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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 331)

ANNUAL RESULTS
FOR THE YEAR ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

For the year ended 30 June		**2021**	2020 (restated)(i)	% Change
		HK$M	HK$M	
Revenue	:	**6,452.7**	5,656.1	+14.1%
Gross profit	:	**1,135.1**	942.8	+20.4%
Profit attributable to shareholders of the Company	:	**586.9**	412.2	+42.4%
Basic earnