher levels of employee engagement and productivity.

For the analysis of the ESG performance and transaction risks, please refer to the separate ESG annual report.

# Corporate Governance Report

## Company Secretary

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

## Shareholder and Investor Relations

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

Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars published in accordance with the Listing Rules. Such published documents and latest corporate news are available on the Company's website.

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

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

## Shareholders' Rights

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

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

- (1) One or more shareholders (the "Requisitionist(s)") holding, at the date of deposit of the requisition (the "Requisition"), not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company, shall have the right, by written notice, to require an EGM to be called by the Directors for the transaction of any business specified in such Requisition.
- (2) The Requisition must state the general nature of the business to be dealt with at the EGM and may include the text of a resolution that may properly be moved and is intended to be moved at the EGM.
- (3) The Requisition may consist of several documents in like form which may be sent to the human resBoard or the company secretary of the Company in hard copy form or in electronic form (and must be authenticated by the Requisitionist(s)) at the Company's head office in Hong Kong or through email at enquiry@fse.com.hk.
- (4) The Directors must call the EGM within 21 days after the date of the deposit of the Requisition and the EGM must be held within two months after the date of the deposit of the Requisition.
- (5) If the Directors are required under paragraph (1) above to call an EGM and fail to do so pursuant to paragraph (4), the Requisitionist(s) may themselves call the EGM. Any reasonable expenses incurred by the Requisitionist(s) by reason of the failure of the Directors duly to call the EGM must be reimbursed by the Company.

### Procedures for raising enquiries

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

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

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

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

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

### Amendment to the Company's Constitutional Documents

During the Year and up to the date of this annual report, the Company has not made any changes to its constitutional documents. An up-to-date version of the memorandum and articles of association of the Company is available on both the websites of the Company and the Stock Exchange.



The Company maintains an ongoing active dialogue with institutional shareholders. The Executive Directors and senior management of the Group are closely involved in promoting investor relations.



# Management Discussion and Analysis

## Business Review

In FY2022, the Group recorded revenue amounting to HK\$6,966.9 million, representing an increase of HK\$514.2 million or 8.0%, as compared with HK\$6,452.7 million in FY2021. Profit attributable to shareholders for the year was HK\$502.9 million, representing a decrease of HK\$84.0 million or 14.3% as compared with HK\$586.9 million in FY2021, mainly resulted from a decrease in government grants, partly mitigated by the effects of (i) new contracts awarded for the Facility/Property Management segment and City Essential segment (primarily cleaning and insurance businesses); (ii) higher gross profits from the E&M services segment's installation projects and (iii) losses related to laundry business disposal in December 2020 and one-off professional fees for acquisition which did not recur this year. Details of the government grants recognised by the Group are set out in Notes 6 and 8 to the consolidated financial statements and summarised in the table below.

## Summary of government grants

For the year ended 30 June	2022 HK\$'M	2021 HK\$'M
Recognised as deduction of staff costs included in "Cost of services and sales"	43.9	308.4
Recognised as deduction of staff costs included in "General and administrative expenses"	7.3	33.0
Recognised as "Other income"	37.0	0.4
Gross	88.2	341.8
Tax effects thereon	–	(1.8)
Net of tax	88.2	340.0

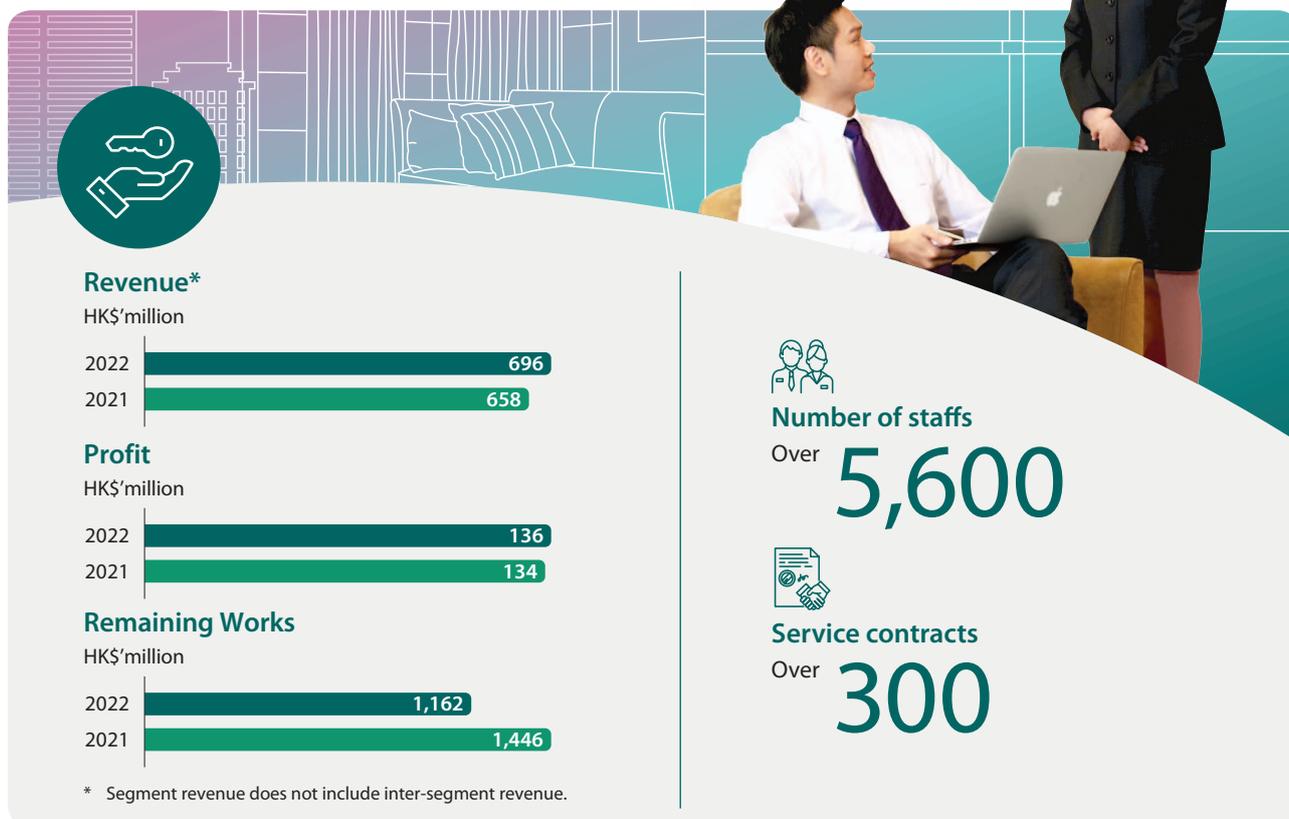
## Results excluding non-recurring items

If excluding the effects of government grants in the Group's results for both years and item (iii) mentioned above in the Group's prior year results to better illustrate the Group's financial results without the effects of such non-recurring items, the Group recorded an increase in adjusted net profit for the Year of 35.2% to HK\$414.7 million (i.e. after excluding government grants of HK\$88.2 million from profit attributable to shareholders of the Company of HK\$502.9 million for the Year) as compared to its adjusted net profit of HK\$306.8 million for last year (i.e. after excluding (a) government grants of HK\$340.0 million, (b) losses related to laundry business of HK\$45.8 million and (c) one-off professional fees for acquisition of HK\$14.1 million from profit attributable to shareholders of the Company of HK\$586.9 million for the year ended 30 June 2021). Such analysis, which involves the exclusion of non-recurring items mentioned above, may not be comparable to similar analysis presented by other companies.



*FSE Lifestyle is a pioneer in applying advanced technology and innovative thinking into its property and facility management services, together with our passionate management professionals to provide a harmonious and comfortable living environment to our clients*

# Property & Facility Management Services



The Group's property and facility management services business, comprising Urban, International Property Management Limited and Kiu Lok (together, the "Property & Facility Management Group"), is serving one of the largest property and facility asset portfolios in Hong Kong, which provides the most comprehensive and customised professional management services for its clients, with International Property Management Limited providing property management services primarily for small to medium sized residential and commercial properties, including commercial buildings in the central business districts.

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 luxurious residence, 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.

During FY2022, our Property & Facility Management Group submitted tenders for 35 service contracts (with a contract sum not less than HK\$1 million for each service contract) with a total tender sum of HK\$1,186 million and, combining the submitted tenders from previous months, was awarded 29 service contracts (with a net contract sum not less than HK\$1 million for each service contract) with a total contract sum of HK\$133 million. Among these 29 service contracts, two of them were major service contracts (with net contract sum not less than HK\$20 million) for residential estates in Shatin and Wong Chuk Hang.

As at 30 June 2022, the property & facility management services segment has a total gross value of contract sum of HK\$2,074 million with total outstanding contract sum of HK\$1,162 million.

## City Essential Services



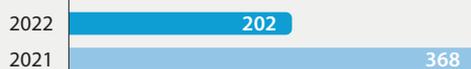
### Revenue\*

HK\$ million



### Profit

HK\$ million



### Remaining Works

HK\$ million



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



### Number of staff

Over **13,000**



### Service contracts

Over **7,700**

### Cleaning Services

The Group's cleaning 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 towers, shopping malls, hotels, university campus, international schools, tourism facilities, government properties, public utilities, convention and exhibition centers, railway stations, airport terminal building, hospitals, industrial buildings and residential properties. Specialist cleaning mainly covers the services for general cleaning, initial cleaning, curtain wall cleaning, housekeeping, marble and granite floor maintenance. Disinfection services include space disinfection treatment, support for clinics, formaldehyde removal and antibacterial coating services. Pest control services provide general insecticide treatment, fogging treatment, rodent control and termite elimination. Waste management

offers recycling services, food waste collection, solid waste collection, clinical waste and construction waste disposal.

With successive waves of COVID-19 pandemic during the past year, the demands for cleaning services in Hong Kong have been full of challenges and opportunities. Despite the challenges Waihong faced, it has turned crisis into business opportunities and widened its services in different market segments. On the one hand, Waihong has successfully secured new service contracts and attained a higher contract renewal rate for the existing contracts during FY2022. On the other hand, the rapid spread of COVID-19 Omicron variant resulted in a sharp increase in demand for ad-hoc disinfection services. Waihong conducted many urgent disinfection services from January 2022 to March 2022. Waihong management has adopted flexible business strategies to deal with the difficulties and challenges in the rapid changing market for broadening its service portfolio in both private and public sectors to sustain its business growth.

Waihong's unique market differentiation lies in its integration of services, enormous working teams comprise of 7,500 skillful staff, a strong fleet management with over 60 municipal vehicles and full support towards customers. High degree of service commitments keeps Waihong ranked among the top three players in the cleaning service industry in Hong Kong. It is a market leader and competent in providing all its clients with the best quality services at all times.

During FY2022, Waihong submitted tenders for 437 cleaning service contracts (with a contract sum not less than HK\$1 million for each service contract) with a total tender sum of HK\$5,402 million and, combining the submitted tenders from previous months, was awarded 94 new service contracts (with a net contract sum not less than HK\$1 million for each service contract) with a total contract sum of HK\$1,104 million. Among these 94 service contracts, 10 of them were major service contracts (with net contract sum not less than HK\$20 million for each service contract), which included two residential estates in Ma On Shan and Quarry Bay, two banks, a shopping mall in Shatin, a cross-border transport system in West Kowloon and Shek Kong, clubhouses in Happy Valley, an airport ancillary building and a commercial complex in Chep Lap Kok and government clinics in New Territories East District.

### Technical Support & Maintenance Services

The Group's technical support & maintenance services business, comprising Far East Engineering Services Group

and Turning Technical Services Limited, 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; (iii) renovation works in E&M systems. All these different core services cover mostly in Hong Kong and Macau.

During FY2022, the Group submitted tenders for 430 maintenance service contracts (with a contract sum not less than HK\$1 million for each contract) with a total tender sum of HK\$3,735 million and, combining the submitted tenders from previous months, was awarded 84 projects (with a net contract sum not less than HK\$1 million for each project) with a total net contract sum of HK\$855 million. Among these 84 projects, seven of them were major projects (with net contract sum not less than HK\$20 million), which included chiller replacement for an exhibition centre in Wan Chai, provision of term worker service for an integrated development project in Chek Lap Kok, refurbishment/improvement works for a hotel in Tsim Sha Tsui, a youth association headquarters in Yau Ma Tei and three term contracts for air-conditioning maintenance covering various government venues.



*FSE Lifestyle introduces integrated solutions into its city essential services to maintain high competitive advantages and to offer fully customised services to its clients*

## Management Discussion and Analysis



### Security Guarding & Event Services

The Group's security guarding & event services business comprises General Security and Perfect Event Services Limited ("Perfect Event").

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 cover its three core areas: (i) Type I Licence for provision of security guarding services; (ii) Type II Licence for providing armoured transportation services and (iii) Type III Licence for installation, maintenance and/or repairing of a security device and/or designing a security system incorporating a security device. In addition, General Security operates a 24-hours Central Alarm Monitoring Station, an additional Central Alarm Monitoring Station ("CAMS") license endorsement and is providing monitoring services to top jewelry stores and prestigious luxury detached housing.

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

is young it has a very solid foundation from General Security in management and back-office support, vast operations experiences, as well as a list of potential clients who are already well familiar with the reputation and quality of General Security.

During FY2022, General Security and Perfect Event submitted tenders for 80 security guarding and event services contracts (with a contract sum not less than HK\$1 million for each contract) with a total tender sum of HK\$1,568 million and, combining the submitted tenders from previous months, was awarded 32 service contracts (with a net contract sum not less than HK\$1 million for each project) with a total contract sum of HK\$599 million. Among these 32 service contracts, five 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 Shatin and Yuen Long, a commercial entertainment complex in the vicinity of the airport area, clubhouses and entertaining facilities.

### Insurance Solutions

The Group's insurance solutions business, Nova, comprising Nova Insurance Consultants Limited and International Reinsurance Management Limited, which both holds an Insurance Broker Company License granted by the Insurance Authority. Nova Insurance Consultants Limited is also a registered Mandatory Provident Fund ("MPF") Intermediary under the Mandatory Provident Fund Schemes Authority.

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

As one of the top five general insurance brokers, out of over 810 brokers in Hong Kong, Nova's unique market differentiation lies in its highly professional team of brokers and specialists, strong expertise in various classes of insurance, customised services, strong bargaining power in the insurance market and its serving network in both the Greater Bay Area and in the world through its affiliated company in China and global broker partners. Nova serves many clients who are leaders within their respective industries.

During FY2022, Nova has secured placement for a number of sizeable construction projects. Nova also managed to get some new accounts including residential developments, new hotels, listed companies, non-governmental organisations and other commercial enterprises. In addition, it has handled more trade credit insurance business and concluded some new businesses on cyber insurance. The vast majority of Nova's business is from annual renewable insurance policies. 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 has always been over 90% reflecting its competitiveness and high level of services.

During FY2022, Nova submitted tenders for 16 service contracts (with a contract sum not less than HK\$1 million for each service contract) with a total tender sum of HK\$31 million and all of them were awarded.

## Environmental Solutions

The Group's environmental solutions business, comprising FSE Environmental Technologies Group Limited, Hong Kong Island Landscape Company Limited and Extensive Trading Company Limited, provides air, water, landscape, and integrated management solutions to its clients in order to achieve environmental protection, energy conservation, sustainability and the long-term goals of carbon neutrality to fight against climate change.

This business has expertise in six core areas: (i) comprehensive HVAC water treatment services, (ii) environmental assessment in air and water quality, (iii) environmental management solutions like deodorisation system and electro-chlorination system to assist its customers in achieving their environmental protection and energy conservation objectives, (iv) landscape management and maintenance services to a diversified business portfolio, (v) Extra Low Voltage ("ELV") infrastructure and advanced technologies to enhance building sustainability and environmental quality with smart facility management solutions to property developers and (vi) trading of retail sales of wall and floor tiles, building controls equipment and other building materials.

Its HVAC water treatment service is well-known for the professionalism in the industry with over 40 years of history and it has a water treatment company which is under the list of approved specialist contractors for public works in fountain installation. As innovation is at the heart of this business, it has a patented application of using nanobubble ozonation to sterilize fresh water at cooling tower, swimming pool, public toilet, and water features.

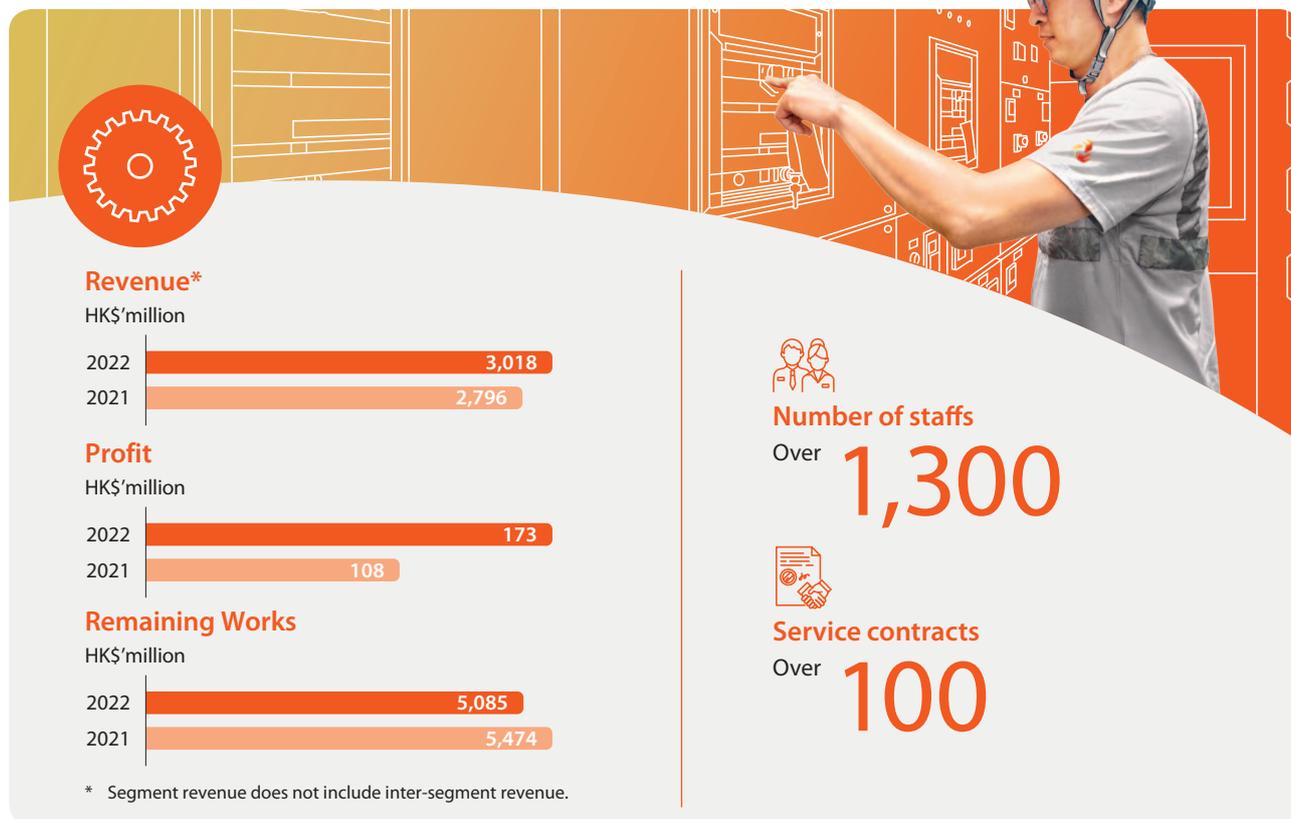
Its laboratory is accredited by Hong Kong Laboratory Accreditation Scheme ("HOKLAS") which is able to test a wide range of chemical and microbial parameters. For air quality related business, it is one of the eight accredited indoor air quality certificate issuing bodies in Hong Kong.

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 clients.

During FY2022, the Group submitted tenders for 54 environmental and landscape service contracts (with a contract sum not less than HK\$1 million for each contract) with a total tender sum of HK\$219 million and, combining the submitted tenders from previous months, was awarded 15 environmental and landscape service contracts (with a net contract sum not less than HK\$1 million for each contract) with a total contract sum of HK\$56 million and 7 ELV service contracts with a total contract sum of HK\$105 million (with a net contract sum not less than HK\$1 million for each contract). In addition, the Group submitted 32 quotations for building material trading (with a quotation sum not less than HK\$1 million for each quotation) with a total quotation sum of HK\$87 million and, combining the submitted quotations from previous months, was accepted 6 orders (with a sum not less than HK\$1 million for each order) with a total sum of HK\$20 million.

As at 30 June 2022, the city essential services segment has a total gross value of contract sum of HK\$7,643 million with a total outstanding contract sum of HK\$4,415 million.

## E&M Services



The Group's E&M services business, comprising Young's Engineering Group, Majestic Engineering Group and FSE Engineering Group, serving Hong Kong, Mainland China and Macau, has 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 and 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, residential properties, hospital and airport facilities.

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

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

During FY2022, the Group's E&M services division submitted tenders for 168 E&M engineering projects (with a contract sum not less than HK\$1 million for each project) with a total tender sum of HK\$21,413 million and, combining the submitted tenders from previous months, was awarded 42 contracts (with a net contract sum not less than HK\$1 million for each

project) with a total net contract sum of HK\$2,335 million. Among these contracts, nine of them were major projects (with net contract sum not less than HK\$100 million for each project), which included, in Hong Kong four residential developments in Ho Man Tin Station, LOHAS Park and Kai Tak, two subsidised housing developments in Anderson Road and Pak Wo Road, a public housing development at Yip Wong Road and AIA Campus Redevelopment and, in Mainland China a commercial complex development in Tianjin.

As at 30 June 2022, the E&M services segment has a total gross value of contract sum of HK\$9,009 million with a total outstanding contract sum of HK\$5,085 million.



*FSE Lifestyle's E&M team is dedicated to serve its clients with professionalism and passion, providing a safe and comfortable living environment for the people of Hong Kong*

## Management Discussion and Analysis



### Financial Review

#### Revenue

In FY2022, the Group's revenue increased by HK\$514.2 million or 8.0% to HK\$6,966.9 million from HK\$6,452.7 million in FY2021, reflecting higher revenue from the city essential services segment, E&M services segment and property & facility management services segment amounting to HK\$254.0 million, HK\$222.1 million and HK\$38.1 million respectively.

The following tables present breakdowns of the Group's revenue by business segment and geographical region:

	For the year ended 30 June			
	2022	% of	2021	% of
	HK\$'M	total revenue	(restated) HK\$'M	total revenue
Property & facility management services*	696.3	10.0%	658.2	10.2%
City essential services*	3,252.6	46.7%	2,998.6	46.5%
E&M services*	3,018.0	43.3%	2,795.9	43.3%
<b>Total</b>	<b>6,966.9</b>	<b>100.0%</b>	<b>6,452.7</b>	<b>100.0%</b>

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

	For the year ended 30 June			
	2022	% of	2021	% of
	HK\$'M	total revenue	HK\$'M	total revenue
Hong Kong	6,123.3	87.9%	5,780.7	89.6%
Mainland China	565.8	8.1%	436.3	6.8%
Macau	277.8	4.0%	235.7	3.6%
<b>Total</b>	<b>6,966.9</b>	<b>100.0%</b>	<b>6,452.7</b>	<b>100.0%</b>

- *Property & facility management services:* This segment, which principally provides services in Hong Kong, contributed 10.0% (2021: 10.2%) of the Group's total revenue.

Segment revenue grew by 5.8% or HK\$38.1 million to HK\$696.3 million from HK\$658.2 million. Such growth was mainly driven by (i) newly awarded property management contracts for car parks of shopping malls, (ii) additional works for staff quarters of a university and (iii) increased commission income from property sales and leasing partly offset by a reduction in revenue from pandemic-induced additional works for government buildings. It should be noted that, under contract terms, about 20% of the property & facility management services segment's revenue represents management fees only. 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 FY2022 would be increased from its reported amount of HK\$696.3 million (2021: HK\$658.2 million) to about HK\$3,500.0 million (2021: HK\$3,500.0 million).

- *City essential services:* This segment contributed 46.7% (2021: 46.5% (restated)) of the Group's total revenue. Segment revenue of HK\$3,252.6 million (2021: HK\$2,998.6 million (restated)) are set out in the below table.

	For the year ended 30 June		Change HK\$'M	% Change
	2022 HK\$'M	2021 (restated) HK\$'M		
Cleaning services	1,409.3	1,262.6	146.7	11.6%
Technical support & maintenance services	834.0	783.6	50.4	6.4%
Security guarding & event services	636.4	660.1	(23.7)	(3.6%)
Insurance solutions	99.6	85.9	13.7	15.9%
Environmental solutions	273.3	177.3	96.0	54.1%
Laundry services	–	29.1	(29.1)	(100.0%)
<b>Total</b>	<b>3,252.6</b>	<b>2,998.6</b>	<b>254.0</b>	<b>8.5%</b>

Such revenue reflected an increase in revenue contribution from Hong Kong amounting to HK\$303.7 million, partly mitigated by a decrease in revenue contributions from Macau and Mainland China of HK\$43.7 million and HK\$6.0 million respectively.

Segment revenue grew by 8.5% or HK\$254.0 million to HK\$3,252.6 million from HK\$2,998.6 million (restated) reflected (i) a number of new general cleaning service contracts, which encompassed a wide range of buildings and facilities, including university campus, shopping malls, hospital, government buildings and residential and commercial properties, and additional ad-hoc intensive disinfection cleaning contracts; (ii) higher revenue from its environmental solutions business, especially in respect of its provision of ELV device installation services, largely contributed by 11 SKIES project in Chak Lap Kok; (iii) higher revenue from its technical support and maintenance services in Hong Kong contributed from the refurbishment works for a hotel in Tsim Sha Tsui and the maintenance works for 2 residential properties in Shatin and Sai Wan Ho and (iv) an increase in new insurance contracts for construction projects awarded, partly offset by (i) the absence of revenue from the laundry business following the Group's disposal of it in December 2020 and (ii) a lower revenue contribution from its technical support and maintenance services in Macau following the substantial completion of St. Regis Service Apartment in Macau last year.

- *E&M services:* This segment contributed 43.3% (2021: 43.3% (restated)) of the Group's total revenue. Segment revenue increased by 7.9% or HK\$222.1 million to HK\$3,018.0 million from HK\$2,795.9 million (restated) and reflected an increase in revenue contribution from Mainland China, Macau and Hong Kong by HK\$122.9 million, HK\$85.8 million and HK\$13.4 million respectively.

The increased revenue contribution from Mainland China and Macau reflected a number of E&M engineering installation projects, including Qianhai Chow Tai Fook Finance Tower and Guangzhou New World Zengcheng Comprehensive Development project in Mainland China and Studio City Phase 2 in Macau, which had substantial progress this year. The revenue from Hong Kong region in the Year remained stable at HK\$2,299.0 million compared to HK\$2,285.6 million last year and contributed 76.2% of this segment's revenue. It should be noted that, under contract terms, only the management fees and reimbursable costs were reflected in the revenue of the Kai Tak Sports Park project.

# Management Discussion and Analysis

## Gross profit

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

	For the year ended 30 June 2022		
	Gross profit HK\$'M	% of total gross profit	Gross profit Margin %
Property & facility management services	219.4	22.1%	31.5%
City essential services	434.4	43.8%	13.4%
E&M services	338.7	34.1%	11.2%
Total	992.5	100.0%	14.2%

	For the year ended 30 June 2021 (restated)		
	Gross profit HK\$'M	% of total gross profit	Gross profit Margin %
Property & facility management services	242.9	21.4%	36.9%
City essential services	627.7	55.3%	20.9%
E&M services	264.5	23.3%	9.5%
Total	1,135.1	100.0%	17.6%

In FY2022, the Group's property & facility management services segment, city essential services segment and E&M services segment contributed 22.1% (2021: 21.4%), 43.8% (2021: 55.3% (restated)) and 34.1% (2021: 23.3% (restated)) of its gross profit respectively. The Group's gross profit decreased

by HK\$142.6 million or 12.6% to HK\$992.5 million from HK\$1,135.1 million in FY2021, with an overall gross profit margin decreased to 14.2% from 17.6%, mainly reflecting a decrease in COVID-19 related government grants.

	For the year ended 30 June			
	2022 HK\$'M	Gross profit margin %	2021 HK\$'M	Gross profit margin %
Gross profit as reported	992.5	14.2%	1,135.1	17.6%
Excluding government grants	(43.9)	(0.6%)	(308.4)	(4.8%)
Gross profit excluding government grants	948.6	13.6%	826.7	12.8%

If excluding the effects of these grants in the Group's gross profit for both years (i.e. HK\$43.9 million for the Year and HK\$308.4 million in last year) to better illustrate the Group's performance without such effects, its adjusted gross profit margin increased to 13.6% from 12.8% last year, mainly caused by an improvement in the gross profit margin of the E&M services segment.

The property & facility management services segment recorded a decrease in its gross profit of HK\$23.5 million to HK\$219.4 million from HK\$242.9 million, with its gross profit margin decreased to 31.5% from 36.9%, reflected a decrease in COVID-19 related government grants.

The city essential services segment recorded a decrease in its gross profit of HK\$193.3 million to HK\$434.4 million from HK\$627.7 million (restated), with its gross profit margin decreased to 13.4% from 20.9% (restated), reflected (i) a decrease in COVID-19 related government grants; (ii) a reduction in gross profit contribution from its security guarding & event services resulted from a lower demand in event services affected by the fifth wave of COVID-19 and (iii) a lower gross profit contribution from its technical support and maintenance services following the completion of Venetian contracts in Macau last year, partly mitigated by the effects of an increase in new cleaning and insurance service contracts as well as epidemic-induced ad hoc intensive cleaning and disinfection works and the losses related to laundry business disposed in December 2020 which did not recur this year.

The gross profit of the E&M services segment increased by HK\$74.2 million to HK\$338.7 million from HK\$264.5 million (restated) with its gross profit margin increased to 11.2% from 9.5% (restated), principally reflected a higher gross profit margin contributed by its Inland Revenue Tower project in Kai Tak, partly offset by a decrease in COVID-19 related government grants.

### General and administrative expenses

General and administrative expenses of the Group for the Year decreased by HK\$13.8 million or 3.0% to HK\$444.3 million from HK\$458.1 million last year, reflected a successful cost saving campaign including the reduction in staff costs, rental expenses and depreciation of properties and leasehold improvements and the one-off professional fees for acquisition which did not recur this year, partly offset by a decrease in COVID-19 related government grants. If excluding the effects of government grants in the Group's general and administrative expenses for both years (i.e. HK\$7.3 million for the Year and HK\$33.0 million last year) to better compare their amounts without such effects, its adjusted general and administrative expenses decreased 8.0% to HK\$451.6 million compared to HK\$491.1 million last year.

### Other income/(expenses), net

Other net income of HK\$42.3 million was recorded by the Group during FY2022 compared to other net expenses of HK\$28.6 million recorded in FY2021.

The other net income recorded during the Year mainly represented the receipt of COVID-19 related government grants, administration fee income for property management companies under Anti-epidemic Support Scheme and gratia payments from the government for retirement of motor vehicles. The net expenses recorded last year mainly represented the Group's losses related to disposal of its laundry business of HK\$26.2 million.

### Finance income

In FY2022, the Group recorded finance income of HK\$1.5 million (2021: HK\$2.3 million). The decrease mainly reflected lower average market interest rates and principal sum of the Group's bank deposits placed during the Year.

### Finance costs

The Group's finance costs of HK\$5.4 million (2021: HK\$5.4 million) for FY2022 included interest expenses of (i) HK\$2.6 million (2021: HK\$3.5 million) for the Group's bank loan financing its acquisition of property & facility management services business in December 2019, (ii) HK\$1.4 million (2021: HK\$1.5 million) for lease liabilities and (iii) HK\$1.4 million (2021: HK\$0.4 million) for other bank borrowings.

### Income tax expenses

The effective tax rate of the Group increased by 5.3% to 14.5% (2021: 9.2%), mainly attributable to a reduction in the non-taxable COVID-19 related government grants.

# Management Discussion and Analysis

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

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

	For the year ended 30 June			
	2022 HK\$'M	2021 (restated) HK\$'M	Change HK\$'M	% Change
Property & facility management services	136.3	134.1	2.2	1.6%
City essential services	201.5	368.1	(166.6)	(45.3%)
E&M services	173.4	108.3	65.1	60.1%
Unallocated corporate expenses and finance costs*	(8.3)	(23.6)	15.3	(64.8%)
Total	502.9	586.9	(84.0)	(14.3%)

\* Unallocated corporate expenses and finance costs comprise the Company's corporate expenses of HK\$5.7 million (2021: HK\$20.1 million) and interest expenses of HK\$2.6 million (2021: HK\$3.5 million). The corporate expenses in last year included legal and professional fees of HK\$14.1 million incurred for the acquisition of Business Investments Group.

The Group's profit for the Year decreased by 14.3% or HK\$84.0 million to HK\$502.9 million compared to HK\$586.9 million last year. The decrease mainly resulted from the decrease in government grants, partly mitigated by the effects of (i) new contracts awarded for the city essential segment (primarily cleaning and insurance businesses); (ii) higher gross profits from E&M services segment's installation projects and (iii) losses related to laundry business disposed in December 2020 and one-off professional fees for acquisition which did not recur this year. The net profit margin of the Group reduced to 7.2% for the Year from 9.1% for last year.

If excluding the effects of government grants in the Group's result for both years and item (iii) mentioned above in the Group's prior year results to better illustrate the Group's financial results without the effects of such non-recurring items, the Group recorded an increase in adjusted net profit for the Year of 35.2% to HK\$414.7 million (i.e. after excluding government grants of HK\$88.2 million from profit attributable to shareholders of the Company of HK\$502.9 million for the Year) as compared to its adjusted net profit of HK\$306.8 million for last year (i.e. after excluding (a) government grants of HK\$340.0 million, (b) losses related to laundry business of HK\$45.8 million and (c) one-off professional fees

for acquisition of HK\$14.1 million from profit attributable to shareholders of the Company of HK\$586.9 million last year).

## Other comprehensive (loss)/income

The Group recorded other comprehensive income for the Year of HK\$8.0 million (2021: HK\$27.6 million), reflected remeasurement gains on long service payment liabilities of HK\$12.4 million (2021: HK\$8.5 million), partly offset by and remeasurement losses on defined benefit retirement scheme of HK\$2.5 million (2021: gains of HK\$3.7 million) and an unfavourable exchange reserve movement of HK\$1.9 million (2021: favourable exchange movement of HK\$15.4 million) recorded during the Year following a depreciation of the Renminbi ("RMB") for conversion of the Group's net investments in Mainland China.

## Liquidity and financial resources

The Group's finance and treasury functions are centrally managed and controlled at its headquarters in Hong Kong. As at 30 June 2022, the Group had total cash and bank balances of HK\$767.0 million (30 June 2021: HK\$549.9 million), of which 89%, 9% and 2% (30 June 2021: 91%, 7% and 2%) were denominated in Hong Kong dollars, RMB and other currencies

respectively, and total borrowings of HK\$403.5 million (30 June 2021: HK\$383.8 million) denominated in Hong Kong dollars. The Group's net cash balance increased by HK\$197.4 million to HK\$363.5 million as at 30 June 2022 as compared to HK\$166.1 million as at 30 June 2021 mainly reflecting the net cash inflow from operating activities, partly offset by the distribution of the Company's FY2021 final dividend of HK\$72.5 million and FY2022 interim dividend of HK\$94.0 million and the Group's payments for principal portion of lease liabilities of HK\$37.7 million. The Group's net gearing ratio was maintained at zero as at 30 June 2022 (30 June 2021: 0%). This ratio is calculated as net debt divided by total equity. Net debt is calculated as total bank borrowings less cash and cash equivalents.

Adopting a prudent financial management approach in implementing its treasury policies, the Group maintained a healthy liquidity position throughout the reporting period. As at 30 June 2022, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and/or trade financing of HK\$2,731.6 million (30 June 2021: HK\$2,754.3 million). As at 30 June 2022, the Group has no banking facilities guaranteed by FSE Management Company Limited ("FMC", a direct wholly-owned subsidiary of FSE Holdings Limited) (30 June 2021: HK\$100 million was guaranteed by FMC). As at 30 June 2022, HK\$945.6 million (30 June 2021: HK\$821.8 million) of the Group's banking facilities had been utilised for bank borrowings, bank guarantees and trade finance. The Group believes it has sufficient committed and unutilised banking facilities to meet current business operation and capital expenditure requirements.

### Debt profile and maturity

As at 30 June 2022, the Group's total debts amounted to HK\$403.5 million (30 June 2021: HK\$383.8 million), of which HK\$140.0 million matures in June 2023 and HK\$263.5 million matures in December 2024. The Group has managed its

debt maturity profile to minimise its refinancing risks. All of these debts are denominated in Hong Kong Dollar and bears 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\$136.6 million (30 June 2021: HK\$121.2 million) as at 30 June 2022. The foreign currency translation arising from translation of these Mainland China operations' financial statements from RMB (functional currency of these Mainland China operations) into Hong Kong dollars (the Group's presentation currency) does not affect the Group's profit before and after tax and will be recognised in its other comprehensive income.

During the Year, the fluctuation of RMB against Hong Kong dollars was 7.6% (comparing the highest exchange rate with the lowest exchange rate of the RMB against the Hong Kong dollars during the Year).

As at 30 June 2022, if the Hong Kong dollars had strengthened/weakened by another 7.6% against the RMB with all other variables unchanged, the Group's other comprehensive income would have been HK\$10.4 million lower/higher.

# Management Discussion and Analysis

## Use of net proceeds from listing

Between 10 December 2015 (date of listing of the Company) and 30 June 2022, the net proceeds of HK\$264.5 million received from the Company's Initial Public Offering ("IPO") or Global Offering (referred to the prospectus issued by the Company on 26 November 2015) and the revised use of unutilised proceeds of HK\$133.5 million as stated in the Company's announcement dated 26 June 2018 were applied in the manner as shown in the table below:

	Original use of proceeds from Global Offering HK\$'M	Utilised amount as at 26 June 2018 HK\$'M	Revised use of proceeds pursuant to the Company's announcement dated 26 June 2018 HK\$'M	Aggregated utilised amount from 27 June 2018 to 30 June 2021 HK\$'M	Aggregated utilised amount from 1 July 2021 to 30 June 2022 HK\$M	Unutilised amount as at 30 June 2022 HK\$'M
Investment in/acquisition of companies engaged in the installation and maintenance of ELV system	81.6	5.9	–	–	–	–
Development of environmental management business	51.0	3.6	20.0	20.0	–	–
Operation of E&M engineering projects on hand and prospective projects	47.4	47.4	88.1	88.1	–	–
Staff-related additional expenses	20.0	20.0	–	–	–	–
Development and enhancement of design capability	19.3	18.3	16.0	16.0	–	–
Enhancement of quality testing laboratory	12.2	4.9	7.3	5.7	1.6	–
Upgrade of corporate information technology system and software	8.0	5.9	2.1	2.1	–	–
General working capital	25.0	25.0	–	–	–	–
<b>Total</b>	<b>264.5</b>	<b>131.0</b>	<b>133.5</b>	<b>131.9</b>	<b>1.6</b>	<b>–</b>

The Group has fully utilised HK\$264.5 million of the net proceeds from Global Offering, of which HK\$1.6 million was utilised during the Year with the actual usage consistent with the usage as intended and previously disclosed by the Company.

## Capital commitments

As at 30 June 2022, the Group had capital commitments of HK\$1.9 million (30 June 2021: HK\$1.7 million) in relation to purchase of plant and equipment.

## Contingent liabilities

In carrying out the ordinary course of business, the Group is subject to the risk of being named as defendant in legal

actions, claims and disputes in connection with its business activities. The nature of the legal proceedings initiated against the Group mainly includes claims for compensation by the Group's existing or former employees for work related injuries. The Group maintains insurance cover and, in the opinion of the Directors, based on current available evidence, any such existing claims and legal proceedings against the Group are not expected to have significant adverse financial impact to the Group as at 30 June 2022.

Other than the above, as at 30 June 2022, the Group did not have any material contingent liabilities (2021: Nil).

## 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 (the “Listing Rules”), within a period of 10 years after their date of issue of 16 December 2019 (the “Issue Date”) and (ii) redeemable by the Company at its sole discretion at a redemption price equals to the Issue Price together with all outstanding preferred distributions accrued to the date fixed for redemption at any time after 10 years following the Issue Date. The convertible preference shares are treated as contingently issuable potential ordinary shares under Hong Kong Accounting Standard (“HKAS”) 33 “Earnings per Share” and, since the conditions for their conversion were not met as at 30 June 2022, the effect of their conversion is not

included in the calculation of the diluted earnings per share for years ended 30 June 2022 and 2021 pursuant to HKAS 33’s requirements as described in Note 6 to the consolidated financial statements. Assuming that all of the outstanding convertible preference shares were converted as at the end of the financial year of 30 June 2022 and assuming their conditions for conversion were met, the Company’s earnings per share after taking into account of the dilutive impact of such conversion for the year ended 30 June 2022 would be HK\$1.02 per share, calculated as the Group’s profit attributable to shareholders of the Company of HK\$502.9 million divided by the weighted average number of the Company’s ordinary shares in issue of 493.7 million (after taking into account the weighted average number of incremental number of ordinary shares that would be issued from the conversion of the convertible preference shares on its Issue Date of 43.7 million). The convertible preference shares confer their holder(s) the right to receive preferred distributions from the Issue Date at a rate of 6.0% per annum on its Issue Price, payable annually in arrears. As (i) the Company may at its sole discretion redeem either in whole or in part the convertible preference shares for the time being outstanding (i.e. it has no obligation to settle them in cash unless it elects at its sole discretion to redeem) and (ii) the convertible preference shares are only convertible within a period of 10 years after the Issue Date but redeemable only after 10 years following the Issue Date, an analysis on the Company’s share price at which it would be equally financially advantageous for the convertible preference share holder(s) to convert or redeem the convertible preference shares based on their implied rate of return at a range of dates in the future is not applicable. Based on the financial and liquidity position of the Group (with details set out in the paragraphs headed “Liquidity and financial resources” of this section), to the best knowledge of the Company, the Company expects that it will be able to meet its redemption obligations under the outstanding convertible preference shares issued by it.



## Environmental, Social and Governance

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

A stand-alone ESG report which references Appendix 27, Environmental, Social and Governance Reporting Guide, to the Listing Rules will be published on the websites of the Company and Hong Kong Exchanges and Clearing Limited in November 2022.

### Environmental policies and performance

While there are no major environmental impacts associated with the Group’s operations, environmental sustainability is the Group’s key responsibility of integrating sustainable practices in our operations and contributing to a greener future. We have implemented the ISO 14001 Environmental Management System which is a core component of our IMS to monitor our environmental performance. This system allows us to have a clear focus on enhancing environmental awareness and commitment within the Group. The system is regularly audited by both internal and external parties to ensure its effectiveness in achieving continual improvement.

We are committed to reducing energy consumption and greenhouse gas (“GHG”) emissions throughout all business operations. The Group has set reduction targets for energy consumption, GHG emissions, water consumption and paper procured, demonstrating strong dedication to reducing its environmental footprint. We continue to nurture environmental stewardship among our employees and foster behavioural change including paper use reduction, energy conservation and materials recycling.

With the Group's Green Office Guidelines, we have stepped up our efforts in implementing waste recycling practices across all operations. For instance, we procure paper from sustainable sources and place scrap paper boxes next to printers. In addition, our solid waste reduction programme at the Fanling workshop has identified opportunities to maximise the use of scrap metal and minimise disposal.

## People development

We believe our employees are the most valuable assets for our success. To assure the quality of our employees at all levels and to secure a stable supply of future leaders, we have set up the Talent Development and Training Committee to plan, organise and oversee a comprehensive training and development programme for our employees.

In 2020 and 2021, the Committee launched 2 custom-made leadership development programmes, namely the Executive Development Programme and Young Executive Training Programme ("YETP") to nurture our leaders at different levels. To date, 136 employees have attended or are attending these 2 programmes. Our goal is to identify and develop talent, with the aim of providing upward mobility within our Group, fostering employee loyalty and incorporating customised mentoring, coaching and training.

Apart from management staff, we also provide different types of training courses to our frontline staff. During the Year, over 28,000 hours of training were provided to our 4,600 technical and operational staff.



*Our people are our important human capitals that are nurtured to grow. The EDP delivered a sustainable leadership pipeline with the competencies needed to collaborate across functional and geographic areas*

## Management Discussion and Analysis



*Nurturing young people is dear to our heart. The participants in the YETP are able to learn essential elements in teamwork and to develop leadership skills through hands-on experience and collaborative training*



*Team building day for our future young leaders*

Our established Training and Education Subsidy Scheme also allows the Group to cultivate a continuous learning culture and effectively explores the potential of our employees which helps foster staff growth and development.

In addition to focusing on employees' training, the Group also extends this learning and caring culture to our employees' children. FSE Children Academic Star Award was launched in 2014 to recognise the academic achievements of our employees' next generation. This award scheme also serves

to develop human asset with different potential that could be beneficial to our society and the Group. The prize set for the award scheme recognising students' outstanding achievements in HKDSE, GCE/GCSE A-Level and International Baccalaureate Diploma examinations as well as talents performing in Music, Sports and Art. A total of 72 children of our employees have been awarded for the outstanding academic achievements and another 4 children have achieved the special awards for their talents. This award scheme displays the alignment of FSE Lifestyle's core values and contributes to establishing a caring employer brand for our Group.



*Academic Star Award builds a caring employer brand for our Group*

### Corporate Social Responsibility ("CSR")

With a deep-rooted spirit of giving back to the society, we have set up the CSR Committee for years to encourage employee participation in social services and practice corporate citizenship. We are dedicated to serving the needy, especially children, the elderly and other disadvantaged groups. Our enthusiastic colleagues served over different groups of beneficiaries, creating a positive impact in our shared community. The Company has garnered many awards related to volunteer services in the past in appreciation of the contribution of its volunteer services to the community.



*FSE Lifestyle management led its staff to participate in its annual social caring event – FSE Caring Day*

Despite the ongoing pandemic, we remained steadfast in our commitment to contribute to the society and provided much needed assistance to the underprivileged during such unprecedented times. Supported by the admirable efforts and dedication of over 800 volunteers and donors, we continued to work alongside our trusted NGO partners to deliver an array of community service projects and served more than 550 beneficiaries this year, contributing a total of over 5,200 service hours. Key initiatives include the donation of essential supplies to facilitate home learning for children during the suspension of face-to-face classes; the recording of selfie videos to express our love and care to the mentally handicapped and rehabilitation groups; and our volunteers' participation in scarf-knitting, paper-cutting as well as production of natural hand creams as gifts for elderly living alone.



*FSE Lifestyle has a strong spirit in serving the community, especially the elders, Mr. Terry Kwan, Director of Human Resources of FSE Lifestyle and Ms. Connie Cheung, General Manager of Human Resources of FSE Engineering took part in various elder services to express our Group's respect and gratitude to them*



## Management Discussion and Analysis



*Mr. Thomas Soon, Executive Director of FSE Lifestyle, signed the BEC Low Carbon Charter on behalf of the Group, pledging to set carbon reduction targets and implement strategic decarbonisation actions. Being a key player in the society, business community should work together to support Hong Kong's transition to a low-carbon community*

The Company endeavours to uphold corporate social responsibility. By organising a wide range of charitable campaigns, we strive to create a positive impact in our shared community and respond to social needs in a beneficial manner. We are committed to encouraging a culture of volunteerism amongst our employees and will continue to strengthen our contribution in fostering a caring society.

### Environmental concerns

We aim to ensure that all services are conducted in an environmentally responsible manner. We believe that a successful environment management is important for us to meet customers' demand in environment protection and to ensure healthy growth and sustainable development of our business. In this connection, we have set up environmental management system to promote environmental awareness and to prevent pollution of the environment.

Our environmental management system currently in place was accredited by HKQAA with ISO14001 certification.

### Commitment to the environment

We are committed to reduce energy consumption and greenhouse gas emissions in our operations. This year, we have set targets of reducing 3% of energy consumption (intensity), 3% of greenhouse gases emissions (intensity), and paper procured by 2% by end of the financial year ended 30

June 2022. Through adopting different initiatives, applications, measures and communication with employees, the results of the targets set were completely achieved by the said period.

### Building a culture of sustainability

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

### Research and development projects

Over the years, FSE has strengthened its commitment in research and development to enhance our existing services and protect the environment. Through collaboration with The Nano and Advanced Materials Institute Limited ("NAMI"), FSES has participated in two R&D projects involving water treatment and solid waste treatment. Currently, we are running a pilot water treatment project on cooling tower. We will continue to explore new technologies for a greener future.

**Nanobubble Ozonation System** is one of the applications adopting Nano Technology. Ozone is a powerful disinfectant for water purification. However, low mass transfer efficiency, low saturation solubility and short half-life are the obstacles in practical application. The integration of ozone with Micro-nano Bubbles (MNBs) named as "**Nanobubble Ozonation**" can tackle those obstacles and therefore has many real-life applications. For the Fresh water-cooling tower (FWCT) application, Nanobubble ozonation has improved the effectiveness of cooling water treatment. Energy saving from the improvement of fouling factor is the ultimate goal. It is expected 1-3% energy saving could be achieved for lightly fouled chiller and up to 10% saving could be gained for heavily fouled chiller by the application of Nanobubble Ozonation in FWCT.

With the use of IoT technology, we provide complete integrated solutions to tackle the pain points of our customers. FioTec, our smart solution system, delivers a wide scope of services ranging from consultation and solution design, system implementation and operation, to routine support and maintenance. It focuses on innovative

IoT solutions for facility management, including building automation and energy optimization, facility digitalization, predictive maintenance solutions for building services equipment, video analytic and smart security solutions, etc. FioTec can integrate with existing Building Management System and Central Control and Monitoring System, and BIM model to create an IoT ecosystem for various customers.

FioTec assists digitisation of facility, leading to improving service quality and operational efficiency, cost reduction, energy, electricity, and water saving. FioTec is able to achieve long-term sustainable development goals (e.g. United Nations Sustainable Development Goals, Smart City development, net zero carbon emission), to build a better company image and raise the asset value.



A customised and 3D BIM-enabled dashboard showing real time status of all IoT sensors developed by FioTec



Nanobubble ozonation technology is able to turn ordinary air and water into strong oxidizing fluid

During 2022, FSE Lifestyle launched an industry-first innovative FSEasy Service Model. Capitalising on the professional knowledge and synergies from its business units, the FSEasy Service Model is operating under the BIM platform together with its self-invented FioTec, an innovative combination of IoT and modern information technologies for effective operational control, and ComEasy, a comprehensive surveillance system for all service teams to enhance the overall operation efficiency and cost effectiveness.

### Compliance with relevant laws and regulations

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



As at 30 June 2022, the Group had a total of 20,004 employees (30 June 2021: 18,460), including 8,070 (30 June 2021: 7,147) casual workers and employees whose relevant costs are directly reimbursed by or charged to our customers or charged by sub-contractors. Staff costs for the Year, including salaries and benefits, was HK\$2,870.5 million (2021: HK\$2,390.5 million). The increase mainly reflects a reduction in various grants received by the Group from the Hong Kong, Mainland China and Macau governments recognised as deductions in its staff costs.

The Group offers attractive remuneration packages, including competitive fixed salaries plus performance-based annual bonuses, and continuously provides tailored training to

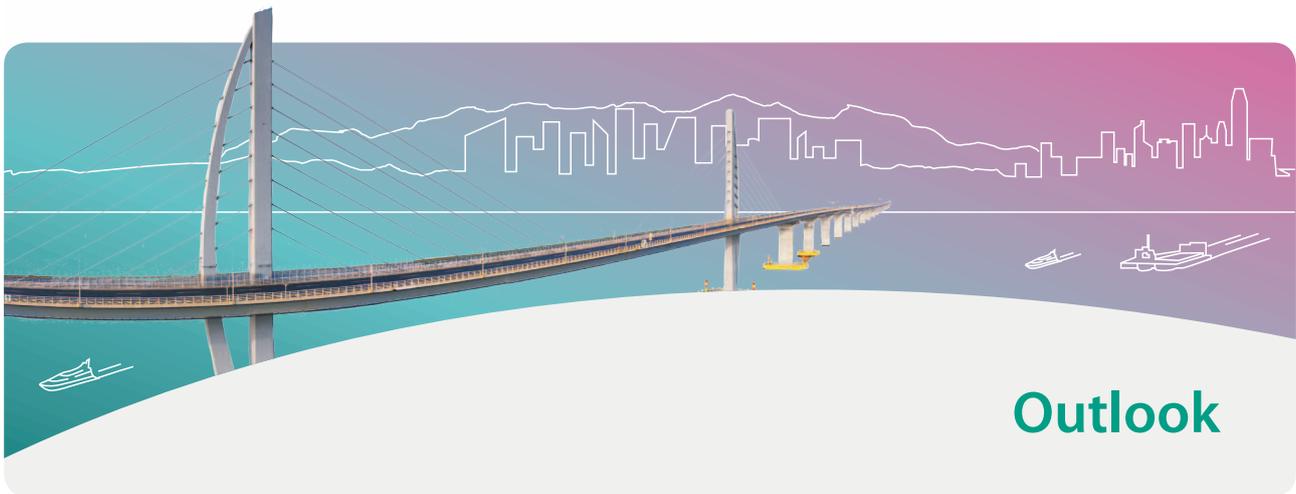


its employees with the aim of promoting upward mobility within its organisation and fostering employee loyalty.

Our employees are subject to regular job performance reviews which determine their promotion prospects and compensation. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

The Company maintained a share option scheme, which aims at providing incentives to the eligible participants (including the employees of the Group) to contribute to the Group and enables us to recruit high-caliber employees and attract human resources that are valuable to the Group. As at the date of this report, no share options under this scheme have been granted.

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



## Property & Facility Management Services Segment



**There is a growing demand of enhanced services and one-stop solutions in professional property and facility management services.**



With over 50 years of substantial experience, our Property & Facility Management Group is able to provide quality management services to preserve and improve the quality of the property and facilities for its clients to enhance its reputation and asset values. With the increasing expectation of the corporate clients and property investors, there is a growing demand of enhanced services and one-stop solutions in professional property and facility management services.

Under the current economic situation, our Property & Facility Management Group believes that large corporations and multinational enterprises will continue to outsource their non-core property and facility management activities to external professional agencies, which creates new business opportunities to it.

Further to the strong synergies generated among business units within the Group, our Property & Facility Management Group has also established extensive partnerships with professional service suppliers and contractors. It maximises its competitive advantages by creating economies of scale and strong bargaining power for its clients to maximise cost-effectiveness and operational efficiency at all times. Most importantly, it is able to provide the most cost-effective services to its clients at the optimum price levels.

Under the current social appeal and requests for controlling rights of property owners, there is an increasing demand of independent property and facility management companies, which are not subsidiaries of property developers.

Our Property & Facility Management Group comprises one of the strongest professionally qualified workforce to serve our diversified clientele. While individual companies under it has been obtaining the property management company licence under the Property Management Services Ordinance (“PMSO”) (CAP. 626 PMSO), it has maintained a strong team of over 500 Tier 1 and Tier 2 property management practitioners, which is believed to be one of the largest service teams in the industry, to enable smooth operations of the managed property and facility assets and the fulfilment of the statutory requirements. Hence, it has established a good strategic position to grasp the market openings and demands generated by the full enactment of PMSO and maintains good competitive advantages over its rival companies in new tendering and business development activities in the coming years.

Upon the government policy on increasing the supplies of residential units by the coming 10 years, there is a growing demands of professional property management services in Hong Kong. The market opportunities initiated by the increasing supply of both private and public housing units, hence, creates a growing demand and necessities of professional property management services in the territory. Our Property & Facility Management Group with over 6,000 workforce has been developing a new operation approach combining its quality manpower strengths with modern innovative technologies and IoT provisions to enhance its overall service efficiency and effectiveness.

## Management Discussion and Analysis

Our Property & Facility Management Group has obtained over 50 years of substantial experiences in managing all kinds of property and facility assets in the territory. With its leadership position in the industry, it has maintained a strong representation in major and leading professional bodies and trade organisations in Hong Kong, which enables the Group to observe the latest market trends and development directions.

As most of the business units under FSE Lifestyle have extensive experiences, knowledge, expertise and portfolios in their trade, our Property & Facility Management Group may generate strong synergies from its sister companies to offer differentiated and cost effective management solutions to its clients to cater for different demands and expectations.

Our Property & Facility Management Group maintains a strong technical and engineering team with extensive experiences and expertise for all kinds of building repairs, maintenance, renovations and rejuvenation projects. It has been participating and coordinating for different kinds of building renovation and improvement projects for large private housing estates, commercial premises and modern intelligent buildings to enhance their building facilities, and ultimately, enhancing their asset values. Currently, it maintains a strong engineering team with over 500 well trained technical personnel to serve its clients.

Nowadays, both property owners and investors perceive brand recognition as one of the major selection criteria for their property and facility managers. With the brand equity of over 50 years together with the substantial experience obtained and accolades received from the Hong Kong society, our Property & Facility Management Group has created its unique selling proposition from the industry to obtain the trust from the clients.

Apart from the statutory requirements, our Property & Facility Management Group has been implementing stringent governance initiatives covering environmental protection and care, corporate social responsibilities as well as risks and crisis control. Moreover, within our Property & Facility Management Group, Urban is all along a household name of “Hong Kong’s Premier Community Manager” through organising and participating in over 100 CSR activities annually. More importantly, Urban’s well-defined and comprehensive risks and crisis management system covers an extensive spectrum of crises, from the operational suspension of building services and systems breakdowns to the territory-wide pandemic diseases.

### City Essential Services Segment



**We offer fully integrated solutions, enabling our clients to enjoy customized and innovative services.**



#### 1. Cleaning Services

With the fifth wave of the COVID-19 pandemic running rampant in Hong Kong, most retail and catering businesses are being affected. Environmental hygiene service is one of the benefited industries as demands of ad-hoc disinfection services have been significantly increased during the pandemic outbreak period. Due to the citizens’ increased awareness of virus prevention and personal hygiene, demands for preventive and disinfectant services are expected to grow continuously. Many of Waihong’s clients appreciate quality and are often willing to pay for quality cleaning services to obtain higher hygiene standards.

It has come to the public alert that the pandemic may come repeatedly after the end of the current outbreak. Waihong will continue to strengthen its team force and promote robotic disinfection devices involving antiviral coating and preventive disinfection services. Waihong expects its future prospect to be optimistic and the environmental cleaning service industry will continue to develop steadily and prosperously.

Waihong foresees a rapid rebound of economy and benefits to its business with the resumption of cross-border travel. By capitalising on its extensive experience, systematic and customised services with its established brand, Waihong will explore more potential businesses from different market segments through leveraging its competitive advantages.

In the coming years, there will be plenty of new residential and other new projects to be launched. The demands for specialist cleaning and hygiene services in these properties and facilities will increase while they are completed. Due to changes in the criteria of tender evaluation, government service contracts became more attractive and deserve to invest more resources in the government market segment.

Strategically, Waihong is one of players bidding government service contracts and continues to expand its service capacity from this market segment.

Further, the municipal solid waste charging scheme will be implemented in the year of 2023. Waihong's waste management team is going to expand the scale of its fleet and business mode in the coming years to deal with the foreseeable market demands. Waihong will purchase different kinds of trucks to provide disposal of municipal solid waste, clinical waste, liquid waste, construction waste, food waste and paper recycling services.

In recent years, Waihong has actively introduced innovative ideas and technologies, and has adopted AI smart systems to improve daily management and operations. Waihong has introduced IoT smart toilet management systems for customers in some commercial buildings and also introduced different types of robotic devices handling disinfection, carpet vacuum, floor cleaning and polishing in different worksites. An in-house developed mobile inspection Apps is being utilised for improving work efficiency and enhancing the image of management style in some renowned properties.

## 2. Technical Support & Maintenance Services

Stabilising revenue by further developing business in the public sector is one of the strategic movements of the Group's technical support & maintenance services section. The Group's technical support & maintenance services section is specialised in providing maintenance and repairing services in building services systems, especially in HVAC systems. Information showing that there is an estimate of over HK\$500 million of substantial HVAC maintenance and replacement term contract works budgeted and addressed in the forecast of works tenders in Electrical and Mechanical Services Department ("EMSD") in next year. This provides a good opportunity for the Group's technical support & maintenance services section to generate business revenue and profit in the public sector.

In the private sector, steady and stable income generated from maintenance and system retrofit works support the fundamental operation business of the Group's technical support & maintenance services section. Furthermore, large-scale renovation works for existing commercial premises is also expected to create emerging business opportunities in the coming few years. Information from

Hong Kong Tourism Board reviewed that there are more than 300 hotels and 50 mega size shopping malls in Hong Kong, this market offers tremendous opportunities for further developing business in the private sector in the next few years.

The Group's technical support & maintenance services section advocates implementation of innovative technologies to increase the efficacy and efficiency of works. The well-developed maintenance service mobile application had significantly transformed the operation and maintenance methodology from traditional paper-based record management system to advanced digitalised management system. Next step, our Group's technical support & maintenance services section will continue to develop the production of BIM combined with application of digitalised Asset Management for existing mechanical plants. This breakthrough can benefit high demanding customers to experience the innovative management system not only in new buildings, but also in existing buildings.

## 3. Security Guarding & Event Services

Demand for security services has continue to grow steadily for the past year and it is expected to continue to grow. One major factor is that the government has planned to build 330,000 public housing units for the next ten years with another 440,000 residential units from the private sector. Also, several government projects are in the pipeline, including the Hong Kong Convention and Exhibition Centre Phase 3 construction, the Hong Kong Airport third runway and Lok Ma Chau development. Once these projects come into use, there will be huge demand for security services.

Despite the overall economic situation, the exhibition and convention industry has seen a gradual warming up albeit in a small scale, but more optimistic outlook is anticipated for 2023 onward. Perfect Event is proactively positioning itself in the event service industry. It has recently become a member of Hong Kong Exhibition and Convention Industry Association, the main local industry body. Meanwhile, the Perfect Event's multi-purpose app continues to find new audiences looking to complement their existing service and workflow, and progress is being made to expand its capabilities such as compatibility with IoT. Thus, Perfect Event is well placed once the economy picks up and opportunities arrive.

# Management Discussion and Analysis

## 4. Insurance Solutions

The HKSAR Government has always been acting as a "facilitator" and "promoter" to create opportunities for the insurance industry with the ultimate aim at developing Hong Kong as a global risk-management centre and a regional insurance hub. Nova being the largest local general insurance broker with a history of 34 years and a strong professional team has its comparative advantages to benefit from this development.

As the needs for corporate insurance buyers become more and more sophisticated whilst clients become more demanding, flexibility of Nova's services and its strong customer focused approach help it win more accounts from its competitors even though they are typically foreign broking firms with multi-national background and a bigger operation.

Nova continues to do what it is good at such as construction projects related insurance. Hong Kong Government's Northern Metropolis scheme, various new commercial and residential developments and infrastructure all lead to more business opportunities for it.

Due to mergers and acquisitions in the global broker segment in the past few years, the number of sizable international insurance brokers has been reduced. Nova can fulfill this gap perfectly as it is well experienced with good track record yet with a local touch. The fact that Nova was invited by the Insurance Authority ("IA") as a Partner of the Hong Kong Specialty Risks Consortium to support IA the Belt & Road Initiative is a good example to show its credentials. Through Nova's global broker networks, it can serve its clients' insurance needs all over the world.

In the coming year, Nova will further leverage its leading position in the market and expertise to develop more clientele in industries it is well experienced in, such as construction, property managers, hospitality, jewelry, non-government organisations and employee benefits like group medical and MPF schemes. Nova will also focus more on specialty products with higher yields and where its team has already possessed in-depth professional skills and knowledge such as cyber insurance, professional indemnity insurance and trade credit insurance.

## 5. Environmental Solutions

Increasing public awareness of the importance of sustainable environment has fueled the demand for environmental services and products. The Building Energy Efficiency Ordinance (Chapter 610 of the Laws of Hong Kong) enacted in 2012 and the Hong Kong SAR Government pledged to reach carbon neutrality by 2050 with the publication of the "Hong Kong Climate Action Plan 2050" in 2021 continues to support the business development of the Group's environmental services.

For our Group's environmental solutions business, its seawater and freshwater treatment and odour removal products such as electro-chlorination and biotech deodorisation systems respectively have brought steady growth to its environmental engineering business. Despite the fierce competition of HVAC water treatment service, its patented nanobubble ozonation and the use of real-time monitoring systems provide it a good opportunity to enlarge its market share.

Regarding the Extra Low Voltage ("ELV") business, with more property developers adopting IT infrastructure and advanced technologies in their projects to enhance building sustainability and energy control, this presents good opportunities to generate business revenues and profit in the ELV business segment.

The Group's environmental solutions business will keep abreast of the market trends and facilitate identification of new products. It will keep working with vendors to customise those systems according to the specific needs of customers and smart city blueprint, using advanced technologies and smart solutions such as AI and IoT, intelligent Intellectual Property/Information Technology-based and various 5G mobile applications to strengthen the building management and environmental monitoring system to enhance building sustainability and environmental quality thereby increase the satisfaction of its customers.

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

With the technological advancement and emphasis of green concept, there are opportunities for its building material trading business in promoting new products with new features in these aspects. Strategic collaboration with the Group's environmental solution teams will help its building material trading business keep abreast of the market trends and facilitate identification of new products.

## E&M Services Segment



**Our E&M services business is committed to creating a greener society with the growing demand for sustainability and ESG from corporate clients and property investors.**



With the brand equity of over 45 years' of substantial experience, the Group has maintained its position as one of the leading E&M companies in Hong Kong, capable of providing a comprehensive range of E&M services, ranging from design, installation and testing and commissioning services, and continued to run its E&M operations in Mainland China and Macau.

On top of its full range of licences and qualifications and effectiveness in managing tendering risks, the Group's E&M services business has integrated operating and control procedures, a robust network of well-established customers and suppliers, and an experienced and well-trained workforce to support all of its operations. Equipped with such high service standards and modern management models, it enables the Group's E&M services business to continuously improve its operational efficiency and provide the most cost-effective service deliveries to its clients at the optimum price levels.

With the growing demand for sustainability and ESG from corporate clients and property investors, the Group's E&M services business is committed to creating a greener society. To help build a sustainable environment, it has been constantly optimising design and exploring innovative methods. At the project level, the Group incorporates the application of green building principles into building services equipment; and adopts green building design, MiC, MiMEP, DfMA to reduce energy usage, carbon footprint and construction waste.

In order to help improve its operational efficiency and project management, the Group invests in innovative construction technologies such as BIM, Digital Works Supervision System ("DWSS"), modularisation and prefabrication, Robotic Total Solution ("RTS") and Sky Drilling Machine ("SDM"), 3D laser scanning and mobile Apps solutions etc.

In addition, the senior executives of the Group's E&M services business have actively participated and taken key positions in Construction Industry Council ("CIC") as well as in different professional institutions such as The Hong Kong Institution of Engineers ("HKIE") and trade/industry associations such as The Hong Kong Federation of Electrical and Mechanical Contractors Limited ("HKFEMC"). The strong presence in these professional institutions and trade associations can promote the company branding and exposure and grasp the first-hand market information.

With increasing construction volumes, rising construction costs and ageing skilled workforce in recent years, together with multiple incidents in individual large-scale projects, the construction industry in Hong Kong has been facing enormous pressure and challenges. The Group has been endeavoring to support the "Construction 2.0" initiative (Innovation, Professionalisation and Revitalisation) as launched by the Development Bureau in 2019 to capitalise on future development opportunities and scale new heights.

In Hong Kong, the government targets to maintain an annual works expenditure of over HK\$100 billion in the next few years as stated in its 2021 Policy Address. According to the construction expenditure forecast provided by the Construction Industry Council in May 2022, expenditure in E&M construction works each year will amount to over HK\$28 billion for the public sector and over HK\$24 billion for the private sector over the next five years. With such increasing demand of professional construction services, the Group will focus on the following public and private housing development, hospital development and infrastructure projects.

In its 2021 Policy Address, the Hong Kong Government has identified about 350 hectares of land to build 330,000 public housing units and about 170 hectares of land to build 100,000 private housing units to meet the demand in the coming 10 years. In addition, the Government has proposed to develop the northern part of Hong Kong which encompasses Yuen Long District and North District into a metropolitan area. This Northern Metropolis can provide a total land area of about 300 square kilometres, equivalent to the additional supply of over 500,000 housing units in the next 20 years.

## Management Discussion and Analysis

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

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

To prepare for the challenges brought by the aging population, the Hong Kong Government earmarked HK\$200 billion in 2016 for a ten-year hospital development plan. On top of the HK\$200 billion invested in the first 10-year plan, the Hong Kong Government has committed to an extra HK\$300 billion capital works programme to support the second 10-year hospital development plan, improve the clinic facilities of the Department of Health, and upgrade and increase healthcare training facilities.

The Hong Kong Government, in its 2021 Policy Address, strives to implement seven new railway projects in a proactive manner. The Hong Kong Government also requested the Airport Authority Hong Kong to create at Lantau an Aerotropolis connecting the Greater Bay Area and the world.

Use of District Cooling Systems (“DCS”) is also one of the Hong Kong Government’s initiatives and commitment to low-carbon development. Apart from the additional DCS in the West Kowloon Cultural District, providing DCS in new development areas – Tung Chung East and Kwu Tung North have also been under tendering process.

To encourage and enhance Innovation and Technology (I&T), the Hong Kong Government will collaborate with Shenzhen in the development of Shenzhen-Hong Kong I&T Co-operation Zone under the “one zone, two parks” model. In addition, the infrastructure works of the Hong Kong-Shenzhen Innovation and Technology Park (“HSITP”) in the Lok Ma Chau Loop has commenced in June 2018, with the objective of providing the first batch of land parcels for superstructure development in 2021.

In Macau, there is a constant demand for renovation and improvement works for hotels and casinos. In addition, the robust demand for public and private residential housing, the development of Galaxy Macau Phase 4 and Studio City Phase 2, the renovation work of existing casinos and hotel areas, and the renewal of casino licenses in 2022 are expected to create emerging business opportunities for the Group in the coming few years.

For the Mainland China market, the Group has followed a disciplined business development approach focusing on the provision of E&M services to major property developments of Hong Kong and foreign investors. Apart from the two core bases in Beijing and Shanghai, the Group has also established its presence in other first- and second-tier cities in Mainland China such as Tianjin, Shenyang, Chengdu, Wuhan, Nanjing, Kunming and Hangzhou.

The development of the Greater Bay Area will certainly enhance the economic and social growth in 11 cities of that Area. In addition, the 3 rapidly developing Guangdong Pilot Free Trade Zones — Hengqin, Qianhai and Nansha — will bring in new business opportunities to the Group.

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

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

Since the outbreak of COVID-19, its resulting impact to the global economy is far-reaching and we have taken various proactive measures and contingency plans to contain the operational and financial risks which it brings to the Group. These included swapping teams workplace (i.e. Teams A and B) arrangements, setting up of alternative offices, flexible business and lunch hours, IT enhancement to sustain the business operations, provision of personal protective equipment, including face masks, rapid antigen test (RAT) kit sets, disposable gloves and protective gowns, to our frontline

staff, body temperature checking for anyone entering into our work areas and putting sanitizing hand rubs in easily accessible places in our work areas to promote their usage by our staff, workers and visitors.

Our property and facility management, cleaning, security guarding and insurance solutions businesses have faced relatively less disruptions. The COVID-19 outbreak has created additional works from the existing property and facility management contracts, more ad-hoc demands for intensive disinfection cleaning services and security services demand for new medical facility set up near the airport. In addition, COVID-19 led to an increase in premium rates for certain types of insurances due to poor claims experience caused by the pandemic, which has positively affected our insurance solutions business. Nevertheless, for the sake of containing the risks arising from the pandemic, our cleaning and property and facility management services operations have implemented various precautionary measures including the followings:

- set policies to arrange some staff to work in alternative offices or from home if there are any reported COVID-19 cases among them and designated different entrances and exits in office for different groups of staff to reduce their interactions at our cleaning services operation; and
- implemented a well-defined sanitation management process for owners and tenants of properties, users of public and private facilities and own staff at the property and facility management services operation, including prompt sanitation actions to be taken once suspected COVID-19 cases in the work areas are reported.

Our environmental services business remains as usual and stable under the current situation. Our landscape business with hotels and service apartments is however affected by the frozen tourism industry in Hong Kong. Our building material trading business is also impacted under the current soft retail market. Our landscape and building material trading businesses have applied stringent cost controls to mitigate the above adverse impacts caused by the pandemic.

The COVID-19 variant Omicron had more material impacts to our E&M business, owing to its fifth wave outbreak in Hong Kong and in Mainland China during 2022. As a result of the governments' measures to contain the spread of the virus,

the cross-border land ports were closed, the production of materials and equipment by factories located in Mainland China were suspended for a few months and just resumed recently. Logistic problem and shortage of parts and materials supplies still exist globally. Therefore, our construction projects have experienced disruptions caused by delay in the supply and distribution channels and shortage of labour force.

In view of the above disruptions, we had discussions with customers on potentially affected projects and taken the following remedial measures to manage their possible delays and financial consequences:

- analysed the contract provisions on extension of time and force majeure clauses and issued notifications promptly to engineers and architects for our projects on the likelihood of any delays;
- made detailed records of site activities together with their cost implications for those delayed portions;
- closely monitored the supplies of materials and considered re-scheduling works or sourcing other suppliers;
- used alternative modes of transportation, e.g. via sea-freight to overcome cross-border land port closures; and
- checked insurance arrangements on deferred material delivery and kept updating of new regulatory policies.

In conclusion, although some of our projects have encountered certain delays in contract completion due to the pandemic, which in turn deferred the revenue that could be recognised, COVID-19 has only minor financial consequences on our Group's E&M engineering business as a whole.

To cope with the persistence of COVID-19, we will closely monitor its latest development and the effectiveness of remedial measures we adopted and adjust them when required on a timely basis.

## Conclusion

Despite the challenges and operational difficulties we face in this financial year, in particular those arising from the outbreak of COVID-19, the Group's operations remained stable in the Year. In addition, the Group shall endeavour to maintain a strong financial position so as to stay poised for new investment opportunities as and when they arise. We are confident that the Group will continue to grow.

# Report of the Directors

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

## Principal Activities and Geographical Analysis of Operations

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

## Business Review

A fair review of the business of the Group as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) comprising analysis of the Group's performance during the Year, particulars of important events affecting the Group that have occurred since the end of the Year, as well as indication of likely future development in the business of the Group are set out in the sections headed "Chairman's Statement" on pages 10 to 13 and "Management Discussion and Analysis" on pages 42 to 71. Description of the principal risks and uncertainties facing the Group are set out in the "Corporate Governance Report" under the paragraphs headed "Risk Management and Internal Control" on pages 33 to 39. Discussions on the environmental policies and performance, compliance by the Group with the relevant laws and regulations that have a significant impact on the Group and the account of the key relationships of the Group with its stakeholders are contained in the "Management Discussion and Analysis" on pages 58 to 63 of this annual report.

## Results and Appropriation

The results of the Group for the Year and the state of affairs of the Company and of the Group as at 30 June 2022 are set out in the consolidated financial statements on pages 89 to 198.

The Directors have resolved to recommend a final dividend of HK24.1 cents (2021: HK16.1 cents) per ordinary share for the Year to the shareholders whose names appear on the register

of ordinary shareholders of the Company on 26 October 2022. The proposed final dividend, if approved at the forthcoming annual general meeting of the Company, will be paid on or about 8 November 2022. Together with the interim dividend of HK20.9 cents (2021: HK28.9 cents) per ordinary share paid in March 2022, total distribution of dividends by the Company for the Year will thus be HK45.0 cents (2021: HK45.0 cents) per ordinary share and a dividend payout ratio of 41.0%<sup>(i)</sup> (2021: 48.7%<sup>(ii)</sup>).

Notes:

- (i) Based on the Group's adjusted profit for the year ended 30 June 2022 attributable to ordinary shareholders of HK\$494.4M (i.e. after excluding preferred distribution to the holder of convertible preference shares of HK\$8.5M for the year ended 30 June 2022 from profit attributable to shareholders of the Company of HK\$502.9M).
- (ii) Based on the Group's adjusted profit for the year ended 30 June 2021 attributable to shareholders of the Company of HK\$416.1M (i.e. after excluding (a) the profit of HK\$162.3M made by the security guarding & event services, insurance solutions and landscaping services businesses during the period from 1 July 2020 to 19 April 2021, the day of completion of the Group's acquisition of these businesses as described in Note 2.1(iii) to the consolidated financial statements and (b) preferred distribution to the holder of convertible preference shares of HK\$8.5M for the year ended 30 June 2021 from profit attributable to shareholders of the Company of HK\$586.9M).

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

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

## Reserves

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

## Distributable Reserves

At 30 June 2022, the Company's reserves available for distribution amounted to HK\$805.4 million (30 June 2021: HK\$395.8 million).

## Donations

During the Year, the Group made charitable and other donations amounting to HK\$1.2 million (2021: HK\$6.6 million).

## Property, Plant and Equipment

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

## Share Issued

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

## Equity-Linked Agreements

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

## Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 199.

## Major Customers and Suppliers

During the Year, the five largest customers of the Group accounted for 51.9% of the Group's revenue and the percentage of revenue attributable to the Group's largest customer amounted to 19.5%. The percentage of purchases attributable to the Group's five largest suppliers accounted for 7.4% of the Group's total purchases and the percentage of purchases attributable to the Group's largest supplier amounted to 2.7%.

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

## Management Contracts

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

# Report of the Directors

## Directors

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

### Non-executive Directors

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

### Executive Directors

Mr. Lam Wai Hon, Patrick (*Executive Vice-Chairman*)<sup>(i)</sup>

Mr. Poon Lock Kee, Rocky (*Chief Executive Officer*)

Mr. Doo William Junior Guilherme

Mr. Lee Kwok Bong

Mr. Soon Kweong Wah

Mr. Wong Shu Hung

Dr. Cheng Chun Fai

### Independent Non-executive Directors

Mr. Kwong Che Keung, Gordon

Mr. Hui Chiu Chung, Stephen

Mr. Lee Kwan Hung, Eddie

Dr. Tong Yuk Lun, Paul

### Alternate Director

Mr. Doo Wai Hoi, William (alternate to Dr. Cheng Kar Shun, Henry)<sup>(ii)</sup>

Notes:

- (i) Mr. Lam Wai Hon, Patrick was redesignated from Vice-Chairman to Executive Vice-Chairman with effect from 1 June 2022.
- (ii) Mr. Doo Wai Hoi, William was appointed as alternate director to Dr. Cheng Kar Shun, Henry with effect from 6 December 2021.

In accordance with article 105 of the Company's articles of association, Mr. Lam Wai Hon, Patrick, Mr. Doo William Junior Guilherme, Mr. Wong Shu Hung and Dr. Tong Yuk Lun, Paul shall retire as Directors by rotation at the forthcoming annual general meeting and, all being eligible, offer themselves for re-election as Directors.

The Company has received an annual confirmation from each of the Independent Non-executive Directors of his

independence pursuant to Rule 3.13 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considered all the Independent Non-executive Directors independent.

The Directors' biographical details are set out on pages 14 to 20.

## Directors' Service Contracts

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

## Directors' Interests in Transactions, Arrangements or Contracts

Details of the connected transactions and material related party transactions are set out on pages 78 to 83 and Notes 2.1 (iii) and 33 to the consolidated financial statements respectively.

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

## Directors' Interests in Competing Business

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

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

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

## Directors' Rights to Acquire Shares or Debentures

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

## Permitted Indemnity Provision

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

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

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

As at 30 June 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules were as follows:

## Long position in ordinary shares of the Company

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

Note:

These shares are beneficially owned by Mrs. Doo Cheng Sau Ha, Amy ("Mrs. Doo"), spouse of Mr. Doo, details of which are set out in Note 3 to the paragraph headed "Substantial Shareholders' Interests in Securities" below. By Virtue of Part XV of the SFO, Mr. Doo is taken to be interested in all the shares in which his spouse is interested.

## Report of the Directors

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

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

#### Notes:

- These shares are held by Sino Spring Global Limited (“Sino Spring”) as to 315,000,000 shares, Power Victory Global Limited (“Power Victory”) as to 90,000,000 shares and Frontier Star Limited (“Frontier Star”) as to 35,000,000 shares, the entire issued share capital of each of which is beneficially owned by Mrs. Doo, spouse of Mr. Doo. By Virtue of Part XV of the SFO, Mr. Doo is taken to be interested in all the shares in which his spouse is interested.
- These shares are held by Equal Merit Holdings Limited (“Equal Merit”), the entire issued share capital of which is solely and beneficially owned by Mr. Lam.
- These shares are held by Master Empire Group Limited (“Master Empire”), the entire issued share capital of which is solely and beneficially owned by Mr. Doo Jr.
- These shares are held by Lagoon Treasure Limited (“Lagoon Treasure”), the entire issued share capital of which is solely and beneficially owned by Mr. Lee.
- The percentage of shareholding is calculated on the basis of 500,000,000 shares of FSE Holdings in issue as at 30 June 2022.

Save as disclosed above, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2022.

### Substantial Shareholders’ Interests in Securities

As at 30 June 2022, the interests and short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

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

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

Notes:

1. These shares are held by FSE Holdings.
2. These shares are issuable to FMC upon full conversion of a total of 43,676,379 non-voting redeemable convertible preference shares (the "CPS") issued by the Company to FMC on 16 December 2019. Upon exercise of the conversion rights attaching to each CPS, each CPS is convertible into one ordinary share of the Company (subject to adjustments upon occurrence of certain prescribed events, including consolidation, subdivision or reclassification of shares in the capital of the Company, capitalisation of profits or reserves etc., in each case if not also made available to holder(s) of CPS) within a period of 10 years from its date of issue. FMC is wholly owned by FSE Holdings. By virtue of Part XV of the SFO, FSE Holdings is deemed to be interested in all the shares in which FMC is interested.
3. These shares comprise (a) the 337,500,000 ordinary shares in issue and held by FSE Holdings; and (b) the 43,676,379 ordinary shares issuable to FMC upon full conversion of the 43,676,379 CPS as referred to in Note 2 above.
4. FSE Holdings is held as to 63% by Sino Spring, 18% by Power Victory, 7% by Frontier Star, 7% by Master Empire, 4% by Equal Merit and 1% by Lagoon Treasure. By virtue of Part XV of the SFO, Sino Spring is deemed to be interested in all the shares in which FSE Holdings is interested.
5. Sino Spring, Power Victory and Frontier Star are wholly-owned subsidiaries of Fung Seng, which in turn is owned as to 75% by Fung Seng Prosperity and 25% by Mrs. Doo. Fung Seng Prosperity is a wholly-owned subsidiary of Doo Family which in turn is wholly owned by Mrs. Doo. By virtue of Part XV of the SFO, each of Fung Seng, Fung Seng Prosperity, Doo Family and Mrs. Doo is deemed to be interested in all the shares in which Sino Spring is interested.
6. The percentage of shareholding is calculated on the basis of 450,000,000 voting shares of the Company in issue as at 30 June 2022. On a fully diluted basis upon full conversion of the CPS assuming no change in the number of voting shares of the Company, the total number of voting shares of the Company in issue will be 493,676,379 and the percentage of shareholdings held by FSE Holdings and FMC will be 77.21% and 8.85% respectively and in each case, each of Sino Spring, Fung Seng, Fung Seng Prosperity, Doo Family and Mrs. Doo is deemed to be interested in all the shares in which FSE Holdings is interested under Part XV of the SFO. These percentage shareholdings on a fully diluted basis are provided for illustrative purposes only. The terms of the CPS will not permit conversion if immediately after such conversion, the public float of the ordinary shares of the Company will fall below the minimum public float requirements of the Listing Rules.

Save as disclosed above, no other person was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position in the shares or underlying shares of the Company as at 30 June 2022.

## Share Option Scheme

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

### (i) Purposes of the Scheme

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

### (ii) Who may join

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

- (a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company or any of its

subsidiaries or any entity ("Invested Entity") in which any member of the Group holds an equity interest;

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

## Report of the Directors

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

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

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

### (iv) Maximum entitlement of each participant

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

### (v) Time of acceptance

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

### (vi) Minimum period for which an option must be held before it can be exercised

There is no minimum period required under the Scheme for the holding of an option before it can be exercised unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee.

### (vii) Consideration for the option

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

### (viii) Subscription price for the Shares

The subscription price for the Shares under the Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the

Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

### (ix) Period of the Scheme

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

No options had been granted under the Scheme since its adoption.

## Connected Transactions

### Connected persons of the Company

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

In the above paragraph and as appeared in this section:

"NWD Group" means New World Development Company Limited ("NWD"), the issued shares of which are listed on the Stock Exchange (stock code: 17), together with its subsidiaries from time to time but excluding the NWS Group and the NWDS Group;

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

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

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

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

Mrs. Doo is a controlling shareholder of the Company holding 88% of the total issued share capital of FSE Holdings, also a controlling shareholder of the Company, which in turn holds 75% of the total issued share capital of the Company. Mr. Doo, being the spouse of Mrs. Doo, Mrs. Doo and FSE Holdings are therefore connected persons of the Company.

The Doo’s Associates Group are companies, other than members of the Group, in which Mr. Doo, his “immediate family members” and “family members” (as defined in the Listing Rules), individually or together, are entitled to exercise or control the exercise of 30% or more of the voting power at their respective general meetings or to control the composition of a majority of their respective boards of directors and the subsidiaries of such companies. Members of the Doo’s Associates Group are therefore our connected persons under Chapter 14A of the Listing Rules.

### Continuing connected transactions

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

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

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

(a) a master services agreement entered into between NWD and the Company (the “2020 NWD Master Services Agreement”) which serves to provide them with a master framework of agreement upon and to which the individual agreement for each CCT between the NWD Group and the Group (the “NWD CCT”) in relation to the following services is to be entered into and subject:

- the provision of, by the Group to the NWD Group, E&M engineering and environmental services, cleaning and laundry services, facility and property management services and such other types of services as the NWD Group and the Group may agree upon from time to time in writing; and
- the provision of, by the NWD Group to the Group, rental services, sundry services, IT support services, supply of construction and building equipment and material services and such other types of services as the NWD Group and the Group may agree upon from time to time in writing.

(b) a master services agreement entered into between NWS and the Company (the “2020 NWS Master Services Agreement”) which serves to provide them with a master framework of agreement upon and to which the individual agreement for each CCT between the NWS Group and the Group (the “NWS CCT”) in relation to the following services is to be entered into and subject:

- the provision of, by the Group to the NWS Group, E&M engineering and environmental services, cleaning and laundry services, facility and property management services and such other types of services as the NWS Group and the Group may agree upon from time to time in writing; and
- the provision of, by the NWS Group to the Group, contracting services, facility management services, rental services and such other types of services as the NWS Group and the Group may agree upon from time to time in writing.

(c) a master services agreement entered into between NWDS and the Company (the “2020 NWDS Master Services Agreement”) which serves to provide them with a master framework of agreement upon and to which the individual agreement for each CCT between the NWDS Group and the Group (the “NWDS CCT”) in relation to the following services is to be entered into and subject:

## Report of the Directors

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

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

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

### The 2020 NWD Master Services Agreements

	Approximate total transaction amounts HK\$’000	Annual cap HK\$’000
Paid/payable to the Group	1,196,051	2,532,210
Paid/payable by the Group	2,682	58,381

#### The 2020 NWS Master Services Agreement

	Approximate total transaction amounts HK\$'000	Annual cap HK\$'000
Paid/payable to the Group	1,130,528	2,920,934
Paid/payable by the Group	7,651	40,880

#### The 2020 NWDS Master Services Agreement

	Approximate total transaction amounts HK\$'000	Annual cap HK\$'000
Paid/payable to the Group	23,880	66,504
Paid/payable by the Group	92	1,389

#### The 2020 CTFE Master Services Agreement

	Approximate total transaction amounts HK\$'000	Annual cap HK\$'000
Paid/payable to the Group	36,864	145,428

#### The 2020 CTFJ Master Services Agreement

	Approximate total transaction amounts HK\$'000	Annual cap HK\$'000
Paid/payable to the Group	6,421	56,849

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

	Approximate total transaction amounts HK\$'000	Annual cap HK\$'000
Paid/payable to the Group	12,446	228,962
Paid/payable by the Group	31,741	79,003

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

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

- (a) a master services agreement entered into between NWD and the Company (the "2021 NWD Master Facility and Related Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each NWD CCT in relation to the following services is to be entered into and subject:
- the provision of, by the Group to the NWD Group, security guarding & event services, insurance and related services, landscaping services and such other types of services as the NWD Group and the Group may agree upon from time to time in writing; and
  - the provision of, by the NWD Group to the Group, IT support services, rental services and such other types of services as the NWD Group and the Group may agree upon from time to time in writing.
- (b) a master services agreement entered into between NWS and the Company (the "2021 NWS Master Facility and Related Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each NWS CCT in relation to the following services is to be entered into and subject:
- the provision of, by the Group to the NWS Group, security guarding & event services, supply of security products, insurance advisory services, landscaping services and such other types of services as the NWS Group and the Group may agree upon from time to time in writing; and
  - the provision of, by the NWS Group to the Group, rental of properties, spare spaces, car parking spaces, vehicles and vessels and related services, convention and exhibition facilities and related functions and services, food and beverage catering services and such other types of services as the NWS Group and the Group may agree upon from time to time in writing.

## Report of the Directors

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

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

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

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

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

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

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

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

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

	Approximate total transaction amounts HK\$’000	Annual cap HK\$’000
Paid/payable to the Group	160,833	321,512
Paid/payable by the Group	746	9,297

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

	Approximate total transaction amounts HK\$’000	Annual cap HK\$’000
Paid/payable to the Group	59,703	109,600
Paid/payable by the Group	–	2,160

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

	Approximate total transaction amounts HK\$'000	Annual cap HK\$'000
Paid/payable to the Group	4,223	10,116
Paid/payable by the Group	–	862

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

	Approximate total transaction amounts HK\$'000	Annual cap HK\$'000
Paid/payable to the Group	3,649	10,565
Paid/payable by the Group	–	80

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

	Approximate total transaction amounts HK\$'000	Annual cap HK\$'000
Paid/payable to the Group	4,865	9,203
Paid/payable by the Group	63,168	67,787

### Annual review of CCTs

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

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

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

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

### Non-Compete Undertakings

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

## Report of the Directors

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

### Pre-Emptive Rights

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

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

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

### Sufficiency of Public Float

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

### Auditor

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

On behalf of the Board

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

Hong Kong, 5 September 2022

# Independent Auditor's Report



羅兵咸永道

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

## OPINION

### What we have audited

The consolidated financial statements of FSE Lifestyle Services Limited (the “Company”) and its subsidiaries (the “Group”), which are set out on pages 89 to 198, comprise:

- the consolidated statement of financial position as at 30 June 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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

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

### Independence

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

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

# Independent Auditor's Report

## KEY AUDIT MATTERS

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition of the contracting work</p> <p>Refer to Note 4.1 in the critical accounting estimates and judgements in the consolidated financial statements.</p> <p>The Group recognises its contracting revenue according to the percentage of completion of individual contracting work. The Group has recognised HK\$3,238 million contracting revenue in relation to contracting work for the year ended 30 June 2022.</p> <p>Because of the nature of the activity undertaken in contracts, the date at which the contract activity entered into and the date when the activity is completed usually fall into different financial periods. Management is required to exercise significant judgement in the estimation of total contract revenue, total contract costs and actual costs incurred for each contract as the contract progresses during their review and revision of estimates, based on past experience and market circumstances, especially in relation to change in estimates of revenue and costs arising from variation orders, litigation and claims with the customers and sub-contractors.</p> <p>The eventual realisation of these estimates are inherently uncertain, subject to the outcome of negotiations with the customers and sub-contractors. Any revision of the total contract revenue, total contract costs and actual costs incurred, which determined the percentage of completion, would affect the contracting revenue recognition and may result in material adjustments to margin, which can be positive or negative.</p>	<p>Our audit procedures in relation to revenue recognition of the contracting work included the following:</p> <ul style="list-style-type: none"><li>— Obtained an understanding of management's internal control and evaluated and tested the operating effectiveness of key controls operated by the Group about the estimation of the total contract revenue, the estimation of the total contract costs and actual costs incurred;</li><li>— Checked, on a sample basis, the contractual terms of the work and variation orders in order to understand their work nature and contractual relationships with the customers; checked correspondences with the customers, including the agreed documents or communication evidence to evaluate the reasonableness of management's estimates on the budgeted total contract revenue, especially the estimates of revenue arising from variation orders and claims;</li><li>— Checked, on a sample basis, to correspondences, such as agreed documents or communication evidence, with the sub-contractors and suppliers to evaluate the reasonableness of management's assessment of budgeted total contract costs and actual costs incurred, especially the estimates of costs relating to variation orders; and</li><li>— Selected contracts, on a sample basis, to perform interview with the project directors.</li></ul> <p>We found the management's estimations and judgements on the revenue recognition in respect of contracting work to be supportable based on the available evidence.</p>

## OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

## Independent Auditor's Report

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

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

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

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

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

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 5 September 2022

# Consolidated Income Statement

For the year ended 30 June 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Revenue</b>	5	<b>6,966,935</b>	6,452,741
Cost of services and sales		(5,974,478)	(5,317,654)
<b>Gross profit</b>		<b>992,457</b>	1,135,087
General and administrative expenses		(444,268)	(458,055)
Other income/(expenses), net	6	42,302	(28,616)
<b>Operating profit</b>	7	<b>590,491</b>	648,416
Finance income	10	1,518	2,266
Finance costs	10	(5,420)	(5,435)
Share of results of associates and joint ventures		2,128	1,072
<b>Profit before income tax</b>		<b>588,717</b>	646,319
Income tax expenses	11	(84,813)	(59,620)
<b>Profit for the year</b>		<b>503,904</b>	586,699
<b>Profit/(loss) for the year attributable to:</b>			
Shareholders of the Company		502,935	586,911
Non-controlling interests		969	(212)
		<b>503,904</b>	586,699
<b>Earnings per share for profit attributable to ordinary shareholders of the Company (expressed in HK\$)</b>			
— Basic and diluted	12	<b>1.10</b>	1.29

The notes on pages 95 to 198 are an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	2022 HK\$'000	2021 HK\$'000
<b>Profit for the year</b>	<b>503,904</b>	586,699
<b>Other comprehensive (loss)/income:</b>		
<i>Items that may be subsequently reclassified to consolidated income statement:</i>		
Currency translation differences	(1,900)	15,440
<i>Items that will not be subsequently reclassified to consolidated income statement:</i>		
Remeasurement (losses)/gains on defined benefit retirement scheme, net of tax	(2,526)	3,700
Remeasurement gains on long service payment liabilities, net of tax	12,385	8,477
<b>Other comprehensive income for the year, net of tax</b>	<b>7,959</b>	27,617
<b>Total comprehensive income for the year</b>	<b>511,863</b>	614,316
<b>Total comprehensive income/(loss) for the year attributable to:</b>		
Shareholders of the Company	510,894	614,528
Non-controlling interests	969	(212)
	<b>511,863</b>	614,316

The notes on pages 95 to 198 are an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	40,680	45,157
Right-of-use assets	15	115,563	58,820
Other intangible assets	16	180,823	185,079
Interests in associates	17	199	200
Interests in joint ventures	18	1,219	950
Deferred income tax assets	19	12,230	15,006
Pension assets	20	3,553	6,032
		<b>354,267</b>	<b>311,244</b>
<b>Current assets</b>			
Trade and other receivables	21	2,015,769	1,671,095
Contract assets	22	438,717	499,002
Inventories	23	23,514	18,994
Cash and bank balances	24	767,037	549,890
		<b>3,245,037</b>	<b>2,738,981</b>
<b>Total assets</b>		<b>3,599,304</b>	<b>3,050,225</b>
<b>EQUITY</b>			
Ordinary shares	25	45,000	45,000
Convertible preference shares	25	140,900	140,900
Reserves	26	227,554	(108,386)
Shareholders' funds		413,454	77,514
Non-controlling interests	27	23,320	22,000
<b>Total equity</b>		<b>436,774</b>	<b>99,514</b>

The notes on pages 95 to 198 are an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	28	263,478	150,000
Lease liabilities	15	55,987	20,198
Long service payment liabilities	29	44,040	42,232
Deferred income tax liabilities	19	21,284	22,702
Pension liabilities	20	1,031	–
		<b>385,820</b>	<b>235,132</b>
<b>Current liabilities</b>			
Trade and other payables	30	2,013,922	1,917,290
Contract liabilities	22	499,766	466,045
Borrowings	28	140,000	233,812
Current portion of lease liabilities	15	44,607	22,677
Taxation payable		78,415	75,755
		<b>2,776,710</b>	<b>2,715,579</b>
<b>Total liabilities</b>		<b>3,162,530</b>	<b>2,950,711</b>
<b>Total equity and liabilities</b>		<b>3,599,304</b>	<b>3,050,225</b>
<b>Net current assets</b>		<b>468,327</b>	<b>23,402</b>
<b>Total assets less current liabilities</b>		<b>822,594</b>	<b>334,646</b>

The notes on pages 95 to 198 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 89 to 198 were approved by the Board of Directors on 5 September 2022 and were signed on its behalf.

Lam Wai Hon, Patrick  
Director

Poon Lock Kee, Rocky  
Director

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Ordinary shares (Note 25) HK\$'000	Convertible preference shares (Note 25) HK\$'000	Reserves (Note 26) HK\$'000	Equity attributable to shareholders of the Company HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 July 2020	45,000	140,900	530,464	716,364	93	716,457
<b>Profit/(loss) for the year</b>	-	-	586,911	586,911	(212)	586,699
<b>Other comprehensive income:</b>						
Currency translation differences	-	-	15,440	15,440	-	15,440
Remeasurement gains on defined benefit retirement scheme, net of tax	-	-	3,700	3,700	-	3,700
Remeasurement gains on long service payment liabilities, net of tax	-	-	8,477	8,477	-	8,477
<b>Total comprehensive income/(loss) for the year</b>	-	-	614,528	614,528	(212)	614,316
<b>Transactions with shareholders:</b>						
Acquisition of the Business Investments Group (Note 2.1(iii))	-	-	(709,894)	(709,894)	-	(709,894)
Dividends to ordinary shareholders	-	-	(194,850)	(194,850)	-	(194,850)
Dividends to the original shareholder of the Business Investments Group	-	-	(340,180)	(340,180)	-	(340,180)
Distribution to convertible preference shareholder	-	-	(8,454)	(8,454)	-	(8,454)
Issuance of shares to a non-controlling shareholder	-	-	-	-	3	3
Equity contribution from a non-controlling shareholder	-	-	-	-	22,116	22,116
At 30 June 2021	45,000	140,900	(108,386)	77,514	22,000	99,514
At 1 July 2021	45,000	140,900	(108,386)	77,514	22,000	99,514
<b>Profit for the year</b>	-	-	502,935	502,935	969	503,904
<b>Other comprehensive income/(loss):</b>						
Currency translation differences	-	-	(1,900)	(1,900)	-	(1,900)
Remeasurement losses on defined benefit retirement scheme, net of tax	-	-	(2,526)	(2,526)	-	(2,526)
Remeasurement gains on long service payment liabilities, net of tax	-	-	12,385	12,385	-	12,385
<b>Total comprehensive income for the year</b>	-	-	510,894	510,894	969	511,863
<b>Transactions with shareholders:</b>						
Dividends to ordinary shareholders	-	-	(166,500)	(166,500)	-	(166,500)
Distribution to convertible preference shareholder	-	-	(8,454)	(8,454)	-	(8,454)
Equity contribution from a non-controlling shareholder	-	-	-	-	351	351
At 30 June 2022	45,000	140,900	227,554	413,454	23,320	436,774

The notes on pages 95 to 198 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	31(a)	508,809	628,639
Hong Kong profits tax paid		(78,116)	(84,001)
(Increase)/decrease in trust cash		(7,118)	6,354
Interest paid		(5,214)	(4,866)
Mainland China and Macau income tax paid		(3,560)	(479)
Net cash generated from operating activities		414,801	545,647
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(14,902)	(18,735)
Dividend received from associates		1,860	1,050
Interest received		1,518	2,266
Proceeds from disposal of property, plant and equipment		491	711
Dividend received from joint ventures		–	118
Cash consideration for acquisition of businesses	31(b)	–	(418,283)
Acquisition of a subsidiary	31(c)	–	(72,287)
Disposal of subsidiaries and a property as consideration for acquisition of businesses	31(d)	–	(4,920)
Other disposal of subsidiaries	31(e)	80	4,508
Net cash used in investing activities		(10,953)	(505,572)
<b>Cash flows from financing activities</b>			
Repayment of bank borrowings	31(f)	(338,920)	(230,000)
Dividends paid to ordinary shareholders	31(f)	(166,500)	(194,850)
Payments for principal portion of lease liabilities	31(f)	(37,672)	(48,857)
Distribution paid to convertible preference shareholder	31(f)	(8,454)	(8,454)
Proceeds from bank borrowings, net	31(f)	358,380	150,000
Dividends paid to the original shareholder of the Business Investments Group	31(f)	–	(73,000)
Equity contribution from a non-controlling shareholder	31(g)	351	22,116
Proceeds from issuance of shares to a non-controlling shareholder		3	–
Net cash used in financing activities		(192,812)	(383,045)
<b>Net increase/(decrease) in cash and cash equivalents during the year</b>		<b>211,036</b>	<b>(342,970)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>517,274</b>	<b>855,845</b>
Exchange differences	31(h)	(1,007)	4,399
<b>Cash and cash equivalents at the end of the year</b>		<b>727,303</b>	<b>517,274</b>
<b>Analysis of balances of cash and cash equivalents</b>			
<b>Representing:</b>			
Cash and bank balances as stated in the consolidated statement of financial position		767,037	549,890
Less: Trust cash		(39,734)	(32,616)
<b>Cash and cash equivalents at the end of the year</b>		<b>727,303</b>	<b>517,274</b>

The notes on pages 95 to 198 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 1 GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries (together, the “Group”) are principally engaged in provision of property and facility management services, property agency and related services for buildings, carparks management services, cleaning and management of waste disposal services, recycling and environmental disposal services, security guarding & event services, insurance solutions services, trading of environmental products and provision of related engineering consultancy services, trading of building materials, landscaping services in Hong Kong and provision of mechanical and electrical engineering services in Hong Kong, Mainland China and Macau. The ultimate holding company of the Company is FSE Holdings Limited incorporated in the Cayman Islands. The directors consider Mrs. Doo Cheng Sau Ha, Amy to be the ultimate controlling shareholder (the “Ultimate Controlling Shareholder”) during the financial year ended 30 June 2022.

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

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

These consolidated financial statements have been approved for issue by the Board of Directors of the Company (the “Board”) on 5 September 2022.

# Notes to the Consolidated Financial Statements

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

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

### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and requirements of the Hong Kong Companies Ordinance Cap. 622 of the Laws of Hong Kong. The consolidated financial statements have been prepared under the historical cost convention, except for plan assets under defined benefit retirement scheme which are measured at fair value.

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

(i) **Amendments to existing standards that are effective for the Group’s financial year beginning on 1 July 2021**

The following amendments to existing standards are mandatorily effective for the financial year of the Group beginning on 1 July 2021:

Amendments to HKFRS 4, HKFRS 7, HKFRS 9, HKFRS 16 and HKAS 39	Interest Rate Benchmark Reform — Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

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

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

### 2.1 Basis of preparation (Continued)

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

The following new standard, amendments, improvements and interpretation (“Int”) to existing standards have been issued but not yet effective for the Group’s financial year beginning on 1 July 2021 and have not been early adopted:

		Effective for accounting periods beginning on or after
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations	1 January 2022
Annual Improvements	2018–2020 Cycle	1 January 2022
Amendments to HK Int 5	Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5)	1 January 2022
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17 and its Amendments	Insurance Contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

# Notes to the Consolidated Financial Statements

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

### 2.1 Basis of preparation (Continued)

#### (iii) Application of merger accounting for business combinations under common control

On 26 February 2021, the Company and FSE City Essential Services Limited (“FCESL”), a direct wholly-owned subsidiary of the Company, as the purchaser and FSE Management Company Limited (“FMC”), a fellow subsidiary of the Company, as a vendor entered into a conditional sale and purchase agreement, pursuant to which FMC agreed to sell, and the Company agreed nominate FCESL to purchase the entire issued share capital of Business Investments Limited (the “Business Investments Sale Share”) and its subsidiaries and a 20% indirectly owned interest in a joint venture company (the “Business Investments Group”) at an initial sum of consideration of HK\$840.6 million, subject to subsequent adjustment by reference to the change in the net tangible asset value (“NTAV”) of the Business Investments Group from 31 December 2020 to the date of completion of the acquisition (the “Business Investments Acquisition”). The initial sum of consideration was satisfied by the Company through (i) a non-cash consideration of HK\$442.6 million settled through a disposal of the entire issued share capital of certain property holding companies of the Group (the “Property Holdcos”) and a property (the “Disposal Property”) to FMC and (ii) a payment of HK\$398.0 million in cash, funded by the Group’s internal resources. The Property Holdcos comprise Best Culture Holdings Limited and its subsidiary, Fultech Development Limited, Heritage Star Limited and its subsidiary, Optimum Result Holdings Limited and its subsidiary and Top Line Investment Limited. The Business Investments Group is principally engaged in the provision of security guarding & event services, insurance solutions and landscaping services in Hong Kong.

The acquisition was completed on 19 April 2021 (the “Completion Date”) and a positive net tangible asset value adjustment of HK\$20.3 million was made to the consideration for this transaction, which thus in aggregate amounts to HK\$860.9 million. A final cash payment of the consideration of HK\$20.3 million was made on 20 May 2021 with reference to the unaudited net tangible asset value of the Business Investments Group as at the Completion Date. The net carrying amount of the Property Holdcos and Disposal Property amounted to HK\$291.6 million on the Completion Date and the difference between the fair value and the net book value of the properties directly and indirectly held by the Property Holdcos and Disposal Property amounted to HK\$151.0 million. The total consideration net of such difference which amounted to HK\$709.9 million, had been charged directly to the Group’s reserves.

The acquisition was considered as business combinations under common control as FCESL and Business Investments Group are both ultimately controlled by FSE Holdings Limited. The acquisitions of the Business Investments Group was accounted for using merger accounting in accordance with Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG 5”) issued by the HKICPA. Accordingly, the acquired Business Investments Group was included in the consolidated financial statements from the beginning of the earliest period presented as if it had always been part of the Group. As a result, the Group has included its operating results and eliminated its transactions with it, as if the acquisition had been completed on the earliest date being presented.

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

### 2.2 Consolidation

#### (i) Subsidiaries

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

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

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

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

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

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

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

Acquisition-related costs are expensed as incurred.

# Notes to the Consolidated Financial Statements

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

### 2.2 Consolidation (Continued)

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

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

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

#### (iv) Disposal of subsidiaries

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

#### (v) Separate financial statements

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

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

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

### 2.3 Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

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

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

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

# Notes to the Consolidated Financial Statements

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

### 2.4 Leases

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

### 2.4 Leases (Continued)

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

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

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

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

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

#### (i) Goodwill

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

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

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

#### (ii) Trademarks and brand names

Separately acquired trademarks and brand names are shown at historical cost. Trademarks and brand names acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and brand names have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and brand names over their estimated useful lives of 10 to 30 years.

# Notes to the Consolidated Financial Statements

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

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

#### (iii) Internally generated environmental technology

##### (a) Environmental technology

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

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

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

##### (b) Research and development

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

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

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

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

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

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

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

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

### 2.6 Associate

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

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

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

# Notes to the Consolidated Financial Statements

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

### 2.6 Associate (Continued)

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

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

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

### 2.7 Joint arrangements

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

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

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

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

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

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

### 2.8 Impairment of non-financial assets

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

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

### 2.9 Inventories

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

### 2.10 Contract assets and contract liabilities

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

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

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

# Notes to the Consolidated Financial Statements

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

### 2.11 Financial assets

#### (i) Classifications

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

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

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

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

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

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

#### (ii) Recognition and Measurement

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

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

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

### 2.11 Financial assets (Continued)

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

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

##### (a) Debt instruments

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

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

# Notes to the Consolidated Financial Statements

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

### 2.11 Financial assets (Continued)

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

##### (b) Equity instruments

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

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

### 2.12 Trade and other receivables

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

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

### 2.13 Cash and cash equivalents

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

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

### 2.14 Impairment of financial assets

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

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

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

### 2.15 Trade and other payables

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

### 2.16 Borrowings

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

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

# Notes to the Consolidated Financial Statements

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

### 2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### 2.18 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

### 2.19 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

### 2.19 Current and deferred income tax (Continued)

#### (i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of consolidated statement of financial position in the countries where the Group and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### (ii) Deferred income tax

##### (a) Inside basis differences

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the date of statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

##### (b) Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except deferred income tax liability where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

#### (iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period when the dividends are approved by the Company's shareholders/directors, where appropriate.

# Notes to the Consolidated Financial Statements

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

### 2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the services and sales of goods in the ordinary course of the Group's activities. If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset. Specific criteria where revenue is recognised are described below.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

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

### 2.21 Revenue recognition (Continued)

(i) **Property management services**

Revenue arising from property management services is recognised in the accounting period in which the services are rendered. The Group bills the customers for each month of service provided and recognises as revenue in the amount to which the Group satisfies performance obligations by transferring the services to its customers.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of service. For property management services income from properties managed under commission basis, the Group only recognises the commission, which is calculated by fixed percentage of the costs involved in the management of the property units, as its revenue.

(ii) **Value-added services**

Value-added services income, including income from property agency services, is recognised over time when the services are rendered and the Group's performance provides all of the benefits received and consumed simultaneously by the customer.

(iii) **Service fee income**

Income from the provision and management of cleaning and waste disposal services, provision of recycling and environmental services, pest control services, maintenance service fees, consultancy fees income, security guarding and event services, concierge services, landscaping and planting services, laundry services, linen management services are recognised over time and in accordance with the terms of the service agreements when the services are rendered.

(iv) **Engineering contracts**

Revenue from engineering contracts is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. Thus, the Group satisfies a performance obligation over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. In determining the transaction price, the Group adjusts the amount of consideration for the effect of a financing component if it is significant.

(v) **Security systems**

Revenue from security systems installation is recognised at a point in time when services are rendered.

# Notes to the Consolidated Financial Statements

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

### 2.21 Revenue recognition (Continued)

(vi) **Insurance brokerage services**

Insurance brokerage services includes commission fee income and claims handling service income. Commission fee income is generated by brokers primarily through assessment of insurable risks and risk appetite of customers and sourcing relevant insurance products from insurers and underwriters which meets the needs of the customer. The Group recognised commission fee income at invoice date on the basis that the Group acts primarily as an agent of the customer when acting in the capacity as a broker, and as an agent of the insurer while acting in the capacity as an agent. Claims handling services refers to claims processing on behalf of insurers and the revenue is recognised over time throughout the insurance policy period.

(vii) **Sales of goods**

Revenue from sales of goods is recognised when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligations that could affect the customers' acceptance of the products. A delivery occurs when the products have been delivered to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that consideration is unconditional because only the passage of time is required before the payment is due.

(viii) **Rental income of investment property**

Rental income net of any incentives given to the lessee is recognised over the periods of the respective leases on a straight-line basis.

(ix) **Dividend income**

Dividend income is recognised when the right to receive payment is established.

(x) **Interest income**

Interest income is recognised on a time proportion basis using the effective interest method.

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

### 2.22 Employee benefits

(i) **Employee leave entitlements**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of consolidated statement of financial position. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) **Bonus plan**

Provisions for bonus plans are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) **Defined contribution schemes**

Contributions to defined contribution schemes, including the Mandatory Provident Fund (“MPF”) Scheme and employee pension schemes established by municipal government in Mainland China, are expensed as incurred. Except for the MPF Scheme, contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

(iv) **Defined benefit retirement schemes**

Defined benefit costs under defined benefit retirement schemes which are assessed using the projected unit credit method, are charged to the profit or loss. Under this method, plan assets are measured at fair value and defined benefit obligations are measured as the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the period end date based on Exchange Fund Notes, which have terms to maturity approximating the terms of the related liability. The current service cost of the defined benefit plan, recognised in the consolidated income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in the consolidated income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated income statement.

Remeasurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

# Notes to the Consolidated Financial Statements

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

### 2.22 Employee benefits (Continued)

#### (v) Long service payment liabilities

The Group's net obligation in respect of long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The long service payment liabilities are assessed by using the projected unit credit method. The cost of providing the long service payment liabilities is charged to the consolidated statement of comprehensive income so as to spread the costs over the service lives of employees.

The long service payment liabilities are discounted to determine the present value and reduced by entitlements accrued under the Group's MPF and Occupational Retirement Schemes Ordinance ("ORSO") scheme that is attributable to contributions made by the Group.

Changes in the present value of the long service payment liabilities resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

Remeasurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

### 2.23 Foreign currencies

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's functional and the Group's presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

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

### 2.23 Foreign currencies (Continued)

#### (iii) Group companies

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

#### (iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over associates that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interests in joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to consolidated income statement.

# Notes to the Consolidated Financial Statements

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

### 2.24 Government grants

Grants from governments are recognised at their fair values when there are reasonable assurance that the grants will be received and that the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate and offset with the related expenses. Grants related to income are recognised within "Other income/(expenses), net" in the consolidated income statement.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in the consolidated income statement of the period in which the grants become receivable.

### 2.25 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

### 2.26 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The executive directors that make strategic decisions have been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest risk and foreign exchange risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. It is the Group's policy not to enter into derivative transaction for speculative purposes.

The Group sets financial risk management policies in accordance with policies and procedures approved by the Board of Directors. The Group's treasury function serves as a centralised unit for providing cost efficient funding and managing major risks.

#### (i) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The credit risk of the Group's financial assets, which mainly comprise deposits with banks and financial institutions, trade and other receivables and contract assets, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

##### (a) *Credit risk of deposits with banks and financial institutions*

To manage this risk arising from cash and cash equivalents and restricted bank balances, they are mainly placed with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

##### (b) *Credit risk of trade receivables, retention receivables, accrued contract revenue and contract assets*

The Group applies the HKFRS 9 "Financial Instruments" simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables, retention receivables, accrued contract revenue and contract assets have been grouped based on shared credit risk characteristics and the days past due, except for amounts relating to accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities, which are assessed individually. The retention receivables, accrued contract revenue and contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the retention receivables, accrued contract revenue and contract assets.

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (i) Credit risk (Continued)

##### (b) *Credit risk of trade receivables, retention receivables, accrued contract revenue and contract assets* (Continued)

The expected loss rates are based on the payment profiles of revenue and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product ("GDP") and unemployment rate of the economies in which it provides its services and sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

As at 30 June 2022, the Group provides for loss allowance against trade receivables, retention receivables and accrued contract revenue based on their composition and ageing.

Trade receivables, retention receivables, accrued contract revenue and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a substantial period of time.

The maximum exposure to credit risk is represented by the carrying amount of each receivable in the statement of financial position after deducting any impairment allowance.

##### (c) *Credit risk of other receivables*

The Group measures the expected credit loss allowance of other receivables and deposits as 12-month expected losses under stage 1 of the impairment model since there was no significant increase in credit risk in other receivables and deposits since initial recognition.

Other than trade receivables, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayable demanded.

Other than trade receivables, a default on a financial asset is when the counterparty fails to make contractual payments/repayable demanded within 90 days when they past due.

#### (ii) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. It is the policy of the Group to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities. The Group also maintains undrawn committed credit facilities to further reduce liquidity risk in meeting funding requirements.

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### (ii) Liquidity risk (Continued)

The tables below analyse the Group's financial liabilities into relevant maturity groups based on the remaining period at the end of the reporting periods to the contractual maturity date.

As at 30 June 2022	Less than	After 1 year	Over	Total	Difference	Carrying amounts HK\$'000
	1 year HK\$'000	but less than 5 years HK\$'000	5 years HK\$'000	undiscounted cash flows HK\$'000	from carrying amounts HK\$'000	
Borrowings	145,819	269,637	–	415,456	(11,978)	403,478
Leases liabilities	46,143	56,785	232	103,160	(2,566)	100,594
Trade and other payables, excluding accrued employee benefits	1,643,175	–	–	1,643,175	–	1,643,175

As at 30 June 2021	Less than	After 1 year	Over	Total	Difference	Carrying amounts HK\$'000
	1 year HK\$'000	but less than 5 years HK\$'000	5 years HK\$'000	undiscounted cash flows HK\$'000	from carrying amounts HK\$'000	
Borrowings	236,037	151,264	–	387,301	(3,489)	383,812
Leases liabilities	23,452	20,789	–	44,241	(1,366)	42,875
Trade and other payables, excluding accrued employee benefits	1,569,909	–	–	1,569,909	–	1,569,909

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (iii) Foreign exchange risk

The Group operates primarily in Hong Kong, Mainland China and Macau. Entities within the Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency. Entities in Macau and Mainland China are not exposed to significant exchange risk.

The Group currently does not have a foreign currency hedging policy. It manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and will consider to enter into forward foreign exchange contracts to reduce the exposure should the need arises.

As at 30 June 2022 and 2021, if Hong Kong dollars had strengthened/weakened by 5% against Renminbi with all other variables unchanged, there would have insignificant impact on the Group's profit for the year before income tax.

At 30 June 2022, the Group had net monetary liabilities/assets denominated in United States dollar of HK\$1.2 million (2021: HK\$4.0 million). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar, management therefore considers that there is no significant foreign exchange risk with respect to the United States dollar.

#### (iv) Interest rate risk

The Group's exposure to changes in interest rate risk relates primarily to the bank borrowings, the terms of which are disclosed in Note 28.

At 30 June 2022, if interest rates on the bank borrowings had been 100 basis points higher/lower with all other variables held constant, profit before income tax for the years would have been HK\$4.0 million (2021: HK\$3.8 million) lower/higher respectively. Other components of equity would not be affected by the changes in interest rates.

### **3 FINANCIAL RISK MANAGEMENT** (Continued)

#### **3.2 Fair value estimation**

At 30 June 2022 and 30 June 2021, the carrying amounts of Group's financial assets and liabilities approximate their fair values due to short-term maturities of these assets and liabilities.

#### **3.3 Capital risk management**

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital. The Group's strategy is to maintain sufficient capital with the funds generated from operations.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and enhance shareholder value in the long term. The capital structure consists of total equity as shown in the consolidated statement of financial position. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to shareholder, return capital to equity holder, or issue new shares.

### **4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### **4.1 Estimation of revenue, costs and foreseeable losses of contracting works**

The Group recognises its contract revenue for contracting works according to the percentage of total estimated costs for each contract of contracting work. The management estimates the completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. In determining the transaction price, the Group adjusts the amount of consideration for the effect of a financing component if it is significant. Because of the nature of the activity undertaken in contracts, the date at which the contract activity entered into and the date when the activity is completed usually fall into different financial periods. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue. Any revision of these costs and revenue will impact the result for the subsequent financial periods.

# Notes to the Consolidated Financial Statements

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### 4.1 Estimation of revenue, costs and foreseeable losses of contracting works (Continued)

Budgeted contracting income is determined in accordance with the terms set out in the relevant contracts. Budgeted contracting costs which mainly comprise staff costs, sub-contracting charges and costs of materials are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the Group's management conducts periodic review on the management budgets by comparing the budgeted amounts to the actual amounts incurred. When it is probable that total budgeted contracting costs will exceed total budgeted contracting income, the expected loss is recognised as an expense immediately.

### 4.2 Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment according to their recoverable amounts determined by the CGUs based on value in use calculations. These calculations require the use of estimates which are subject to change of economic environment in future. Details are set out in Note 16 to the consolidated financial statements.

### 4.3 Long service payment liabilities

The present value of the long service payment liabilities depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for long service payment liabilities include the discount rate. Any changes in these assumptions will impact the carrying amount of long service payment liabilities.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the long service payment liabilities. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the liabilities will be paid, and that have terms to maturity approximating the terms of the related long service payment liabilities.

Other key assumptions for long service payment liabilities are based in part on current market conditions. Additional information is disclosed in Note 29 to the consolidated financial statements.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### 4.4 Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost or income for pensions include the expected long-term rate of return on the relevant plan assets and the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The expected return on plan assets assumption is determined based on historical return trends, asset allocation and future estimates of long-term investment returns.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group refers to market yields based on Exchange Fund Notes, which have terms to maturity approximating the terms of the related liability. Other key assumptions used are based on current market conditions.

### 4.5 Income taxes

The Group is subject to income tax in Hong Kong, Macau and Mainland China. Judgement is required in determining the provision for taxation in these jurisdictions. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognise liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income taxation in the financial period in which such determination is made.

### 4.6 Depreciation and impairment of property, plant and equipment

The expected useful lives and residual values of property, plant and equipment are determined by the management based on the internal accounting guidelines and industrial practices of similar property, plant and equipment. Management will revise the depreciation charges where useful lives and residual values are different to previously estimated.

Management also regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of a CGU is higher than its recoverable amount. The recoverable amount of a CGU is determined based on value in use calculations. In determining the CGU's value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the assets and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. Management estimate the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business. Details of such assumptions are set out in Note 14.

# Notes to the Consolidated Financial Statements

## 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 Group's revenue represents property & facility management services income, cleaning services income, technical support & maintenance services income, security guarding & event services income, insurance solutions income (including commission fee income and claims handling service income), environmental solutions income (including income from environmental engineering services, trading of environmental and building materials and landscaping services), laundry services income and E&M services income. An analysis of the Group's revenue is as follows:

For the year ended 30 June	2022	2021 (restated)
	HK\$'000	HK\$'000
<b>Revenue</b>		
Property & facility management services	<b>696,298</b>	658,239
City essential services		
— Cleaning services	<b>1,409,300</b>	1,262,640
— Technical support & maintenance services		
— Renovations, system retrofit and repairing <sup>(i)</sup>	<b>719,163</b>	669,960
— Routine maintenance <sup>(ii)</sup>	<b>114,819</b>	113,614
— Security guarding & event services		
— Rendering of services	<b>613,900</b>	654,707
— Sales of goods <sup>(iii)</sup>	<b>22,467</b>	5,386
— Insurance solutions	<b>99,580</b>	85,898
— Environmental solutions		
— Rendering of services <sup>(iv)</sup>	<b>186,243</b>	102,288
— Sales of goods <sup>(v)</sup>	<b>87,107</b>	75,063
— Laundry services <sup>(vi)</sup>	<b>–</b>	29,094
	<b>3,252,579</b>	2,998,650
E&M services	<b>3,018,058</b>	2,795,852
<b>Total<sup>(vii)</sup></b>	<b>6,966,935</b>	6,452,741

## 5 REVENUE AND SEGMENT INFORMATION (Continued)

Notes:

- (i) Technical support & maintenance services — Renovations, system retrofit and repairing: Provision of renovation, system retrofit and repairing services covering replacement of chiller units, upgrade of electrical supply systems, modification and enhancement of fire services, plumbing and drainage systems, alteration and addition works and term contracts.
- (ii) Technical support & maintenance services — Routine maintenance: Provision of operational and maintenance services for central air conditioning plants and other building services.
- (iii) Security guarding & event services — Sales of goods: Sales of closed-circuit televisions and burglar alarm systems.
- (iv) Environmental solutions — Rendering of services: Provision of environmental solutions services including installation and maintenance of water treatment systems, odour abatement systems, construction site wastewater treatment systems, ELV systems, IoT solutions, consultancy services for energy audit, carbon audit, building environmental assessment, indoor air quality and water quality assessment, laboratory services, landscape management, leasing of scissor lift platforms.
- (v) Environmental solutions — Sales of goods: Sales of tiles, building service products including pipes, pumps, accessory valves and fittings, building automation systems, heating, ventilation, air-conditioning parts, fire services products, environmental engineering products covering building services water treatment and odour abatement systems, air quality monitoring machines, construction site wastewater treatment systems and plants.
- (vi) Up to 31 December 2020 when the Group disposed of its laundry business.
- (vii) An analysis of the Group's contracting revenue recognised based on percentage of actual costs incurred over total estimated costs of individual contracting work is as follows:

For the year ended 30 June	2022	2021 (restated)
	HK\$'000	HK\$'000
Technical support & maintenance services		
— Renovations, system retrofit and repairing	119,558	109,640
Environmental solutions		
— Rendering of services	100,311	23,045
E&M services	3,018,058	2,795,852
<b>Total</b>	<b>3,237,927</b>	<b>2,928,537</b>

# Notes to the Consolidated Financial Statements

## 5 REVENUE AND SEGMENT INFORMATION (Continued)

Following the anticipated rapid growth in the Group's Extra Low Voltage ("ELV") business starting from this financial year, the Group's CODM has reorganised the Group's businesses into three major business segments as described below to align more closely with the market dynamics and the Group's strategic direction. As a result of such changes occurred during the year ended 30 June 2022, the Group's prior year corresponding segment information that is presented for comparative purpose has been restated accordingly.

The CODM considers the business from the product and service perspectives and the Group is organised into three major business segments according to the nature of services and products provided:

- (i) Property & facility management services — Provision of property and facility management services, property agency and related services for buildings, carparks management services and guarding services;
- (ii) City essential services — Provision of cleaning and waste disposal services, recycling and environmental disposal services, technical support & maintenance services, security guarding & event services, insurance solutions, environmental engineering services\*, trading of environmental and building materials products, landscaping services and laundry services\*\*; and
- (iii) E&M services — Provision of engineering and consultancy services on installation.

\* Includes ELV business (previously included in the E&M services segment) restated retrospectively starting from 1 July 2020.

\*\* Up to 31 December 2020 when the Group disposed of its laundry business.

The CODM assesses the performance of the operating segments based on each segment's operating profit. The measurement of segment operating profit excludes the effects of unallocated corporate expenses. In addition, finance income and costs and share of results of associates and joint ventures are not allocated to segments.

Operating expenses of a functional unit are allocated to the relevant segment which is the predominant user of the services provided by the unit. Operating expenses of other shared services which cannot be allocated to a specific segment and corporate expenses are included as unallocated corporate expenses.

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets are determined after deducting related allowance that are reported as direct offsets in the statement of financial position. Segment assets consist primarily of property, plant and equipment, right-of-use assets, other intangible assets, interests in associates, interests in joint ventures, deferred income tax assets, pension assets, trade and other receivables, contract assets, inventories and cash and bank balances.

Segment liabilities are those operating liabilities that result from the operating activities of a segment. Segment liabilities do not include other liabilities that are incurred for financing rather than operating purpose unless the segment is engaged in financing activities.

As at 30 June 2022 and 30 June 2021, unallocated assets and unallocated liabilities represented the assets and liabilities not arising from the operations of the operating segments.

Additions to non-current assets comprise mainly additions to property, plant and equipment, right-of-use assets and other intangible assets.

## 5 REVENUE AND SEGMENT INFORMATION (Continued)

### (a) As at and for the year ended 30 June 2022

The segment results for the year ended 30 June 2022 and other segment items included in the consolidated income statement are as follows:

	Property & facility management services HK\$'000	City essential services HK\$'000	E&M services HK\$'000	Inter- segment elimination HK\$'000	Total HK\$'000
Revenue — External	696,298	3,252,579	3,018,058	–	6,966,935
Revenue — Internal	3,691	96,309	–	(100,000)	–
<b>Total revenue</b>	<b>699,989</b>	<b>3,348,888</b>	<b>3,018,058</b>	<b>(100,000)</b>	<b>6,966,935</b>
<b>Timing of revenue recognition</b>					
Over time	699,989	3,189,157	3,018,058	(89,539)	6,817,665
At a point in time	–	159,731	–	(10,461)	149,270
<b>Total revenue</b>	<b>699,989</b>	<b>3,348,888</b>	<b>3,018,058</b>	<b>(100,000)</b>	<b>6,966,935</b>
<b>Operating profit before unallocated corporate expenses</b>	<b>151,604</b>	<b>239,633</b>	<b>205,023</b>	<b>–</b>	<b>596,260</b>
Unallocated corporate expenses					(5,769)
<b>Operating profit</b>					<b>590,491</b>
Finance income (Note 10)					1,518
Finance costs (Note 10)					(5,420)
Share of results of associates and joint ventures					2,128
<b>Profit before income tax</b>					<b>588,717</b>
Income tax expenses (Note 11)					(84,813)
<b>Profit for the year</b>					<b>503,904</b>
<b>Other items</b>					
Depreciation and amortisation	12,373	33,221	16,288	–	61,882
Reversal of impairment losses, net					
— Trade and other receivables (Note 21)	(1,075)	(585)	–	–	(1,660)
Reversal of provision for inventories	–	(1,443)	–	–	(1,443)
Additions to non-current assets (other than financial instruments and deferred tax assets)	13,319	35,337	61,777	–	110,433

## Notes to the Consolidated Financial Statements

### 5 REVENUE AND SEGMENT INFORMATION (Continued)

#### (a) As at and for the year ended 30 June 2022 (Continued)

The segment assets and liabilities as at 30 June 2022 are as follows:

	Property & facility management services HK\$'000	City essential services HK\$'000	E&M services HK\$'000	Total HK\$'000
Segment assets	427,601	1,505,363	1,661,552	3,594,516
Unallocated assets				4,788
<b>Total assets</b>				<b>3,599,304</b>
Segment liabilities	189,242	792,633	1,670,571	2,652,446
Unallocated liabilities				510,084
<b>Total liabilities</b>				<b>3,162,530</b>

## 5 REVENUE AND SEGMENT INFORMATION (Continued)

### (b) As at and for the year ended 30 June 2021

The segment results for the year ended 30 June 2021, as restated, and other segment items included in the consolidated income statement are as follows:

	Property & facility management services HK\$'000	City essential services HK\$'000	E&M services HK\$'000	Inter- segment elimination HK\$'000	Total HK\$'000
Revenue — External, as restated	658,239	2,998,650	2,795,852	–	6,452,741
Revenue — Internal	3,021	105,762	–	(108,783)	–
<b>Total revenue, as restated</b>	<b>661,260</b>	<b>3,104,412</b>	<b>2,795,852</b>	<b>(108,783)</b>	<b>6,452,741</b>
<b>Timing of revenue recognition</b>					
Over time	661,260	2,973,263	2,795,852	(88,044)	6,342,331
At a point in time, as restated	–	131,149	–	(20,739)	110,410
<b>Total revenue, as restated</b>	<b>661,260</b>	<b>3,104,412</b>	<b>2,795,852</b>	<b>(108,783)</b>	<b>6,452,741</b>
<b>Operating profit before unallocated corporate expenses, as restated</b>	<b>147,048</b>	<b>401,410</b>	<b>120,006</b>	<b>–</b>	<b>668,464</b>
Unallocated corporate expenses					(20,048)
<b>Operating profit</b>					<b>648,416</b>
Finance income (Note 10)					2,266
Finance costs (Note 10)					(5,435)
Share of results of associates and joint ventures					1,072
<b>Profit before income tax</b>					<b>646,319</b>
Income tax expenses (Note 11)					(59,620)
<b>Profit for the year</b>					<b>586,699</b>

## Notes to the Consolidated Financial Statements

### 5 REVENUE AND SEGMENT INFORMATION (Continued)

#### (b) As at and for the year ended 30 June 2021 (Continued)

	Property & facility management services HK\$'000	City essential services HK\$'000	E&M services HK\$'000	Inter- segment elimination HK\$'000	Total HK\$'000
<b>Other items</b>					
Depreciation and amortisation	11,541	37,054	27,202	–	75,797
Losses related to disposal of subsidiaries (Note 31(e)(i))					
— Impairment losses					
— Property, plant and equipment (Note 14)	–	22,859	–	–	22,859
— Right-of-use assets (Note 15 (b))	–	2,941	–	–	2,941
— Loss on disposal of subsidiaries	–	420	–	–	420
— Total	–	26,220	–	–	26,220
Other impairment losses/(reversal of other impairment losses), net					
— Property, plant and equipment (Note 14)	–	2,800	–	–	2,800
— Other intangible assets (Note 16)	–	845	–	–	845
— Trade and other receivables (Note 21)	1,277	(374)	1,050	–	1,953
Provision for inventories	–	6,406	–	–	6,406
Additions to non-current assets (other than financial instruments and deferred tax assets)	2,482	39,276	5,381	–	47,139

## 5 REVENUE AND SEGMENT INFORMATION (Continued)

### (b) As at and for the year ended 30 June 2021 (Continued)

The segment assets and liabilities as at 30 June 2021 are as follows:

	Property & facility management services HK\$'000	City essential services HK\$'000	E&M services HK\$'000	Total HK\$'000
Segment assets	337,461	1,260,068	1,418,656	3,016,185
Unallocated assets				34,040
<b>Total assets</b>				<b>3,050,225</b>
Segment liabilities	185,922	705,673	1,623,717	2,515,312
Unallocated liabilities				435,399
<b>Total liabilities</b>				<b>2,950,711</b>

Revenue from external customers by geographical areas is based on the geographical location of the customers.

Revenue is allocated based on the regions in which the customers are located as follows:

For the year ended 30 June	2022 HK\$'000	2021 HK\$'000
<b>Revenue</b>		
Hong Kong	6,123,305	5,780,739
Mainland China	565,815	436,315
Macau	277,815	235,687
<b>Total</b>	<b>6,966,935</b>	<b>6,452,741</b>

## Notes to the Consolidated Financial Statements

### 5 REVENUE AND SEGMENT INFORMATION (Continued)

The analysis of the Group's major customers, which a single external customer has contributed 10% or more to the Group's revenue, is as follows:

<b>For the year ended 30 June</b>	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Customer A	1,356,885	1,261,242
Customer B	1,191,232	917,882
Customer C	N/A <sup>(i)</sup>	741,987

Note:

- (i) The amount is less than 10% of the Group's revenue.

The revenue contributed by the above major customers is mainly attributable to the Group's E&M services segment in Hong Kong and Mainland China, city essential services and property & facility management services segments in Hong Kong.

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

<b>As at 30 June</b>	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current assets, other than deferred tax assets and pension assets</b>		
Hong Kong	302,903	262,955
Mainland China	27,054	26,836
Macau	8,527	415
<b>Total</b>	<b>338,484</b>	<b>290,206</b>

## 6 OTHER INCOME/(EXPENSES), NET

For the year ended 30 June	2022 HK\$'000	2021 HK\$'000
Losses related to disposal of subsidiaries		
— Impairment losses		
— Property, plant and equipment	–	(22,859)
— Right-of-use assets	–	(2,941)
— Loss on disposal of subsidiaries	–	(420)
— Total	–	(26,220)
Other impairment losses		
— Property, plant and equipment	–	(2,800)
— Other intangible assets	–	(845)
Government grants <sup>(i)</sup>	36,986	433
Administrative fee income for application of government grants	3,112	–
Ex-gratia payments from the government for retirement of motor vehicles	519	450
Gain/(loss) on disposal of property, plant and equipment, net	280	(4,356)
Exchange (loss)/gain, net	(1,254)	2,360
Rental income	–	589
Sundries	2,659	1,773
<b>Total</b>	<b>42,302</b>	<b>(28,616)</b>

Note:

- (i) During the year ended 30 June 2022, the Group has received government grants under various schemes from the Government of the Hong Kong Special Administrative Region (the “HKSAR Government”) and the Macau Special Administrative Region (the “Macau SAR Government”) as financial support for its businesses. As a result, the Group has recognised HK\$36.6 million (2021: HK\$0.4 million) and HK\$0.4 million (2021: Nil) in relation to the grants under various schemes from the HKSAR Government and the Macau SAR Government respectively.

# Notes to the Consolidated Financial Statements

## 7 OPERATING PROFIT

For the year ended 30 June	2022 HK\$'000	2021 HK\$'000
<b>Operating profit is stated after charging/(crediting):</b>		
Staff costs (including Directors' emoluments)	2,870,494	2,390,538
Subcontracting fees	2,052,609	1,877,085
Raw materials and consumables used	1,136,189	1,100,575
Cost of inventories sold	59,829	55,154
Depreciation of right-of-use assets	38,546	38,359
Depreciation of property, plant and equipment	19,080	34,716
Expenses relating to short-term leases	12,618	6,260
Auditors' remuneration		
Audit services	6,312	6,048
Non-audit services	742	2,911
Amortisation of other intangible assets <sup>(i)</sup>	4,256	2,413
(Reversal of impairment loss)/impairment loss on trade and other receivables, net	(1,660)	1,953
(Reversal of provision)/provision for inventories	(1,443)	6,406
Depreciation of investment property	–	309

Note:

- (i) Included in general and administrative expenses

Save as disclosed in this note and elsewhere in the consolidated financial statements, the other items charged/credited to the Group's operating profit are of individually immaterial amounts, which include insurance expenses, repair and maintenance expenses, utility expenses, motor vehicles expenses, etc.

## 8 STAFF COSTS INCLUDING DIRECTORS' EMOLUMENTS

For the year ended 30 June	2022 HK\$'000	2021 HK\$'000
Salaries, wages and bonuses <sup>(i)(ii)</sup>	2,755,125	2,278,085
Contributions to defined contribution schemes <sup>(iii)</sup>	118,889	110,169
Contributions to defined benefits retirement scheme (Note 20)	597	552
(Less)/add: Staff costs (capitalised)/released under contract assets and contract liabilities, net	(4,117)	1,732
<b>Total</b>	<b>2,870,494</b>	<b>2,390,538</b>

### Notes:

- (i) During the year ended 30 June 2022, government grants received by the Group under various schemes from the HKSAR Government amounting to HK\$51.2 million (2021: HK\$333.6 million) were net off in its total staff costs. During the year ended 30 June 2021, government grants received by the Group under various schemes from the Macau Government amounting to HK\$0.5 million were net off in its total staff costs. In addition, for the purpose of easing the burden of enterprises in PRC during the period of prevention and containment of the spread of COVID-19, the Social Security Bureaus of the Government of China has reduced the obligations on social security contributions for the employers of enterprises in PRC during the calendar year of 2020. During the year ended 30 June 2021, the Group was granted reduction in such obligations totalling HK\$7.3 million which would otherwise be recorded as part of the Group's staff costs if no such reduction was granted.
- (ii) Included expenses arising from long service payment liabilities of HK\$18.3 million (2021: HK\$6.8 million) (Note 29).
- (iii) Forfeited contributions of defined contribution schemes for employees who leave before the contributions are fully vested are not used to offset existing contributions but are refunded to the Group.

## Notes to the Consolidated Financial Statements

### 9 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

#### (a) Directors' emoluments

For the year ended 30 June	2022 HK\$'000	2021 HK\$'000
Fees	3,219	2,466
Salaries and other emoluments	37,416	68,442
Contributions to defined contribution schemes	2,357	1,591
<b>Total</b>	<b>42,992</b>	<b>72,499</b>

The directors of the Company represent key management personnel of the Group having authority and responsibility for planning, directing and controlling the activities of the Group.

(i) The remuneration of each Director for the year ended 30 June 2022 is set out below:

	Fees HK\$'000	Salaries HK\$'000	Bonuses HK\$'000	Other benefits HK\$'000	Contributions to defined contribution schemes HK\$'000	Total HK\$'000
Lam Wai Hon, Patrick	247	5,846	2,661	–	585	9,339
Poon Lock Kee, Rocky <sup>(a)</sup>	247	3,982	1,373	–	399	6,001
Doo William Junior Guilherme	247	4,872	1,573	–	365	7,057
Lee Kwok Bong	247	3,570	1,230	–	357	5,404
Soon Kweong Wah	247	3,232	1,474	–	323	5,276
Wong Shu Hung	247	2,265	1,137	–	–	3,649
Cheng Chun Fai	247	3,278	923	–	328	4,776
Cheng Kar Shun, Henry	389	–	–	–	–	389
Kwong Che Keung, Gordon	324	–	–	–	–	324
Hui Chiu Chung, Stephen	259	–	–	–	–	259
Lee Kwan Hung, Eddie	259	–	–	–	–	259
Tong Yuk Lun, Paul	259	–	–	–	–	259
<b>Total</b>	<b>3,219</b>	<b>27,045</b>	<b>10,371</b>	<b>–</b>	<b>2,357</b>	<b>42,992</b>

## 9 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

### (a) Directors' emoluments (Continued)

(ii) The remuneration of each Director for the year ended 30 June 2021 is set out below:

	Fees HK\$'000	Salaries HK\$'000	Bonuses HK\$'000	Other benefits HK\$'000	Contributions to defined contribution schemes HK\$'000	Total HK\$'000
Lam Wai Hon, Patrick	122	3,276	35,500	–	328	39,226
Poon Lock Kee, Rocky <sup>(a)</sup>	122	3,857	1,421	–	386	5,786
Doo William Junior Guilherme	122	2,729	560	–	205	3,616
Lee Kwok Bong	122	2,112	10,000	–	208	12,442
Soon Kweong Wah	122	3,035	1,351	–	303	4,811
Wong Shu Hung	122	2,089	897	–	–	3,108
Cheng Chun Fai <sup>(b)</sup>	122	1,615	–	–	161	1,898
Cheng Kar Shun, Henry	359	–	–	–	–	359
Wong Kwok Kin, Andrew <sup>(c)</sup>	117	–	–	–	–	117
Kwong Che Keung, Gordon	329	–	–	–	–	329
Hui Chiu Chung, Stephen	269	–	–	–	–	269
Lee Kwan Hung, Eddie	269	–	–	–	–	269
Tong Yuk Lun, Paul	269	–	–	–	–	269
<b>Total</b>	<b>2,466</b>	<b>18,713</b>	<b>49,729</b>	<b>–</b>	<b>1,591</b>	<b>72,499</b>

Notes:

- (a) Mr. Poon Lock Kee, Rocky is the Chief Executive Officer of the Company.
- (b) Dr. Cheng Chun Fai was appointed as an Executive Director with effect from 1 January 2021.
- (c) Mr. Wong Kwok Kin, Andrew resigned as Non-executive Director with effect from 1 January 2021.
- (d) During the year ended 30 June 2022, no directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil).

# Notes to the Consolidated Financial Statements

## 9 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

### (b) Directors' material interests in transactions, arrangements or contracts

Details of the Group's material related party transactions are set out in Notes 2.1(iii) and 33 to the consolidated financial statements.

Save for the above and contracts amongst group companies, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 30 June 2022 or at any time during the year ended 30 June 2022.

### (c) Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group during the year ended 30 June 2022 include five directors (2021: four) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one individual during the year ended 30 June 2021 are as follows:

For the year ended 30 June	2022 HK\$'000	2021 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	–	3,574
Contributions to defined contribution schemes	–	18
Performance-based bonuses	–	1,067
<b>Total</b>	<b>–</b>	<b>4,659</b>

The emoluments fell within the following bands:

Emolument bands	2022 Number of individuals	2021 Number of individuals
HK\$4,500,001–HK\$5,000,000	–	1

During the year ended 30 June 2022, no emoluments were paid by the Group to any of the above highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil).

## 10 FINANCE INCOME AND COSTS

For the year ended 30 June	2022 HK\$'000	2021 HK\$'000
<b>Finance income</b>		
Interest from bank deposits	1,518	2,266
<b>Finance costs</b>		
Interest on lease liabilities	1,482	1,531
Interest on bank borrowings	3,938	3,904
<b>Total</b>	<b>5,420</b>	<b>5,435</b>

## 11 INCOME TAX EXPENSES

For the year ended 30 June	2022 HK\$'000	2021 HK\$'000
<b>Current income tax</b>		
Hong Kong profits tax	82,240	63,671
Mainland China income tax	2,456	867
Macau taxation	–	15
Under/(over)-provision in prior years	732	(160)
<b>Deferred income tax (credit)/expense</b>		
Income tax	(485)	(5,537)
Withholding tax	(130)	764
<b>Total</b>	<b>84,813</b>	<b>59,620</b>

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the year. Taxation on Mainland China and Macau profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates. These rates range from 12% to 25% for the year ended 30 June 2022 (2021: 12% to 25%). According to applicable People's Republic of China ("PRC") tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong and meets the conditions or requirements under the double taxation arrangement entered into between the Mainland China and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. Hence, the Group used 5% to accrue the withholding tax for certain PRC subsidiaries which are expected to fulfill the aforesaid conditions.

# Notes to the Consolidated Financial Statements

## 11 INCOME TAX EXPENSES (Continued)

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

For the year ended 30 June	2022 HK\$'000	2021 HK\$'000
Profit before income tax	588,717	646,319
Less: Share of results of		
Associates	(1,859)	(1,053)
Joint ventures	(269)	(19)
	<b>586,589</b>	<b>645,247</b>
Calculated at a tax rate of 16.5% (2021: 16.5%)	96,787	106,466
Tax losses not recognised	2,457	4,646
Expenses not deductible for taxation purposes	1,051	9,894
Under/(over)-provision in prior years	732	(160)
Effect of different taxation rates in other regions	368	1,341
Temporary differences not recognised	59	138
Income not subject to taxation	(15,694)	(56,426)
Tax concessions	(726)	(1,072)
Withholding tax on undistributed earnings from subsidiaries in Mainland China	(130)	764
Utilisation of previously unrecognised tax losses	(91)	(177)
Recognition of previously unrecognised tax losses	–	(5,794)
<b>Income tax expenses</b>	<b>84,813</b>	<b>59,620</b>

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

### (a) Basic

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

For the year ended 30 June	2022 HK\$'000	2021 HK\$'000
Profit for the year attributable to shareholders of the Company	502,935	586,911
Less: Preferred distribution to the holder of convertible preference shares	(8,454)	(8,454)
Earnings used in the basic earnings per share calculation	494,481	578,457
Weighted average number of ordinary shares in issue (shares in thousands)	450,000	450,000
<b>Basic earnings per share (HK\$)</b>	<b>1.10</b>	<b>1.29</b>

### (b) Diluted

On 16 December 2019, the Company issued convertible preference shares which are treated as contingently issuable potential ordinary shares under HKAS 33 "Earnings per Share". Since the conditions for their conversion were not met as at 30 June 2022 and 30 June 2021, therefore, the effect of their conversion is not included in the calculation of the diluted earnings per share for years ended 30 June 2022 and 30 June 2021. As a result, the diluted earnings per share equals to the basic earnings per share for the years ended 30 June 2022 and 30 June 2021.

## 13 DIVIDENDS

For the year ended 30 June	2022 HK\$'000	2021 HK\$'000
Interim dividend paid of HK20.9 cents (2021: HK28.9 cents) per share	94,050	130,050
Final dividend proposed of HK24.1cents (2021: HK16.1 cents) per share	108,450	72,450
<b>Total</b>	<b>202,500</b>	<b>202,500</b>

Note:

At a meeting held on 5 September 2022, the Board recommended a final dividend of HK24.1 cents (2021: HK16.1 cents) per ordinary share to the ordinary shareholders of the Company. The final dividend will be paid in cash. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements but will be reflected as an appropriation of the retained earnings for the year ending 30 June 2023.

# Notes to the Consolidated Financial Statements

## 14 PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures, equipment and others HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Year ended 30 June 2021</b>							
At 1 July 2020	24,935	271,324	18,156	31,375	18,895	11,225	375,910
Currency translation differences	-	168	36	-	185	59	448
Additions	-	-	903	9,066	4,232	4,534	18,735
Acquisition of a subsidiary (Note 31 (c))	-	-	-	-	112	-	112
Disposals	-	-	(2,719)	(398)	(942)	(1,008)	(5,067)
Disposal of subsidiaries and a property as consideration for acquisition of businesses (Note 31 (d))	(24,935)	(259,446)	-	-	-	-	(284,381)
Losses related to disposal of subsidiaries (Note 31(e)(ii))							
— Impairment losses	-	-	-	(22,318)	-	(541)	(22,859)
— Net book value after impairment losses	-	-	-	-	-	(225)	(225)
Depreciation charge	-	(8,157)	(7,992)	(6,483)	(7,540)	(4,544)	(34,716)
Other impairment losses	-	-	-	(2,800)	-	-	(2,800)
<b>Closing net book value</b>	-	3,889	8,384	8,442	14,942	9,500	45,157
<b>At 30 June 2021</b>							
Cost	-	5,118	80,122	51,947	96,644	54,672	288,503
Accumulated depreciation	-	(1,229)	(71,738)	(40,705)	(81,702)	(45,172)	(240,546)
Accumulated impairment	-	-	-	(2,800)	-	-	(2,800)
<b>Net book value</b>	-	3,889	8,384	8,442	14,942	9,500	45,157
<b>Year ended 30 June 2022</b>							
At 1 July 2021	-	3,889	8,384	8,442	14,942	9,500	45,157
Currency translation differences	-	(44)	(5)	-	(32)	(7)	(88)
Additions	-	-	1,009	5,623	3,521	4,749	14,902
Disposals	-	-	(89)	(10)	(111)	(1)	(211)
Depreciation charge	-	(125)	(3,334)	(5,500)	(6,019)	(4,102)	(19,080)
<b>Closing net book value</b>	-	3,720	5,965	8,555	12,301	10,139	40,680
<b>At 30 June 2022</b>							
Cost	-	5,060	78,513	55,365	97,422	57,416	293,776
Accumulated depreciation	-	(1,340)	(72,548)	(44,010)	(85,121)	(47,277)	(250,296)
Accumulated impairment	-	-	-	(2,800)	-	-	(2,800)
<b>Net book value</b>	-	3,720	5,965	8,555	12,301	10,139	40,680

## 14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

- (a) Property, plant and equipment is allocated to the Group's CGUs identified according to Group's reportable segments. In assessing the impairment of property, plant and equipment, the Group compares the carrying amounts of the CGUs to which property, plant and equipment has been allocated against their recoverable amounts (i.e. the higher of the CGUs' fair value less costs of disposal and their value in use).

The Group's laundry business, New China Laundry ("NCL"), is a CGU under the Group's city essential services segment which offers laundry, dry cleaning and linen management services in Hong Kong. NCL was disposed of by the Group on 31 December 2020 (Note 31(e)(i)). Its recoverable amount has been determined based on fair value less costs of disposal (within level 3 of the fair value hierarchy) at 31 December 2020.

During the year ended 30 June 2021, the Group recognised an impairment loss in respect of NCL's assets totalling HK\$25.8 million, including HK\$22.9 million for its property, plant and equipment and HK\$2.9 million for its right-of-use assets. Such impairment loss has been recognised as "Other income/(expenses), net" in the consolidated income statement and arose mainly as a result of the impact of plummeting tourist arrivals and low hotel room occupancy rates on NCL's business following the outbreak of COVID-19 in Hong Kong during the year ended 30 June 2021.

In addition, the Group recognised an impairment loss of HK\$2.8 million during the year ended 30 June 2021 in respect of scissor lifts for its building material trading business under its city essential services segment classified as plant and machinery by reference to their fair value less costs of disposal (within level 3 of the fair value hierarchy) determined based on market information. Such impairment loss has been recognised as "Other income/(expenses), net" in the consolidated income statement and arose mainly as a result of keen market competition for the related business of leasing these assets during the year ended 30 June 2021.

- (b) None of the above property, plant and equipment was pledged as security as at 30 June 2022 (2021: None).

## Notes to the Consolidated Financial Statements

### 15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

#### (a) Group as lessees — Amount recognised in the consolidated statement of financial position

	2022 HK\$'000	2021 HK\$'000
<b>Right-of-use assets</b>		
Properties	98,171	40,118
Leasehold lands	16,136	16,739
Equipment	1,256	1,963
<b>Total</b>	<b>115,563</b>	<b>58,820</b>
<b>Leases liabilities</b>		
Within one year	44,607	22,677
Within a period of more than one year but not exceeding two years	35,685	13,542
Within a period of more than two years but not exceeding five years	20,072	6,656
Within a period of more than five years	230	–
	<b>100,594</b>	<b>42,875</b>
Less: Current portion	<b>(44,607)</b>	<b>(22,677)</b>
Non-current portion	<b>55,987</b>	<b>20,198</b>

During the year ended 30 June 2022, the Group acquired right-of-use assets and recognised lease liabilities, including lease modifications, totalling HK\$95.5 million (2021: HK\$28.1 million).

#### (b) Group as lessees — Amount recognised in the consolidated income statement

	2022 HK\$'000	2021 HK\$'000
Depreciation of right-of-use assets		
Properties	37,361	37,089
Leasehold lands	478	563
Equipment	707	707
	<b>38,546</b>	<b>38,359</b>
Expense relating to short-term leases (Note 7)	12,618	6,260
Interest expenses (Note 10)	1,482	1,531
Losses related to disposal of subsidiaries (Note 31(e)(i))		
— Impairment losses (Note 14(a))	–	2,941
<b>Total</b>	<b>52,646</b>	<b>49,091</b>

## 15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

### (c) Group as lessees — Amount recognised in the consolidated statement of cash flows

The total cash outflow for leases during the year ended 30 June 2022 was HK\$51.8 million (2021: HK\$56.6 million).

### (d) Group as lessees — Other disclosures

#### (i) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses and equipment. Rental contracts are typically made for fixed periods of 2 months to 8 years (2021: 6 months to 8 years) but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

#### (ii) Extension and termination options

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

#### (iii) Residual value guarantees

As at 30 June 2022, no residual value guarantee is expected to be payable (2021: None).

#### (iv) Leases not yet commenced to which the lessee is committed

The Group does not commit at 30 June 2022 to any leases that are not yet commenced (2021: None).

#### (v) Restriction or covenants imposed by leases

The lease agreements entered into by the Group do not impose any covenants other than the security interests in the leased assets under such lease agreements that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

### (e) Group as a lessor

	2022 HK\$'000	2021 HK\$'000
Rental income (Note 6)	–	589

# Notes to the Consolidated Financial Statements

## 16 OTHER INTANGIBLE ASSETS

	Goodwill HK\$'000	Trademarks and brand names HK\$'000	Internally generated environmental technology HK\$'000	Customer Contracts and customer relationship HK\$'000	Total HK\$'000
<b>Year ended 30 June 2021</b>					
Opening net book value	78,077	28,110	2,019	916	109,122
Additions	–	–	297	–	297
Acquisition of a subsidiary (Note 31 (c))	47,418	–	–	31,500	78,918
Amortisation	–	(1,859)	(147)	(407)	(2,413)
Impairment losses	–	–	(845)	–	(845)
<b>Closing net book value</b>	<b>125,495</b>	<b>26,251</b>	<b>1,324</b>	<b>32,009</b>	<b>185,079</b>
<b>At 30 June 2021</b>					
Cost	130,166	59,740	2,316	106,436	298,658
Accumulated amortisation	–	(26,209)	(147)	(74,427)	(100,783)
Accumulated impairment	(4,671)	(7,280)	(845)	–	(12,796)
<b>Net book value</b>	<b>125,495</b>	<b>26,251</b>	<b>1,324</b>	<b>32,009</b>	<b>185,079</b>
<b>Year ended 30 June 2022</b>					
Opening net book value	125,495	26,251	1,324	32,009	185,079
Amortisation	–	(1,859)	(147)	(2,250)	(4,256)
<b>Closing net book value</b>	<b>125,495</b>	<b>24,392</b>	<b>1,177</b>	<b>29,759</b>	<b>180,823</b>
<b>At 30 June 2022</b>					
Cost	130,166	59,740	2,316	106,436	298,658
Accumulated amortisation	–	(28,068)	(294)	(76,677)	(105,039)
Accumulated impairment	(4,671)	(7,280)	(845)	–	(12,796)
<b>Net book value</b>	<b>125,495</b>	<b>24,392</b>	<b>1,177</b>	<b>29,759</b>	<b>180,823</b>

## 16 OTHER INTANGIBLE ASSETS (Continued)

### (a) Impairment tests for goodwill

Goodwill is monitored at the segment level and is allocated to the CGUs of the Group's segments. For the purpose of impairment test, the recoverable amount of the Group's CGUs is determined based on value in use calculations. The key assumptions adopted on growth rates and discount rates used in the value in use calculations are based on management's best estimates and past experience.

A summary of the goodwill allocation to business units is presented below:

As at 30 June	2022 HK\$'000	2021 HK\$'000
Property & facility management services	66,899	66,899
City essential services		
— Cleaning services	7,916	7,916
— Security guarding & event services	14,452	14,452
— Insurance solutions	2,387	2,387
E&M services	33,841	33,841
<b>Total</b>	<b>125,495</b>	<b>125,495</b>

The recoverable amount of a group of CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period which the growth rates are stated as below. Cash flows beyond the five-year period are extrapolated using 1% growth rate for the property & facility management services business unit, cleaning services, security guarding & event services and insurance solutions business units, and zero growth rate for the E&M services business unit. The growth rate does not exceed the long-term average growth rate for the businesses in which the group of CGUs operates.

## Notes to the Consolidated Financial Statements

### 16 OTHER INTANGIBLE ASSETS (Continued)

#### (a) Impairment tests for goodwill (Continued)

The following assumptions have been used for the analysis of the group of CGUs within the operating segment.

	2022				
	Property & facility management services	Cleaning services	Security guarding & event services	Insurance solutions	E&M services
<b>Cash flows in the first five years</b>					
Gross margin	31.4%–33.3%	9.0%–9.8%	10.5%–10.8%	N/A <sup>(i)</sup>	9.7%–10.7%
Inflation rate on operation costs	N/A <sup>(i)</sup>	N/A <sup>(i)</sup>	N/A <sup>(i)</sup>	2.5%–16.6%	N/A <sup>(i)</sup>
Growth rate	2.5%–5.5%	3.0%–7.5%	2.8%–6.6%	2.3%–7.5%	4.1%
Pre-tax discount rate	15.6%–15.8%	11.6%	15.8%	13.3%	16.1%
<b>Cash flows beyond five-year period</b>					
Terminal growth rate	1%	1%	1%	1%	0%
Pre-tax discount rate	15.6%–15.8%	11.6%	15.8%	13.3%	16.1%
	2021				
	Property & facility management services	Cleaning services	Security guarding & event services	Insurance solutions	E&M services
<b>Cash flows in the first five years</b>					
Gross margin	30.0%–30.3%	9.0%–9.5%	12.2%–12.3%	N/A <sup>(i)</sup>	6.4%–9.0%
Inflation rate on operation costs	N/A <sup>(i)</sup>	N/A <sup>(i)</sup>	N/A <sup>(i)</sup>	2.5%–9.0%	N/A <sup>(i)</sup>
Growth rate	2.5%–3.1%	3.0%	2.5%–4.7%	2.3%–6.8%	3.1%
Pre-tax discount rate	14.9%–15.8%	9.5%	13.7%	11.2%	14.0%
<b>Cash flows beyond five-year period</b>					
Terminal growth rate	1%	1%	1%	1%	0%
Pre-tax discount rate	14.9%–15.8%	9.5%	13.7%	11.2%	14.0%

Note:

- (i) These are not the key assumptions used in value in use calculations of the Group's CGUs.

Management determined budgeted gross margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments and business life-cycle. On the basis of these reviews, management concluded that no impairment was required for goodwill as at 30 June 2022 (2021: Nil).

A reasonably possible change in a key assumption would not cause the recoverable amount to fall below the carrying value of the respective group of CGUs.

## 17 INTERESTS IN ASSOCIATES

	2022 HK\$'000	2021 HK\$'000
At beginning of year	200	197
Share of profit for the year	1,859	1,053
Dividends	(1,860)	(1,050)
<b>At end of year</b>	<b>199</b>	<b>200</b>

Particulars of associates are as follows:

Name	Place of incorporation	Principal activities	Particular of issued share capital	Effective percentage of equity interest held	
				2022	2021
Harbour Place Management Services Limited	Hong Kong	Provision of property management services	1,000 ordinary shares paid up to HK\$1,000	30%	30%
Landes Limited	Hong Kong	Landscape design	10 shares paid up to HK\$10	20%	20%

The following represents the Group's share of its individually immaterial associates that are accounted for using the equity method of accounting:

	2022 HK\$'000	2021 HK\$'000
Carrying amount of interests in associates	199	200
Share of profit and total comprehensive income for the year	1,859	1,053

There are no commitments or contingent liabilities relating to the Group's interests in associates, and no commitments or contingent liabilities of the equity itself.

## Notes to the Consolidated Financial Statements

### 18 INTERESTS IN JOINT VENTURES

	2022 HK\$'000	2021 HK\$'000
At beginning of year	950	1,049
Share of profit for the year	269	19
Dividends	–	(118)
<b>At end of year</b>	<b>1,219</b>	<b>950</b>

Particulars of joint ventures are as follows:

Name	Place of incorporation	Principal activities	Particular of issued share capital	Effective percentage of equity interest held	
				2022	2021
廣州市富城物業管理有限公司	PRC	Provision of property management services	RMB800,000	50%	50%
Urban-Wellborn Property Management Limited	Hong Kong	Provision of property management services	10,000 ordinary shares paid up to HK\$100,000	50%	50%

Set out below is, in aggregate, the carrying amounts of the Group's share of all its individually immaterial joint ventures that are accounted for using the equity method of accounting:

	2022 HK\$'000	2021 HK\$'000
Carrying amount of interests in joint ventures	1,219	950
Share of profit and total comprehensive income for the year	269	19

There are no commitments or contingent liabilities relating to the Group's interest in joint ventures, and no commitments or contingent liabilities of the entities themselves.

### 19 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

As at 30 June	2022 HK\$'000	2021 HK\$'000
Deferred income tax assets	12,230	15,006
Deferred income tax liabilities	(21,284)	(22,702)
<b>Net</b>	<b>(9,054)</b>	<b>(7,696)</b>

## 19 DEFERRED INCOME TAX ASSETS/(LIABILITIES) (Continued)

Deferred income tax assets and deferred income tax liabilities are expected to be recovered/settled after more than 12 months. Their movements in the Group's deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year and net balances after offsetting at the end of the reporting periods are as follows:

### Deferred income tax assets

	Accelerated accounting depreciation HK\$'000	Tax losses HK\$'000	Remeasurement of long service payment liabilities HK\$'000	Others HK\$'000	Total HK\$'000
At 1 July 2020	4,430	10,113	1,057	3,811	19,411
Currency translation differences	–	69	–	–	69
Credited/(charged) to consolidated income statement (Note 11)	1,658	1,434	–	(1,051)	2,041
Charged to other comprehensive income	–	–	(890)	–	(890)
Disposal of subsidiaries and a property as consideration for acquisition of business (Note 31(d))	–	(172)	–	–	(172)
Disposal of subsidiaries (Note 31(e)(i))	(1,309)	(3,340)	–	–	(4,649)
<b>At 30 June 2021</b>	<b>4,779</b>	<b>8,104</b>	<b>167</b>	<b>2,760</b>	<b>15,810</b>
At 1 July 2021	4,779	8,104	167	2,760	15,810
Currency translation differences	–	(26)	–	1	(25)
Credited/(charged) to consolidated income statement (Note 11)	267	(1,091)	138	(2,433)	(3,119)
(Charged)/credited to other comprehensive income	–	–	(111)	499	388
<b>At 30 June 2022</b>	<b>5,046</b>	<b>6,987</b>	<b>194</b>	<b>827</b>	<b>13,054</b>
				<b>2022</b> HK\$'000	<b>2021</b> HK\$'000
Total deferred income tax assets before offsetting				13,054	15,810
Less: Amount offset against deferred income tax liabilities				(824)	(804)
Net deferred income tax assets after offsetting				12,230	15,006

# Notes to the Consolidated Financial Statements

## 19 DEFERRED INCOME TAX ASSETS/(LIABILITIES) (Continued)

### Deferred income tax liabilities

	Accelerated depreciation allowance HK\$'000	Fair value adjustments on trademarks and brand names HK\$'000	Fair value adjustments on property, plant and equipment arising from business combinations HK\$'000	Fair value adjustments on customer contracts and customer relationship HK\$'000	Remeasurement of long service payment liabilities HK\$'000	Others HK\$'000	Total HK\$'000
<b>At 1 July 2020</b>	(7,810)	(4,645)	(13,362)	(151)	(1,785)	(6,657)	(34,410)
Credited to consolidated income statement (Note 11)	443	307	126	67	-	1,789	2,732
Charged to other comprehensive income	-	-	-	-	(761)	-	(761)
Acquisition of a subsidiary (Note 31(c))	(11)	-	-	(5,198)	-	-	(5,209)
Disposal of subsidiaries and a property as consideration for acquisition of business (Note 31(d))	2,773	-	8,038	-	-	-	10,811
Disposal of subsidiaries (Note 31(e)(i))	2,862	-	-	-	469	-	3,331
<b>At 30 June 2021</b>	(1,743)	(4,338)	(5,198)	(5,282)	(2,077)	(4,868)	(23,506)
At 1 July 2021	(1,743)	(4,338)	(5,198)	(5,282)	(2,077)	(4,868)	(23,506)
(Charged)/credited to consolidated income statement (Note 11)	(254)	306	192	338	-	3,152	3,734
Charged to other comprehensive income	-	-	-	-	(2,336)	-	(2,336)
<b>At 30 June 2022</b>	(1,997)	(4,032)	(5,006)	(4,944)	(4,413)	(1,716)	(22,108)
					<b>2022</b>		<b>2021</b>
					<b>HK\$'000</b>		<b>HK\$'000</b>
Total deferred income tax liabilities before offsetting					<b>(22,108)</b>		(23,506)
Less: Amount offset against deferred income tax assets					<b>824</b>		804
<b>Net deferred income tax liabilities after offsetting</b>					<b>(21,284)</b>		(22,702)

As at 30 June 2022, the Group did not recognise deferred income tax assets of HK\$12 million (2021: HK\$10 million), arising from unused tax losses of HK\$80 million (2021: HK\$64 million). Except for tax losses of HK\$20 million (2021: HK\$10 million) as at 30 June 2022 which will expire within three years after the reporting date, the remaining tax losses have no expiry date.

## 20 PENSION ASSETS/(LIABILITIES)

The Group operates a defined benefit retirement scheme (the “Scheme”) registered under the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong) that provides lump sum benefits based on a multiple of a member’s final salary and years of service or employee contribution balance, whichever is higher, upon the member’s retirement, death, disability or leaving service. The Scheme has been closed to new employees since 1 December 2000.

The Group has an unconditional right to the surplus of the Scheme.

The Scheme is administered by an independent trustee with its assets held separately from those of the Group. The key responsibilities of the trustee are to ensure that the Scheme is administered in accordance with the trust deed and rules and to act on behalf of all members impartially, prudently and in good faith.

The costs of benefits are jointly funded by the Group and the employees. Employees’ contributions are based on 5% of basic salary and the Group’s contributions are determined with reference to the funding valuation carried out by the Scheme’s actuary. The valuations of the Scheme as at 30 June 2022 and 2021 were prepared by independent qualified actuaries using the projected unit credit method.

The Scheme exposes the Group to actuarial risks, such as investment risk, interest rate risk and salary risk.

(i) The amounts recognised in the consolidated statement of financial position are as follows:

<b>As at 30 June</b>	<b>2022</b>	<b>2021</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>
Present value of defined benefit obligations	(21,572)	(24,274)
Fair value of plan assets	24,094	30,306
Net retirement benefit assets	2,522	6,032
Representing:		
Pension assets	3,553	6,032
Pension liabilities	(1,031)	–
<b>Net</b>	<b>2,522</b>	<b>6,032</b>

Majority of the above liabilities are expected to be settled after more than one year.

However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions.

## Notes to the Consolidated Financial Statements

### 20 PENSION ASSETS/(LIABILITIES) (Continued)

(ii) Movements in net defined benefit assets and its components as follows:

	Present value of defined benefit obligations HK\$'000	Fair value of plan assets HK\$'000	Total HK\$'000
At 1 July 2020	(22,172)	24,576	2,404
Net (charge)/credit to consolidated income statement			
Current service costs	(561)	–	(561)
Interest (expenses)/income	(65)	74	9
	(626)	74	(552)
Net (charge)/credit to other comprehensive gain:			
Remeasurement (loss)/gain <sup>(i)</sup> :			
Actuarial loss arising from change in financial assumptions	(707)	–	(707)
Actuarial loss arising from experience adjustments	(1,401)	–	(1,401)
Gain on plan assets excluding interest income	–	5,808	5,808
	(2,108)	5,808	3,700
Actual benefit paid	879	(879)	–
Contribution paid by the employees	(247)	247	–
Contribution paid by the employer	–	480	480
<b>At 30 June 2021</b>	<b>(24,274)</b>	<b>30,306</b>	<b>6,032</b>

## 20 PENSION ASSETS/(LIABILITIES) (Continued)

(ii) Movements in net defined benefit assets and its components as follows: (Continued)

	Present value of defined benefit obligations HK\$'000	Fair value of plan assets HK\$'000	Total HK\$'000
At 1 July 2021	(24,274)	30,306	6,032
Net (charge)/credit to consolidated income statement			
Current service costs	(635)	–	(635)
Interest (expenses)/income	(146)	184	38
	(781)	184	(597)
Net (charge)/credit to other comprehensive gain: Remeasurement gain/(loss) <sup>(i)</sup> :			
Actuarial gain arising from change in financial assumptions	2,237	–	2,237
Actuarial loss arising from experience adjustments	(62)	–	(62)
Loss on plan assets excluding interest income	–	(5,200)	(5,200)
	2,175	(5,200)	(3,025)
Actual benefit paid	1,508	(1,508)	–
Contribution paid by the employees	(200)	200	–
Contribution paid by the employer	–	112	112
<b>At 30 June 2022</b>	<b>(21,572)</b>	<b>24,094</b>	<b>2,522</b>

Note:

- (i) During the year ended 30 June 2022, the Group recognised remeasurement losses on defined benefit scheme of HK\$3.0 million (2021: remeasurement gains of HK\$3.7 million), net of their corresponding tax effects of HK\$0.5 million (2021: Nil) in its other comprehensive income.

The weighted average duration of the defined benefit obligation is 4.0 years (2021: 4.7 years).

## Notes to the Consolidated Financial Statements

### 20 PENSION ASSETS/(LIABILITIES) (Continued)

(iii) Significant actuarial assumptions adopted for the purpose of the actuarial valuation are as follows:

	2022	2021
Discount rate	2.6% p.a.	0.6% p.a.
Salary growth rate	3.5% p.a.	4.0% p.a.

The below analysis shows how the defined benefit obligation as at each year end date would have increased/ (decreased) as a result of 0.25% change in significant actuarial assumptions:

	2022		2021	
	Increase in 0.25% HK\$'000	Decrease in 0.25% HK\$'000	Increase in 0.25% HK\$'000	Decrease in 0.25% HK\$'000
Discount rate	(199)	204	(268)	273
Salary growth rate	202	(197)	264	(261)

The above sensitivity analyses are based on change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same actuarial valuation method has been applied as when calculating the defined benefit obligation recognised in the consolidated statement of financial position.

(iv) Fair value of the plan assets is analysed as follows:

	2022	2021
Equities	68.3%	74.0%
Bonds	23.2%	21.2%
Cash and others	8.5%	4.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

The Scheme has a benchmark asset allocation of 70% in equities and 30% in bonds and cash. The long term strategic asset allocations of the Scheme is set and reviewed from time to time by the Scheme's trustee taking into account the Scheme's membership, liability profile, liquidity requirements, and the risk appetite of the Group.

## 21 TRADE AND OTHER RECEIVABLES

As at 30 June	2022 HK\$'000	2021 HK\$'000
Trade receivables		
Third parties	627,627	567,493
Related companies (Note 33(c))	214,551	178,668
	<b>842,178</b>	746,161
Less: Provision for impairment		
Third parties	(9,454)	(10,047)
Related companies (Note 33(c))	(45)	(45)
	<b>832,679</b>	736,069
Retention receivables		
Third parties	202,585	163,825
Related companies (Note 33(c))	187,782	218,580
	<b>390,367</b>	382,405
Other receivables and prepayments		
Third parties	274,219	199,310
Related companies (Note 33(c))	24,565	20,258
	<b>298,784</b>	219,568
Less: Provision for impairment		
Third parties	–	(1,261)
	<b>298,784</b>	218,307
Accrued contract revenue	494,088	334,463
Less: Provision for impairment	(149)	(149)
	<b>493,939</b>	334,314
<b>Total</b>	<b>2,015,769</b>	1,671,095

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

The total balance at 30 Jun 2022 included receivables of approximately HK\$22 million which relate to a claim being lodged by the Group against the main contractor for a project being terminated. Based on legal advice, the Group considers it has good grounds to recover such receivables.

## Notes to the Consolidated Financial Statements

### 21 TRADE AND OTHER RECEIVABLES (Continued)

#### Expected credit losses

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss for all trade and other receivables and contract assets as mentioned in Note 3.1(i)(b).

As at 30 June 2022, the Group provides for loss allowance against trade receivables, retention receivables and accrued contract revenue based on their composition and ageing are as follows:

As at 30 June 2022	Current to 90 days past due	91 to 180 days past due	Over 180 days past due	Total
Expected loss rate	0.03%	1.4%	24.0%	
HK\$'000				
Gross carrying amount	1,654,522	36,360	35,751	1,726,633
Expected credit loss allowance	(575)	(492)	(8,581)	(9,648)
Carrying amount, net of expected credit loss allowance	1,653,947	35,868	27,170	1,716,985

As at 30 June 2021	Current to 90 days past due	91 to 180 days past due	Over 180 days past due	Total
Expected loss rate	0.04%	1.2%	19.7%	
HK\$'000				
Gross carrying amount	1,391,213	24,469	47,347	1,463,029
Expected credit loss allowance	(612)	(291)	(9,338)	(10,241)
Carrying amount, net of expected credit loss allowance	1,390,601	24,178	38,009	1,452,788

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

As at 30 June	2022 HK\$'000	2021 HK\$'000
Current to 90 days	769,641	673,882
91 to 180 days	35,868	24,178
Over 180 days	27,170	38,009
<b>Total</b>	<b>832,679</b>	<b>736,069</b>

## 21 TRADE AND OTHER RECEIVABLES (Continued)

The carrying amounts of the trade and other receivables of the Group approximate their fair values and are denominated in the following currencies:

As at 30 June	2022 HK\$'000	2021 HK\$'000
Hong Kong dollars	1,633,224	1,260,652
Renminbi	323,660	328,910
Macau patacas	56,000	76,334
United States dollars	2,505	3,269
Others	380	1,930
<b>Total</b>	<b>2,015,769</b>	<b>1,671,095</b>

At 30 June 2022, the Group's trade receivables, other receivable and accrued contract revenue of HK\$9.6 million (2021: HK\$11.5 million) were impaired.

Movements in provision for impairment of the Group's trade receivables, other receivables and accrued contract revenue are as follows:

As at 30 June 2022	Trade receivables HK\$'000	Other receivables HK\$'000	Accrued Contract Revenue HK\$'000	Total HK\$'000
At the beginning of year	10,092	1,261	149	11,502
Reversal of provision for the year, net	(399)	(1,261)	-	(1,660)
Receivables written off during the year	(194)	-	-	(194)
Carrying amount, net of expected credit loss allowance	9,499	-	149	9,648

As at 30 June 2021	Trade receivables HK\$'000	Other receivables HK\$'000	Accrued Contract Revenue HK\$'000	Total HK\$'000
At the beginning of year	9,451	-	149	9,600
Provision for the year, net	692	1,261	-	1,953
Receivables written off during the year	(51)	-	-	(51)
Carrying amount, net of expected credit loss allowance	10,092	1,261	149	11,502

Retention receivables in respect of contracting services are settled in accordance with the terms of respective contracts. Other classes within trade and other receivables do not contain material impaired assets.

# Notes to the Consolidated Financial Statements

## 22 CONTRACT ASSETS AND CONTRACT LIABILITIES

As at 30 June	2022 HK\$'000	2021 HK\$'000
Contract costs incurred plus attributable profits less foreseeable losses	4,731,072	4,144,796
Progress payments received and receivable	(4,792,121)	(4,111,839)
<b>Net</b>	<b>(61,049)</b>	32,957
Representing:		
Contract assets	438,717	499,002
Contract liabilities	(499,766)	(466,045)
<b>Net</b>	<b>(61,049)</b>	32,957

Notes:

- (a) All of the Group's contract assets and contract liabilities at 30 June 2022 and 30 June 2021 relate to its engineering and insurance solutions contracts with customers and no loss allowances have been included therein.
- (b) During the year ended 30 June 2022, the Group recognised (i) HK\$391.3 million (2021: HK\$462.9 million) of revenue for its engineering and insurance solutions contracts relating to its carried-forward contract liabilities and (ii) HK\$28.6 million (2021: HK\$34.3 million) of revenue from its performance obligations satisfied in previous reporting years.
- (c) As at 30 June 2022, the aggregate amount of transaction price allocated to the Group's remaining performance obligations in respect of property & facility management, cleaning, technical support & maintenance, security guarding & event services, insurance solutions, environment solutions and E&M services contracts is HK\$10,662 million (2021: HK\$10,668 million). The Group will recognise this revenue during the completion of the related works, which is expected to occur over the next 99 months (2021: 77 months) after the reporting date.
- (d) During the year ended 30 June 2022, the decrease in the Group's contract assets principally reflects its completion of certain sizeable engineering projects and the increase in its contract liabilities principally reflects an increase in its progress billings for projects.

## 23 INVENTORIES

As at 30 June	2022 HK\$'000	2021 HK\$'000
Raw materials	579	684
Finished goods	22,184	17,689
Spare parts and consumables	751	621
<b>Total</b>	<b>23,514</b>	18,994

## 24 CASH AND BANK BALANCES

As at 30 June	2022 HK\$'000	2021 HK\$'000
Time deposits — original maturities within three months	76,000	12,007
Trust cash (i)	39,734	32,616
Other cash at banks and in hand	651,303	505,267
<b>Total</b>	<b>767,037</b>	<b>549,890</b>

Note:

- (i) Trust cash relates to cash held for insurance premiums received from policy holders which will ultimately be paid to insurers. Trust cash cannot be used to meet business obligations/operating expenses other than payments to insurers and/or refunds to policy holders.

At 30 June 2022, the effective interest rate on bank deposits is 0.75% per annum (2021: 2.0% per annum).

The carrying amounts of cash and bank balances of the Group approximate their fair values and are denominated in the following currencies:

As at 30 June	2022 HK\$'000	2021 HK\$'000
Hong Kong dollars	681,516	499,141
Renminbi	69,458	39,141
Macau patacas	4,098	5,137
United States dollars	7,285	5,476
Euros	4,431	756
Others	249	239
<b>Total</b>	<b>767,037</b>	<b>549,890</b>

## Notes to the Consolidated Financial Statements

### 25 SHARE CAPITAL

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

	2022		2021	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each				
At the beginning and the end of year	900,000,000	90,000	900,000,000	90,000
Convertible preference shares of HK\$0.10 each (Note a)				
At the beginning and the end of year	100,000,000	10,000	100,000,000	10,000
<b>Total</b>	<b>1,000,000,000</b>	<b>100,000</b>	<b>1,000,000,000</b>	<b>100,000</b>

	2022		2021	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Issued and fully paid:				
Ordinary shares of HK\$0.10 each				
At the beginning and the end of year	450,000,000	45,000	450,000,000	45,000
Convertible preference shares of HK\$0.10 issued at HK\$3.2260 each (Note a)				
At the beginning and the end of year	43,676,379	140,900	43,676,379	140,900
<b>Total</b>	<b>493,676,379</b>	<b>185,900</b>	<b>493,676,379</b>	<b>185,900</b>

As at 30 June 2022 and 30 June 2021, the total nominal amount of the Company issued shares was HK\$49,367,638, comprising HK\$45,000,000 for ordinary shares and HK\$4,367,638 for convertible preference shares.

## 25 SHARE CAPITAL (Continued)

Note (a):

On 16 December 2019 (the "Issue Date"), the Company issued and allotted a total of 43,676,379 non-voting redeemable convertible preference shares of HK\$0.1 each to FMC at an issue price of HK\$3.2260 per share (the "Issue Price"), credited as fully paid. The major terms of the convertible preference shares are set out below:

- Each convertible preference share shall entitle the holder to convert within a period of 10 years after the Issue Date, provided that any conversion shall not result in the Company failing to comply with any public float requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
- Each convertible preference share is convertible into such number of ordinary share(s) being one multiplied by the conversion rate. The conversion rate is determined by dividing the Issue Price of convertible preference shares by the conversion price.
- The conversion price is the Issue Price, subject to adjustment upon the occurrence of certain prescribed events.
- Each convertible preference share shall confer on the holder the right to receive preferred distributions from the Issue Date at a rate of 6.0% per annum on the Issue Price, payable annually in arrears. Each preferred distribution is cumulative. The Board may, in its sole discretion, elect to defer or not to pay a preferred distribution. No interest accrues on any unpaid preferred distribution. If the Board elects to defer or not to pay a preferred distribution, the Company shall not (a) pay any dividends, distributions or make any other payment on any ordinary shares or (b) redeem, cancel, repurchase or acquire for any consideration any ordinary shares, unless at the same time it pays to the holder of the convertible preference shares any deferred or unpaid preferred distribution which was scheduled to be paid on a day falling in the same financial year in respect of which payment of such dividends, distributions or other payments is made or during which such redemption, cancellation, repurchase or acquisition occurs.
- The holder of the convertible preference shares shall not have the right to attend or vote at any general meeting of the Company (except a general meeting for winding up of the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of such holder).
- The holder of the convertible preference shares will have priority over the holders of ordinary shares of the Company on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding up or dissolution of the Company.
- At any time after 10 years following the Issue Date, the Company may at its sole discretion serve at least ten days' prior written notice to the holder of the convertible preference shares to redeem either in whole or in part of the convertible preference shares for the time being outstanding, at a redemption price equals to the Issue Price together with all outstanding preferred distributions accrued to the date fixed for redemption.

The convertible preference shares are classified as equity instruments, considered that: (i) the Company has no contractual obligation to deliver cash or another financial asset to the holder of the convertible preference shares; and (ii) the convertible preference shares are non-derivative that includes no contractual obligation for the Company to deliver a variable number of ordinary shares.

# Notes to the Consolidated Financial Statements

## 26 RESERVES

	Share premium HK\$'000	Merger reserve (Note a) HK\$'000	Exchange reserve HK\$'000	Statutory reserves (Note b) HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 July 2020	743,204	(906,424)	(34,938)	21,610	707,012	530,464
Profit for the year	-	-	-	-	586,911	586,911
Currency translation differences	-	-	15,440	-	-	15,440
Remeasurement gains on defined benefit retirement scheme	-	-	-	-	3,700	3,700
Remeasurement gain on long service payment liabilities	-	-	-	-	10,128	10,128
Deferred tax on remeasurement gain on long service payment liabilities	-	-	-	-	(1,651)	(1,651)
Acquisition of the Business Investments Group (Note 2.1(iii))	-	(709,894)	-	-	-	(709,894)
Dividends to ordinary shareholders	-	-	-	-	(194,850)	(194,850)
Dividends to the original shareholder of the Business Investments Group	-	-	-	-	(340,180)	(340,180)
Distribution to convertible preference shareholder	-	-	-	-	(8,454)	(8,454)
Appropriation to statutory reserves (Note c)	-	-	-	175	(175)	-
<b>At 30 June 2021</b>	<b>743,204</b>	<b>(1,616,318)</b>	<b>(19,498)</b>	<b>21,785</b>	<b>762,441</b>	<b>(108,386)</b>
At 1 July 2021	743,204	(1,616,318)	(19,498)	21,785	762,441	(108,386)
Profit for the year	-	-	-	-	502,935	502,935
Currency translation differences	-	-	(1,900)	-	-	(1,900)
Remeasurement losses on defined benefit retirement scheme	-	-	-	-	(3,025)	(3,025)
Deferred tax on remeasurement losses on defined benefit retirement scheme	-	-	-	-	499	499
Remeasurement gains on long service payment liabilities	-	-	-	-	14,832	14,832
Deferred tax on remeasurement gain on long service payment liabilities	-	-	-	-	(2,447)	(2,447)
Dividends to ordinary shareholders	-	-	-	-	(166,500)	(166,500)
Distribution to convertible preference shareholder	-	-	-	-	(8,454)	(8,454)
Appropriation to statutory reserves (Note c)	-	-	-	105	(105)	-
<b>At 30 June 2022</b>	<b>743,204</b>	<b>(1,616,318)</b>	<b>(21,398)</b>	<b>21,890</b>	<b>1,100,176</b>	<b>227,554</b>

## 26 RESERVES (Continued)

Notes:

- (a) Merger reserve arises from (i) the difference between the consideration for the acquisition of the FSE Engineering Group Limited, FSE Environmental Technologies Limited and Building Materials Supplies Limited by the Company and their issued share capital upon the completion of the reorganisation on 30 June 2015; (ii) the difference between the consideration for the acquisition of Crystal Brilliant Limited and its subsidiaries by the Company's wholly-owned subsidiary, FSE Facility Services Group Limited, and their net asset value at the date when they first came under common control upon the completion of the acquisition on 11 April 2018; (iii) the difference between the consideration for the acquisition of Legend Success Investments Limited and its subsidiaries by the Company's wholly-owned subsidiary, FSE Property Management Group Limited, and their net asset value at the date when they first came under common control upon the completion of the acquisition on 16 December 2019 and (iv) the difference between the cash consideration plus net book value of certain properties used for the acquisition of Business Investments Limited and its subsidiaries by the Company's wholly-owned subsidiary, FSE City Essential Services Limited, and their net asset value at the date when they first came under common control upon the completion of the acquisition on 19 April 2021.
- (b) PRC companies are required to allocate 10% of the companies' net profits to the statutory reserves fund until such fund reaches 50% of the companies' registered capitals. The statutory reserves fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses, if any, or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capitals.
- (c) During the year ended 30 June 2022, the board of directors of the Group's PRC companies resolved to appropriate HK\$105 thousand (2021: HK\$175 thousand) from retained earnings to statutory reserves.

# Notes to the Consolidated Financial Statements

## 27 NON-CONTROLLING INTERESTS

The table below shows details of the Group's subsidiaries that have material non-controlling interests:

Name	Place of incorporation	Percentage of ownership interest and voting right held by non-controlling shareholders		Profit/(loss) for the year attributable to non-controlling shareholders		Accumulated non-controlling interests	
		2022	2021	2022	2021	2022	2021
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Wise Plaza Limited Individually immaterial subsidiary with non-controlling interests	Hong Kong	30%	30%	894	(248)	23,116	21,871
				75	36	204	129
				969	(212)	23,320	22,000

Note:

- (i) Wise Plaza Limited was incorporated during the year ended 30 June 2021.

Set out below is the summarised financial information of Wise Plaza Limited based on amounts before intragroup eliminations. Wise Plaza Limited has become a 70%-owned subsidiary of the Group since 30 June 2021 right before the Group's acquisition of Kiu Lok (International) Properties Limited as described in Note 31(c) to the consolidated financial statements. During the year ended 30 June 2022, Wise Plaza Limited reported profit of HK\$3.0 million (2021: HK\$0.8 million of loss) for the year, HK\$4.8 million of cash inflow from operating activities (2021: Nil), HK\$0.7 million (2021: HK\$72.3 million) of cash outflow from investing activities and HK\$1.2 million (2021: HK\$73.7 million) of cash inflow from financing activities.

As at 30 June	2022 HK\$'000	2021 HK\$'000
Non-current assets	77,657	79,030
Current assets	9,388	3,263
Non-current liabilities	(5,163)	(5,209)
Current liabilities	(4,829)	(4,181)
Net assets	77,053	72,903
Attributable to:		
Shareholders of the Company	53,937	51,032
Non-controlling interests	23,116	21,871
	77,053	72,903

## 28 BORROWINGS

As at 30 June	2022 HK\$'000	2021 HK\$'000
<b>Non-current liabilities</b>		
Bank borrowings — secured	263,478	150,000
<b>Current liabilities</b>		
Bank borrowings — secured	140,000	233,812

The borrowings are interest bearing at an effective interest rate of 1.0% (2021: 1.1%). The carrying amounts of the borrowings approximate their fair values and are denominated in Hong Kong dollar. At 30 June, the group's borrowings were repayable as follows:

As at 30 June	2022 HK\$'000	2021 HK\$'000
Within 1 year	140,000	233,812
Between 1 and 2 years	–	150,000
Between 2 and 5 years	263,478	–
<b>Total</b>	<b>403,478</b>	<b>383,812</b>

The Group's borrowings are secured by corporate guarantees provided by FSE Engineering Group Limited and FSE Facility Services Group Limited (wholly-owned subsidiaries of the Company) as at 30 June 2022 and 30 June 2021.

## 29 LONG SERVICE PAYMENT LIABILITIES

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employee's final salary and years of service, and is reduced by entitlements accrued under the Group's MPF and ORSO schemes that are attributable to contributions made by the Group. The Group has not set aside any assets to fund any remaining obligations.

The liability recognised in the consolidated statement of financial position is the present value of unfunded obligations and its movements are as follows:

As at 30 June	2022 HK\$'000	2021 HK\$'000
At the beginning of the year	42,232	49,149
Expenses recognised in the consolidated income statement	18,337	6,776
Remeasurement gains recognised in other comprehensive (loss)/income <sup>(i)</sup>	(14,832)	(10,128)
Benefits paid	(1,697)	(3,565)
At the end of the year	44,040	42,232

Note:

- (i) During the year ended 30 June 2022, the Group recognised remeasurement gains on long service payment liabilities of HK\$14.8 million (2021: remeasurement losses of HK\$10.1 million), net of their corresponding tax effects of HK\$2.4 million (2021: HK\$1.6 million) in its other comprehensive income.

# Notes to the Consolidated Financial Statements

## 29 LONG SERVICE PAYMENT LIABILITIES (Continued)

Significant actuarial assumptions adopted for the purpose of the actuarial valuation are as follows:

As at 30 June	2022	2021
Discount rate	3.0%	0.7%
Long term rate of salary increases	3.19-6.42%	3.00-4.35%
Long term rate of increase of maximum salary and amount of long service payment and MPF Relevant Income limit	2.5%	2.5%
Long term average expected return on MPF and ORSO balances	4.50-5.00%	2.50-3.75%

The below analysis shows how the long service payment liability as at each year end date would have increased/ (decreased) as a result of 0.25% change in significant actuarial assumptions:

As at 30 June	2022		2021	
	Increase in 0.25% HK\$'000	Decrease in 0.25% HK\$'000	Increase in 0.25% HK\$'000	Decrease in 0.25% HK\$'000
Long term rate of salary increases	455	(420)	2,162	(2,183)
Long term average expected return on MPF and ORSO balances	(232)	235	(1,796)	1,875

The above sensitivity analyses are based on change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the long service payment liability to significant actuarial assumptions, the same actuarial valuation method has been applied as when calculating the long service payment liability recognised within the consolidated statement of financial position.

### 30 TRADE AND OTHER PAYABLES

As at 30 June	2022 HK\$'000	2021 HK\$'000
Trade payables		
Third parties	264,445	321,029
Other payables		
Third parties	322,333	379,333
Related companies (Note 33(c))	4,487	4,416
	326,820	383,749
Bills payable		
Third parties	738	3,565
Retention payables		
Third parties	275,621	260,699
Accrued expenses	430,824	399,394
Provision for contracting costs	715,474	548,854
<b>Total</b>	<b>2,013,922</b>	<b>1,917,290</b>

The carrying amounts of the above balances approximate their fair values.

The carrying amounts of the trade and other payables of the Group are denominated in the following currencies:

As at 30 June	2022 HK\$'000	2021 HK\$'000
Hong Kong dollars	1,635,459	1,465,913
Renminbi	324,709	385,567
Macau patacas	41,915	60,284
United States dollars	11,011	4,704
Others	828	822
<b>Total</b>	<b>2,013,922</b>	<b>1,917,290</b>

## Notes to the Consolidated Financial Statements

### 30 TRADE AND OTHER PAYABLES (Continued)

The ageing analysis of the Group's trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

As at 30 June	2022 HK\$'000	2021 HK\$'000
1–90 days	223,214	294,591
91–180 days	21,811	9,668
Over 180 days	19,420	16,770
<b>Total</b>	<b>264,445</b>	<b>321,029</b>

In carrying out the ordinary course of business, the Group is subject to the risk of being named as defendant in legal actions, claims and disputes in connection with its business activities. The nature of the legal proceedings initiated against the Group mainly includes claims for compensation by the Group's existing or former employees for work related injuries. The Group maintains insurance cover and, in the opinion of the Directors, based on current available evidence, any such existing claims and legal proceedings against the Group are not expected to have significant adverse financial impact to the Group as at 30 June 2022.

Other than the above, as at 30 June 2022, the Group did not have any material contingent liabilities (2021: Nil).

## 31 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Reconciliation of profit before income tax to cash generated from operations:

For the year ended 30 June	Notes	2022 HK\$'000	2021 HK\$'000
<b>Profit before income tax</b>		<b>588,717</b>	646,319
Depreciation of right-of-use assets	15	<b>38,546</b>	38,359
Depreciation of property, plant and equipment	14	<b>19,080</b>	34,716
Long service payment liabilities			
Expenses recognised in the consolidated income statement	29	<b>18,337</b>	6,776
Benefit paid	29	<b>(1,697)</b>	(3,565)
Finance costs	10	<b>5,420</b>	5,435
Amortisation of other intangible assets	16	<b>4,256</b>	2,413
Unrealised exchange differences		<b>1,250</b>	(2,242)
Pension costs on defined benefits scheme	20	<b>597</b>	552
Share of results of associates and joint ventures		<b>(2,128)</b>	(1,072)
(Reversal of impairment loss)/impairment loss on trade and other receivables, net	21	<b>(1,660)</b>	1,953
Finance income		<b>(1,518)</b>	(2,266)
(Reversal of provision)/provision for inventories	7	<b>(1,443)</b>	6,406
(Gains)/losses on disposal of property, plant and equipment, net	6	<b>(280)</b>	4,356
Losses related to disposal of subsidiaries	31(e)(i)	–	26,220
Impairment loss on property, plant and equipment	14	–	2,800
Impairment loss on other intangible assets	16	–	845
Depreciation of investment property		–	309
<b>Operating cash flows before changes in working capital</b>		<b>667,477</b>	768,314
Changes in working capital:			
Net contract assets/liabilities		<b>89,035</b>	(131,984)
Trade and other payables		<b>107,840</b>	(203,446)
Trade and other receivables		<b>(352,354)</b>	171,452
Inventories		<b>(3,077)</b>	24,783
Pension assets/liabilities		<b>(112)</b>	(480)
<b>Cash generated from operations</b>		<b>508,809</b>	628,639

### (b) Cash consideration for acquisition of businesses

On 19 April 2021, the Group acquired the Business Investments Group at a total consideration of HK\$860.9 million upon which the initial sum of consideration of HK\$840.6 million was satisfied by the Company through (i) a non-cash consideration of HK\$442.6 million settled through a disposal of its entire issued share capital in the Property Holdcos and the Disposal Property to FMC and (ii) the payment of HK\$398.0 million in cash. A final cash payment of the consideration of HK\$20.3 million was made on 20 May 2021 and thus resulted in a total cash consideration for the acquisition amounting to HK\$418.3 million. Details of the transaction are set out in Note 2.1 (iii) to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 31 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### (c) Acquisition of a subsidiary

On 30 June 2021, the Group acquired the entire issued capital of Kiu Lok Properties (International) Limited (formerly known as Marriott Properties (International) Limited) ("Kiu Lok Properties") through a 70%-owned subsidiary, Wise Plaza Limited, at a total cash consideration of HK\$74.9 million, which includes HK\$73.7 million of initial sum of consideration paid on 30 June 2021 and HK\$1.2 million of final cash payment of consideration paid on 2 September 2021. The total consideration for this acquisition of HK\$74.9 million is 70% financed by the Group's internal resources, which amounts to HK\$52.4 million, and 30% financed by equity contributions from Wise Plaza's 30% shareholder, which amounts to HK\$22.5 million. Kiu Lok Properties is principally engaged in the provision of property agency and management, and housekeeping services in Hong Kong and was acquired to expand by the Group its property & facility management business.

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 30 June 2021:

	HK\$'000
Property, plant and equipment (Note 14)	112
Other intangible assets (Note 16)	31,500
Inventories	27
Trade and other receivables	1,796
Cash and bank balances	1,433
Trade and other payables	(2,127)
Taxation payable	(59)
Deferred income tax liabilities (Note 19)	(5,209)
<b>Fair values of net identifiable assets acquired</b>	<b>27,473</b>
Goodwill (Note 16)	47,418
<b>Cash consideration</b>	<b>74,891</b>
Less: Cash and bank balances acquired	(1,433)
Less: Consideration payable	(1,171)
<b>Net cash outflow</b>	<b>72,287</b>

The amount of goodwill recognised by the Group was determined based on the fair values of the identifiable assets acquired and liabilities assumed.

The goodwill arising on the acquisition of Kiu Lok Properties pertains to, but is not limited to, the expected economic benefit from the housekeeping and agency services it provides and 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\$1.8 million. The transaction costs of HK\$0.8 million incurred for this business combination have been recognised as general and administrative expenses in the consolidated income statement. No adjustment was made to the amounts of fair values of assets acquired, liabilities assumed and goodwill recognised by the Group for the year ended 30 June 2022.

### 31 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

#### (c) Acquisition of a subsidiary (Continued)

Since the date of acquisition, no amounts of revenue and profit of Kiu Lok Properties are included in the consolidated income statement of the Group for the year ended 30 June 2021. If the acquisition had taken place on 1 July 2020, the revenue and profit for the year ended 30 June 2021 of the Group would have been HK\$6,463.3 million and HK\$589.3 million respectively.

#### (d) Disposal of subsidiaries and a property as consideration for acquisition of businesses

On 19 April 2021, the Group disposed of certain properties through the sales of its entire issued share capital in the Property Holdcos and the Disposal Property at a non-cash consideration of HK\$442.6 million, which was used for settling a part of the consideration of the Business Investments Acquisition. Each of the Property Holdcos is principally engaged in investment holding, owning certain properties in Hong Kong and Macau for uses by the Group and for rental purpose. The amounts for such companies were included in the Group's E&M services segment and unallocated assets and liabilities before its disposal. Details of the transaction are set out in Note 2.1 (iii) to the consolidated financial statements.

The following tables summarise the book value of net assets of the Property Holdcos and Disposal Property being disposed of by the Group and the differences between their fair values and net book values recognised by the Group in its merger reserve during the year ended 30 June 2021:

	Property Holdcos HK\$'000	Disposal Property HK\$'000	Total HK\$'000
Net assets disposed			
Property, plant and equipment (Note 14)	280,693	3,688	284,381
Investment property	10,541	–	10,541
Right-of-use assets	2,817	–	2,817
Trade and other receivables	332	–	332
Cash and bank balances	4,920	–	4,920
Deferred income tax liabilities (Note 19)	(10,031)	(608)	(10,639)
Trade and other payables	(596)	–	(596)
Taxation payable	(145)	–	(145)
Book value of net assets disposed (Note 2.1(iii))	288,531	3,080	291,611

## Notes to the Consolidated Financial Statements

### 31 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

#### (d) Disposal of subsidiaries and a property as consideration for acquisition of businesses (Continued)

	Property Holdcos HK\$'000	Disposal Property HK\$'000	Total HK\$'000
Amount recognised in merger reserve relating to the disposal of subsidiaries and a property (Note 2.1 (iii))			
Non-cash consideration	426,150	16,500	442,650
Less: Net assets disposed	(288,531)	(3,080)	(291,611)
Amount recognised in merger reserve <sup>(i)</sup>	137,619	13,420	151,039

Note:

- (i) The difference between the fair value and the book value of net assets of the Property Holdcos and Disposal Property were recognised in merger reserve as their disposal is linked to the Business Investments Acquisition, which was considered as a business combination under common control and accounted for using merger accounting in accordance with AG5. Details of the transaction are set out in Note 2.1 (iii) to the consolidated financial statements.

#### (e) Other disposal of subsidiaries

	2022 HK\$'000	2021 HK\$'000
Cash inflow from other disposal of subsidiaries		
NCL	–	4,000
Shenzhen Landes	80	508
<b>Total</b>	<b>80</b>	<b>4,508</b>

### 31 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

#### (e) Other disposal of subsidiaries (Continued)

##### (i) Disposal of NCL

On 31 December 2020, the Group disposed of its laundry business, through the sale of its entire interest in New China Steam Laundry Limited and its subsidiaries (“NCL”), at a cash consideration of HK\$4.0 million. NCL is principally engaged in the provision of laundry services which offers laundry, dry cleaning and linen management services to customers in Hong Kong and was included in the Group’s integrated property & facilities segment before its disposal.

The following tables summarise the book value of net assets of NCL being disposed of by the Group and the losses it recognised during the year ended 30 June 2021 related to its disposal of NCL:

	Before impairment losses HK\$'000	Impairment losses HK\$'000	After impairment losses HK\$'000
Net assets disposed			
Property, plant and equipment	23,084	(22,859)	225
Right-of-use assets	2,941	(2,941)	–
Deferred income tax assets	1,318	–	1,318
Inventories	2,877	–	2,877
Book value of net assets disposed	30,220	(25,800)	4,420
			HK\$'000
Analysis of losses related to disposal of subsidiaries			
Cash consideration			4,000
Less: Net assets disposed			(4,420)
Loss on disposal of subsidiaries			(420)
Impairment losses			(25,800)
Total losses related to disposal of subsidiaries			(26,220)

##### (ii) Disposal of Landes Landscape (Shenzhen) Co., Ltd. (“Shenzhen Landes”)

On 1 July 2016, Shenzhen Landes, a wholly-owned subsidiary of FSE C & L Limited, was disposed to an external party at the consideration of RMB15.4 million (equivalent to HK\$17.9 million). Amounts of RMB67 thousand (equivalent to HK\$80 thousand) have been received during the years ended 30 June 2022 (2021: RMB0.4 million (equivalent to HK\$0.5 million)).

## Notes to the Consolidated Financial Statements

### 31 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

#### (f) Reconciliation of liabilities arising from financing activities

The movements of the Group's liabilities arising from financing activities during the years ended 30 June 2022 and 2021 are as follows.

	Borrowings	Dividends payable to ordinary shareholders	Dividends payable to the original shareholder of the Business Investments Group	Distribution payable to convertible preference shareholder	Lease liabilities	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 30 June 2020</b>	463,243	–	–	–	63,298	526,541
Dividends and preferred distribution	–	194,850	340,180	8,454	–	543,484
New leases	–	–	–	–	19,934	19,934
Interest portion of lease liabilities	–	–	–	–	1,531	1,531
Financing cash flows	(80,000)	(194,850)	(73,000)	(8,454)	(48,857)	(405,161)
Settlement through current accounts	–	–	(267,180)	–	–	(267,180)
Payments for interest portion of lease liabilities	–	–	–	–	(1,531)	(1,531)
Currency translation differences	–	–	–	–	326	326
Lease modifications	–	–	–	–	8,174	8,174
Other changes	569	–	–	–	–	569
<b>At 30 June 2021</b>	<b>383,812</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>42,875</b>	<b>426,687</b>
Dividends and preferred distribution	–	166,500	–	8,454	–	174,954
New leases	–	–	–	–	91,383	91,383
Interest portion of lease liabilities	–	–	–	–	1,482	1,482
Financing cash flows	19,460	(166,500)	–	(8,454)	(37,672)	(193,166)
Payments for interest portion of lease liabilities	–	–	–	–	(1,482)	(1,482)
Currency translation differences	–	–	–	–	(125)	(125)
Lease modifications	–	–	–	–	4,133	4,133
Other changes	206	–	–	–	–	206
<b>At 30 June 2022</b>	<b>403,478</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>100,594</b>	<b>504,072</b>

#### (g) Equity contribution from a non-controlling shareholder

The cash inflow for 2021 represents equity contribution from the non-controlling shareholder to Wise Plaza Limited, a 70%-owned subsidiary of the Group.

## 31 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### (h) Exchange differences

The exchange differences of cash and cash equivalents during the year are mainly arising from the remeasurement of the Group's foreign currency denominated cash and bank balances at the year end exchange rate.

### (i) Major non-cash transactions

On 19 April 2021, the Group disposed of its entire issued share capital in the Property Holdcos and the Disposal Property at a consideration of HK\$442.6 million as part of its consideration of the Business Investments Acquisition. Details of the transaction are set out in Note 2.1(iii) to the consolidated financial statements.

During the year ended 30 June 2022, the Group acquired right-of-use assets and recognised lease liabilities, including lease modifications, totalling HK\$95.5 million (2021: HK\$28.1 million).

During the year ended 30 June 2021, the Group settled dividends of the Business Investments Group of HK\$267.2 million to its previous shareholder, FMC, through current account with it.

### (j) Funds held on behalf of third parties

As at 30 June 2022, the Group held cash and bank balances totalling HK\$1,135.1 million (2021: HK\$1,093.7million) in trust for owners of certain buildings which were under its management. These funds have not been included in the consolidated financial statements of the Group.

## 32 COMMITMENTS

### (a) Capital commitments

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

As at 30 June	2022 HK\$'000	2021 HK\$'000
Property, plant and equipment	1,937	1,681

### (b) Operating lease commitments — The Group as lessees

The Group has future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

As at 30 June	2022 HK\$'000	2021 HK\$'000
No later than one year	1,361	11,906
Later than one year and no later than five years	19	–
<b>Total</b>	<b>1,380</b>	<b>11,906</b>

# Notes to the Consolidated Financial Statements

## 33 RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group undertook the following transactions with related parties, which in the opinion of the Directors of the Company, were carried out in the normal course of business during the year ended 30 June 2022.

**(a) The Directors of the Company are of the view that the related parties that had transactions with the Group are listed below:**

Name	Relationship
Ackland Limited	Note i
Corporate Ally Limited	Note i
Ease King Investment Limited	Note i
Fast Solution Limited	Note i
FSE Enterprises Limited	Note i
FSE Management Company Limited	Note i
FSE Property (Hong Kong) Limited	Note i
Fung Seng Diamond Co Limited	Note i
Great City Developments Limited	Note i
Kingdom of Morocco (Consulate General-HK) Co Ltd	Note i
Ocean Front Investments Limited	Note i
Power Estate Investments Limited	Note i
Prime Star Investment Limited	Note i
Prosperity Property Investment Limited	Note i
Silver Asia Investments Limited	Note i
Success Ocean Limited	Note i
Top Line Investment Limited	Note i
上海華美達廣場有限公司	Note i
上海上實南洋大酒店有限公司	Note i
上海豐昌物業管理有限公司	Note i
ACE Island Limited	Note ii
Anway Limited	Note ii
AOS Management Limited	Note ii
ATL Logistics Centre Hong Kong Limited	Note ii
Atrend Fashion Limited	Note ii
B.S.C. Shinwa Kogyo Co Limited	Note ii
Beamland Limited	Note ii
Bright Link Engineering Limited	Note ii
Bright Moon Company Limited	Note ii
Broadway-Nassau Investments Limited	Note ii
Build King Civil Engineering Limited	Note ii
Build King Construction Limited	Note ii
Build King Interior & Construction Limited	Note ii
Calpella Limited	Note ii
Cheer Best Enterprises Limited	Note ii
Cheer Globe Limited	Note ii
CHI Studio Company Limited	Note ii

### 33 RELATED PARTY TRANSACTIONS (Continued)

(a) The Directors of the Company are of the view that the related parties that had transactions with the Group are listed below: (Continued)

Name	Relationship
Chow Tai Fook Art Foundation Limited	Note ii
Chow Tai Fook Energy Company Limited	Note ii
Chow Tai Fook Enterprises Limited	Note ii
Chow Tai Fook Jewellery and Watch (Macau) Limited	Note ii
Chow Tai Fook Jewellery Company Limited	Note ii
Chow Tai Fook Jewellery Group Limited	Note ii
CTF Watch (HK) Ltd	Note ii
CiF Solutions Limited	Note ii
Cititop Limited	Note ii
CTF Watch (HK) Limited	Note ii
Daily Land Limited	Note ii
Diamond International Limited	Note ii
Discovery Park Commercial Services Limited	Note ii
Donut Cafe Company Limited	Note ii
Eastrade Holdings Limited	Note ii
Ever Light Limited	Note ii
Ever Right Limited	Note ii
Foregain Co 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
Great TST Limited	Note ii
Head Step Limited T/A Pentahotel HK Kowloon	Note ii
Hip Hing Builders Company Limited	Note ii
Hip Hing Construction Company Limited	Note ii
Hip Hing Engineering Company Limited	Note ii
Hip Hing Joint Venture	Note ii
Hip Hing Joint Venture (VEC)	Note ii
Hip Seng Builders Limited	Note ii
Hip Seng Construction Company Limited	Note ii
Hip Seng Construction Management Company Limited	Note ii
Hong Kong Convention and Exhibition Centre (Management) Limited	Note ii
Hong Kong Golf & Tennis Academy Management Co., Limited	Note ii
Hong Kong Island Development Limited	Note ii
Hong Kong Multiple Intelligence Education Company 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

# Notes to the Consolidated Financial Statements

## 33 RELATED PARTY TRANSACTIONS (Continued)

(a) The Directors of the Company are of the view that the related parties that had transactions with the Group are listed below: (Continued)

Name	Relationship
K11 Gentry Club Limited	Note ii
K11 IP Licence & Creation Company Limited	Note ii
K11 Property Management Company Limited	Note ii
K11 Retail & Corporate Sales Company Limited	Note ii
Kai Tak Sports Park Limited	Note ii
Kid World Services Limited	Note ii
Kiu Lok Properties Services (China) Limited	Note ii
Loyalton Limited	Note ii
Luxba Limited	Note ii
Markson Limited	Note ii
Maronne Limited	Note ii
Max Moral Limited	Note ii
Nature Discovery Park Limited	Note ii
New Gain Limited	Note ii
New Town Project Management Limited	Note ii
New World China Land Limited	Note ii
New World Construction Company Limited	Note ii
New World Corporate Services Limited	Note ii
New World Department Stores Limited	Note ii
New World Development (China) Limited	Note ii
New World Development Company Limited	Note ii
New World Facilities Management Company Limited	Note ii
New World Group Charity Foundation Limited	Note ii
New World Hotel Management Limited	Note ii
New World Project Management (China) Limited	Note ii
New World Property Management Company Limited	Note ii
New World Strategic Investment Limited	Note ii
New World TMT Limited	Note ii
New World Tower Company Limited	Note ii
NW Project Management Limited	Note ii
NWS Holdings Limited	Note ii
Park New Astor Hotel Limited	Note ii
Paterson Plaza Properties Limited	Note ii
Polytown Company Limited	Note ii
Pride Success Fashion Trading Limited	Note ii
Pridemax Limited	Note ii
Renaissance Harbour View Hotel HK	Note ii
Rosewood Hotels (HK) Limited	Note ii
Roxy Limited	Note ii

### 33 RELATED PARTY TRANSACTIONS (Continued)

(a) The Directors of the Company are of the view that the related parties that had transactions with the Group are listed below: (Continued)

Name	Relationship
Sunfield Investments Limited	Note ii
Sunny Goal Limited	Note ii
Techni Development Investment Limited	Note ii
The Artizen Management Co 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
Wallmax Limited	Note ii
Wan Fau Sin Koon Service & Dev Co Limited	Note ii
Wealth Master Corporation Limited	Note ii
Win Way Construction Co., 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
周大福創地置業（武漢）有限公司	Note ii
天津新世界環渤海房地產開發有限公司	Note ii
天津新世界百貨有限公司	Note ii
寧波公泰置業有限公司	Note ii
寧波新立房地產開發有限公司	Note ii
廊坊新世界房地產開發有限公司	Note ii
廣州市新禦運營管理有限公司	Note ii
廣州永沛房地產開發有限公司	Note ii
佛山鄉村房地產開發有限公司	Note ii
新世界（瀋陽）房地產開發有限公司	Note ii
新世界嘉業（武漢）有限公司	Note ii
新世界房地產發展有限公司新世界酒店分公司	Note ii
新世界發展（武漢）有限公司	Note ii
新協中建築有限公司	Note ii
新世界百貨集團上海匯美百貨有限公司	Note ii
新亮勵貿易（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
湖南成功新世紀投資有限公司	Note ii

Notes:

- (i) These companies are commonly controlled by the Ultimate Controlling Shareholder and/or the family members of the Ultimate Controlling Shareholder.
- (ii) These related companies include companies of which the key management personnel are close member of the family of the Ultimate Controlling Shareholder.

# Notes to the Consolidated Financial Statements

## 33 RELATED PARTY TRANSACTIONS (Continued)

### (b) Transactions with related parties

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related companies during the year ended 30 June 2022.

For the year ended 30 June	2022 HK\$'000	2021 HK\$'000
Contract revenue (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	11,133	2,670
Other related companies (Note ii)	2,242,755	1,851,363
<b>Total</b>	<b>2,253,888</b>	<b>1,854,033</b>
Cleaning and laundry service income (Note i)		
Other related companies (Note ii)	136,610	136,684
Premises management service fee and building manager remuneration (Note iii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	1,313	1,460
Other related companies (Note ii)	15,381	21,367
<b>Total</b>	<b>16,694</b>	<b>22,827</b>
Security service income (Note iv)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	4,845	2,096
Other related companies (Note ii)	217,357	222,654
<b>Total</b>	<b>222,202</b>	<b>224,750</b>
Environmental solutions consultancy fee income from related companies (Note v)	1,743	1,716
Landscaping services income from related companies (Note vi)	9,328	7,939
Disposal of property and equipment (Note vii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	–	80
Other related companies (Note ii)	–	400
<b>Total</b>	<b>–</b>	<b>480</b>

### 33 RELATED PARTY TRANSACTIONS (Continued)

#### (b) Transactions with related parties (Continued)

For the year ended 30 June	2022 HK\$'000	2021 HK\$'000
Rental expenses/addition of rights-of-use assets (Note viii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	90,461	10,616
Other related companies (Note ii)	856	229
<b>Total</b>	<b>91,317</b>	<b>10,845</b>
Management fee expenses to a related company commonly controlled by the Ultimate Controlling Shareholder (Note ix)	–	4,270
Appointment fees to related companies (Note x)	2,562	2,575
Contracting service expenses to related companies (Note xi)	7,644	5,634
Miscellaneous service fees expenses to related companies (Note xii)	152	152

Notes:

- (i) Revenue from provision of contracting work and cleaning and laundry service income is principally charged in accordance with respective contracts.
- (ii) These related companies are companies of which the key management personnel are close members of the family of the ultimate controlling shareholder.
- (iii) Premises management service fee and building manager remuneration was charged based on certain percentages of total expenditures of the properties in accordance with the management contracts.
- (iv) Security service fee income was charged at prices and terms as agreed by both parties.
- (v) Environmental solutions consultancy fee income was charged at terms mutually agreed between the parties.
- (vi) Landscaping service fee income was charged at prices and terms as agreed by both parties.
- (vii) Disposal of properties and equipment is at consideration mutually agreed between the parties.
- (viii) Rental expenses/additions of rights-of-use assets were principally calculated in accordance with the terms of the respective rental agreements.
- (ix) Management fee expenses were charged at prices and terms as agreed by both parties involved.
- (x) Appointment fees were charged at prices and terms as agreed by both parties.
- (xi) Contracting service expenses were charged in accordance with the terms of the respective contracts.
- (xii) Miscellaneous service fees were charged based on fixed amounts mutually agreed by the parties.
- (xiii) The above transactions with related parties are based upon mutually agreed terms and conditions.

## Notes to the Consolidated Financial Statements

### 33 RELATED PARTY TRANSACTIONS (Continued)

#### (c) Balances with related parties

As at 30 June	2022 HK\$'000	2021 HK\$'000
Trade receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	522	1,239
Other related companies (Note i)	213,984	177,384
<b>Total</b>	<b>214,506</b>	<b>178,623</b>
Retention receivables due from related companies (Note i)	187,782	218,580
Other receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	–	80
Other related companies (Note i)	24,565	20,178
<b>Total</b>	<b>24,565</b>	<b>20,258</b>
Contract assets due from related companies (Note i)	290,471	237,034
Contract liabilities		
Related companies commonly controlled by the Ultimate Controlling Shareholder	–	232
Other related companies (Note i)	246,475	172,127
<b>Total</b>	<b>246,475</b>	<b>172,359</b>
Other payables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	454	912
Other related companies (Note i)	4,033	3,504
<b>Total</b>	<b>4,487</b>	<b>4,416</b>
Lease liabilities		
Related companies commonly controlled by the Ultimate Controlling Shareholder	63,905	16,015
Other related companies (Note i)	358	–
<b>Total</b>	<b>64,263</b>	<b>16,015</b>

Note:

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

### 33 RELATED PARTY TRANSACTIONS (Continued)

#### (d) Key management compensation

Key management includes directors and senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

For the year ended 30 June	2022 HK\$'000	2021 HK\$'000
Fees	3,219	2,466
Salaries and other emoluments	68,182	94,253
Contributions to defined contribution schemes	3,699	3,188
<b>Total</b>	<b>75,100</b>	<b>99,907</b>

The emoluments to directors and members of the senior management of the Group fell within the following bands:

For the year ended 30 June	2022 Number of individuals	2021 Number of individuals
<b>Emolument bands</b>		
Nil–HK\$1,000,000	6	6
HK\$1,000,001–HK\$1,500,000	1	1
HK\$1,500,001–HK\$2,000,000	2	2
HK\$2,000,001–HK\$2,500,000	1	1
HK\$2,500,001–HK\$3,000,000	2	3
HK\$3,000,001–HK\$3,500,000	3	3
HK\$3,500,001–HK\$4,000,000	1	2
HK\$4,000,001–HK\$4,500,000	1	–
HK\$4,500,001–HK\$5,000,000	1	2
HK\$5,000,001–HK\$5,500,000	3	–
HK\$5,500,001–HK\$6,000,000	–	1
HK\$6,000,001–HK\$6,500,000	1	–
HK\$6,500,001–HK\$7,000,000	–	–
HK\$7,000,001–HK\$7,500,000	1	–
HK\$7,500,001–HK\$10,000,000	1	–
HK\$10,000,001–HK\$40,000,000	–	2
<b>Total</b>	<b>24</b>	<b>23</b>

# Notes to the Consolidated Financial Statements

## 34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

As at 30 June	2022 HK\$'000	2021 HK\$'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Subsidiaries	412,132	412,132
<b>Current assets</b>		
Trade and other receivables	375	302
Amounts due from subsidiaries	2,332,603	1,888,482
Cash and bank balances	2,110	31,986
	<b>2,335,088</b>	<b>1,920,770</b>
<b>Total assets</b>	<b>2,747,220</b>	<b>2,332,902</b>
<b>EQUITY</b>		
Ordinary shares	45,000	45,000
Convertible preference shares	140,900	140,900
Reserves (Note (a))	805,426	395,844
<b>Total equity</b>	<b>991,326</b>	<b>581,744</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	5,838	8,637
Amounts due to subsidiaries	1,750,056	1,742,521
<b>Total liabilities</b>	<b>1,755,894</b>	<b>1,751,158</b>
<b>Total equity and liabilities</b>	<b>2,747,220</b>	<b>2,332,902</b>
<b>Net current assets</b>	<b>579,194</b>	<b>169,612</b>
<b>Total assets less current liabilities</b>	<b>991,326</b>	<b>581,744</b>

The statement of financial position of the Company was approved by the Board of Directors on 5 September 2022 and was signed on its behalf.

Lam Wai Hon, Patrick  
Director

Poon Lock Kee, Rocky  
Director

## 34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note (a) Reserve movement of the Company

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>At 1 July 2020</b>	743,204	(450,345)	292,859
Profit for the year	–	306,289	306,289
Dividends	–	(194,850)	(194,850)
Preferred distribution	–	(8,454)	(8,454)
<b>At 30 June 2021</b>	743,204	(347,360)	395,844
<b>At 1 July 2021</b>	<b>743,204</b>	<b>(347,360)</b>	<b>395,844</b>
Profit for the year	–	584,536	584,536
Dividends	–	(166,500)	(166,500)
Preferred distribution	–	(8,454)	(8,454)
<b>At 30 June 2022</b>	<b>743,204</b>	<b>62,222</b>	<b>805,426</b>

## 35 PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries as at 30 June 2022:

Company name	Place of incorporation or establishment/ place of operation	Issued/Registered and paid-up capital	Attributable equity interest of the Group		Principal activities
			As at 30 June 2022	2021	
<b>Directly-owned subsidiaries:</b>					
FSE City Essential Services Limited	British Virgin Islands	1 share of US\$1 paid up to US\$1	100	100	Investment holding
FSE Engineering Group Limited	British Virgin Islands/ Hong Kong	50,000,000 shares of HK\$1 each paid up to HK\$50,000,000	100	100	Investment holding
FSE Environmental Solutions Limited	British Virgin Islands	1 share of US\$1 paid up to US\$1	100	100	Investment holding
FSE Facility Services Group Limited	British Virgin Islands	1 share of US\$1 paid up to US\$1	100	100	Investment holding
FSE Property Management Group Limited	British Virgin Islands	1 share of US\$1 paid up to US\$1	100	100	Investment holding
Lucky Bridge Investments Limited	British Virgin Islands/ Hong Kong	1 share of US\$1 paid up to US\$1	100	100	Investment in trading securities

# Notes to the Consolidated Financial Statements

## 35 PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation or establishment/ place of operation	Issued/Registered and paid-up capital	Attributable equity interest of the Group		Principal activities
			As at 30 June 2022	2021	
<b>Indirectly owned subsidiaries:</b>					
Building Material Supplies Limited	British Virgin Islands	1 share of HK\$1 paid up to HK\$1	100	100	Investment holding
Business Investments Limited	British Virgin Islands	1 share of US\$1 paid up to US\$1	100	100	Investment holding
Companion Building Material Supplies (H.K.) Limited	Hong Kong	100 shares paid up to HK\$100	100	100	Trading of ceramic tiles and building materials and provision of maintenance and fitting out services
Crystal Brilliant Limited	British Virgin Islands	1 share of US\$1 paid up to US\$1	100	100	Investment holding
Espora Company Limited	Hong Kong	2 shares paid up to HK\$2	100	100	Provision of property management services
Environmental Pioneers & Solutions Limited	Hong Kong	1,000 shares paid up to HK\$100,000	100	100	Trading of environmental products and the provision of related engineering and consultancy services
Extensive Trading Company Limited	Hong Kong	8,500,000 ordinary shares and 1,500,000 non-voting deferred shares <sup>(1)</sup> paid up to HK\$10,100,000	100	100	Trading of equipment and materials
EPS Environmental Technologies (Macao) Limited	Macau	MOP25,000	100	100	Trading of environmental products and the provision of related engineering and consultancy services

### 35 PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation or establishment/ place of operation	Issued/Registered and paid-up capital	Attributable equity interest of the Group		Principal activities
			As at 30 June 2022	2021	
Far East Engineering Services Limited	Hong Kong	766,714 ordinary shares and 233,288 non-voting deferred shares <sup>(1)</sup> paid up to HK\$10,000,020	100	100	Mechanical and electrical engineering, trading and project management consultancy
Far East Technical Service (Macao) Limited	Macau	MOP25,000	100	100	Mechanical and electrical engineering
FSE C & L Limited	British Virgin Islands	1 share of US\$1 paid up to US\$1	100	100	Investment holding
FSE Engineering (China) Limited	Hong Kong	100,000 shares paid up to HK\$100,000	100	100	Investment holding
FSE Environmental Laboratory Services Limited	Hong Kong	10,000 shares paid up to HK\$10,000	100	100	Provision of testing and calibration services
FSE Environmental Technologies Limited	British Virgin Islands	1 share of US\$1 paid up to US\$1	100	100	Investment holding
FSE Facility Management Limited	Hong Kong	2 shares paid up to HK\$2	100	100	Provision of referral services to a fellow subsidiary engaged in insurance brokerage business
FSE Ins Limited	British Virgin Islands	1 share of US\$1 paid up to US\$1	100	100	Investment holding
FSE S & G Limited	British Virgin Islands	1 share of HK\$1 paid up to HK\$1	100	100	Investment holding
General Security & Guarding Limited	British Virgin Islands	1 share of HK\$1 paid up to HK\$1	100	100	Investment holding
General Security (H.K.) Limited	Hong Kong	8,402 ordinary shares and 11,600 non-voting deferred shares <sup>(1)</sup> paid up to HK\$2,000,200	100	100	Security services, sales and maintenance of alarm systems

## Notes to the Consolidated Financial Statements

### 35 PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation or establishment/ place of operation	Issued/Registered and paid-up capital	Attributable equity interest of the Group		Principal activities
			As at 30 June 2022	2021	
General Security Limited	Hong Kong	2 ordinary shares and 2,500 non-voting deferred shares <sup>(1)</sup> paid up to HK\$250,200	100	100	Security services
Hong Kong Island Landscape Company Limited	Hong Kong	1,980,000 ordinary shares and 20,000 non-voting deferred shares <sup>(1)</sup> paid up to HK\$20,000,000	100	100	Trading, landscaping project contracting
i-Urban Limited	Hong Kong	2 shares paid up to HK\$2	100	100	Inactive
International Property Management Limited	Hong Kong	450,000 ordinary shares and 95,500 non-voting deferred shares <sup>(1)</sup> paid up to HK\$545,500	99	99	Investment holding and provision of property management services for buildings
International Reinsurance Management Limited	Hong Kong	500,000 shares paid up to HK\$500,000	100	100	Reinsurance brokerage
Joneson Environmental Technologies Limited	Hong Kong	535,000 ordinary shares and 35,000 non-voting deferred shares <sup>(1)</sup> paid up to HK\$570,000	100	100	Trading, building maintenance, chemical engineering
Kiu Lok International Realty Limited	Hong Kong	2 shares paid up to HK\$2	100	100	Provision of property agency and related services for buildings in Hong Kong
Kiu Lok Properties (International) Limited	Hong Kong	2 shares paid up to HK\$2	70	70	Provision of property agency and related services for buildings in Hong Kong
Kiu Lok Service Management Company Limited	Hong Kong	2 ordinary shares and 1,002 non-voting deferred shares <sup>(1)</sup> paid up to HK\$100,400	100	100	Provision of property management, property agency and related services for buildings in Hong Kong

### 35 PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation or establishment/ place of operation	Issued/Registered and paid-up capital	Attributable equity interest of the Group		Principal activities
			As at 30 June 2022	2021	
KL Property Management Limited	Hong Kong	1 share paid up to HK\$1	100	100	Provision of property management and related services for buildings in Hong Kong
KLPS Group Limited	Hong Kong	20,000,000 shares paid up to HK\$20,000,000	100	100	Investment holding
KOHO Facility Management Limited	Hong Kong	1 share paid up to HK\$1	100	100	Provision of property management services for buildings
Legend Success Investments Limited	British Virgin Islands	1 share of US\$1 paid up to US\$1	100	100	Investment holding
Majestic Engineering Company Limited	Hong Kong	30,000 shares paid up to HK\$30,000,000	100	100	Mechanical and electrical engineering
Majestic Engineering (Macao) Company Limited	Macao	MOP25,000	100	100	Mechanical and electrical engineering
Majestic Plumbing Engineers Limited	Hong Kong	2,000,000 shares paid up to HK\$2,000,000	100	100	Plumbing engineering services
Nova Insurance Consultants Limited	Hong Kong	500,000 shares paid up to HK\$500,000	100	100	Insurance brokerage
Paramatta Estate Management Limited	Hong Kong	10,000 shares paid up to HK\$10,000	100	100	Estate Manager of City One, Shatin
Park Vale (Management) Limited	Hong Kong	2 shares paid up to HK\$2	100	100	Provision of property management services for buildings
Perfect Event Services Limited	Hong Kong	10,000 shares paid up to HK\$10,000	100	100	Provision of one-stop solution and support services to event activities
Plantgrove Developments Limited	British Virgin Islands	2 shares of US\$1 each paid up to US\$2	100	100	Investment holding

## Notes to the Consolidated Financial Statements

### 35 PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation or establishment/ place of operation	Issued/Registered and paid-up capital	Attributable equity interest of the Group		Principal activities
			As at 30 June 2022	2021	
Smart and Safe Fleet Management Limited	Hong Kong	1 share paid up to HK\$1	100	100	Provision of fleet management services in Hong Kong
Sunningdale (Management) Limited	Hong Kong	2 shares paid up to HK\$20	100	100	Provision of property management services for buildings
Turning Technical Services Limited	Hong Kong	200,000 shares paid up to HK\$200,000	99	99	Provision of cleaning, repairs and maintenance services for properties
Uniformity Security Limited	British Virgin Islands	1 share of HK\$1 paid up to HK\$1	100	100	Investment holding
Urban Focus Limited	British Virgin Islands	1 share of US\$1 paid up to US\$1	100	100	Investment holding
Urban Management Services Limited	Hong Kong	10,000 shares paid up to HK\$10,000	100	100	Provision of property management services
Urban Property Management Limited	Hong Kong	49,995,498 ordinary shares and 4,502 non-voting deferred shares <sup>(1)</sup> paid up to HK\$50,000,000	100	100	Provision of property management services for buildings and investment holding
Urban Technical Services Limited	Hong Kong	2 shares paid up to HK\$2	100	100	Provision of repairs and maintenance services
Tridant Engineering Company Limited	Hong Kong	34,400,000 ordinary shares and 15,600,000 non-voting deferred shares <sup>(1)</sup> paid up to HK\$50,000,000	100	100	Provision of mechanical and electrical engineering services
Waihong Cleaning Limited	British Virgin Islands	1 share of HK\$1 paid up to HK\$1	100	100	Investment holding

### 35 PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation or establishment/ place of operation	Issued/Registered and paid-up capital	Attributable equity interest of the Group		Principal activities
			As at 30 June 2022	2021	
Waihong Environmental Services Limited	Hong Kong	400,000 shares paid up to HK\$40,000,000	100	100	Provision and management of cleaning and waste disposal services and provision of recycling and environmental disposal services
Waihong Integrated Green Services Limited	Hong Kong	400,000 shares paid up to HK\$400,000	100	100	Provision of pest control services
Waihong Medicare Services Limited	Hong Kong	1 share paid up to HK\$1	100	100	Provision of cleaning services in hospitals
Wise Plaza Limited	Hong Kong	10,000 shares paid up to HK\$10,000	70	70	Investment holding
Young's Engineering Company Limited	Hong Kong	4,000,000 shares paid up to HK\$40,000,000	100	100	Mechanical and electrical engineering
Young's Engineering (Macao) Company Limited	Macau	MOP100,000	100	100	Mechanical and electrical engineering
豐盛機電工程有限公司 <sup>(2)</sup>	Mainland China	RMB50,000,000	100	100	Mechanical and electrical engineering
北京遠東景福機電設備維修有限公司 <sup>(2)</sup>	Mainland China	US\$150,000	100	100	Mechanical, electrical engineering and maintenance
景福機電安裝工程（上海）有限公司 <sup>(2)</sup>	Mainland China	RMB15,000,000	100	100	Mechanical and electrical engineering
廣州凱康園林服務有限公司 <sup>(2)</sup>	Mainland China	RMB1,000,000	100	100	Provision of landscaping services

# Notes to the Consolidated Financial Statements

## 35 PRINCIPAL SUBSIDIARIES (Continued)

Notes:

1. The non-voting deferred shares do not carry any voting rights and are not entitled to any profits distribution by the subsidiary. On a return of assets on winding up or otherwise, the assets of the subsidiary to be returned shall be distributed firstly in paying HK\$1 billion per share to the holders of the ordinary shares and secondly in repaying to the holders of non-voting deferred shares the nominal amount paid up or credited as paid upon such shares. The balance of the assets of the subsidiary shall be distributed among the holders of the ordinary shares.
2. These subsidiaries are registered as wholly foreign owned enterprises under the law of Mainland China.

## 36 COMPARATIVE AMOUNTS

As explained in Notes 5 to the consolidated financial statements, due to the Group's application of change in operating segments determined by the Group's CODM during the year ended 30 June 2022, certain comparative amounts have been restated to conform with the current year's accounting treatments and presentation.

# Five-Year Financial Summary

## FSE LIFESTYLE — CONSOLIDATED<sup>(i)</sup>

RESULTS	For the year ended 30 June				
	2018	2019	2020	2021	2022
	(restated)	(restated)	(restated)		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	6,039,136	6,159,736	5,656,086	6,452,741	6,966,935
Profit for the year attributable to shareholders of the Company	361,015	385,380	412,161	586,911	502,935

ASSETS, LIABILITIES AND EQUITY	As at 30 June				
	2018	2019	2020	2021	2022
	(restated)	(restated)	(restated)		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	3,255,922	3,512,205	3,740,112	3,050,225	3,599,304
Total liabilities	2,278,618	2,438,215	3,023,655	2,950,711	3,162,530
Total equity	977,304	1,073,990	716,457	99,514	436,774

FINANCIAL INFORMATION PER SHARE	For the year ended 30 June/As at 30 June				
	2018	2019	2020	2021	2022
	(restated)	(restated)	(restated)		
Earnings (HK\$)	0.80	0.86	0.91	1.29	1.10

KEY RATIOS	For the year ended 30 June/As at 30 June				
	2018	2019	2020	2021	2022
	(restated)	(restated)	(restated)		
Return on assets	11.1%	11.0%	11.0%	19.2%	14.0%
Return on equity	36.9%	35.9%	57.5%	589.6%	115.4%
Current ratio (times)	1.2	1.2	1.3	1.0	1.2
Net gearing ratio	0%	0%	0%	0%	0%
Dividend payout ratio	40.1%	40.0%	45.7%	48.7%	41.0%

Note:

- (i) Consolidated figures after intra-group eliminations. For presentation purpose, the financial information for 2018 to 2020 have been restated for the Group's application of merger accounting for its acquisition of the Business Investments Group completed on 19 April 2021 which have been accounted for as a business combination under common control. Details of the acquisition are set out in Note 2.1(iii) to the consolidated financial statements.

# Corporate Information

## BOARD OF DIRECTORS

### Non-executive Director

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

### Executive Directors

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

Mr. Poon Lock Kee, Rocky *(Chief Executive Officer)*

Mr. Doo William Junior Guilherme *JP*

Mr. Lee Kwok Bong

Mr. Soon Kweong Wah

Mr. Wong Shu Hung

Dr. Cheng Chun Fai

### Independent Non-executive Directors

Mr. Kwong Che Keung, Gordon

Mr. Hui Chiu Chung, Stephen *JP*

Mr. Lee Kwan Hung, Eddie

Dr. Tong Yuk Lun, Paul

### Alternate Director

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

(alternate to Dr. Cheng Kar Shun, Henry)

## AUDIT COMMITTEE

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

Mr. Hui Chiu Chung, Stephen *JP*

Mr. Lee Kwan Hung, Eddie

Dr. Tong Yuk Lun, Paul

## REMUNERATION COMMITTEE

Mr. Hui Chiu Chung, Stephen *JP (Chairman)*

Mr. Lee Kwan Hung, Eddie

Dr. Tong Yuk Lun, Paul

Mr. Lam Wai Hon, Patrick

Mr. Poon Lock Kee, Rocky

## NOMINATION COMMITTEE

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

Mr. Hui Chiu Chung, Stephen *JP*

Dr. Tong Yuk Lun, Paul

Mr. Poon Lock Kee, Rocky

Mr. Doo William Junior Guilherme *JP*

## SUSTAINABILITY COMMITTEE

Dr. Cheng Chun Fai *(Chairman)*

Mr. Lee Kwok Bong

Mr. Soon Kweong Wah

Mr. Lee Kwan Hung, Eddie

Dr. Tong Yuk Lun, Paul

## COMPANY SECRETARY

Mr. Chan Ju Wai

## AUDITOR

PricewaterhouseCoopers

Certified Public Accountants and Registered PIE Auditor

22/F Prince's Building

Central

Hong Kong

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

BNP Paribas Hong Kong Branch

Chong Hing Bank Limited

Crédit Agricole Corporate and Investment Bank,  
Hong Kong Branch

Fubon Bank (Hong Kong) Limited

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

JPMorgan Chase Bank NA, Singapore

Nanyang Commercial Bank, Limited

Standard Chartered Bank (Hong Kong) Limited

## REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 801–810

8th Floor, Chevalier Commercial Centre

8 Wang Hoi Road, Kowloon Bay

Kowloon, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

## STOCK CODE

331

## INVESTOR RELATIONS

Strategic Financial Relations Limited

2401–02, Admiralty Centre I

18 Harcourt Road

Hong Kong

## WEBSITE

[www.fse.com.hk](http://www.fse.com.hk)



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

(Incorporated in the Cayman Islands with limited liability)

Units 801-810, 8/F, Chevalier Commercial Centre,  
8 Wang Hoi Road, Kowloon Bay,  
Kowloon, Hong Kong

Tel: (852) 2733 4188

Fax: (852) 2722 5587

E-mail: [enquiry@fse.com.hk](mailto:enquiry@fse.com.hk)

<https://www.fse.com.hk>

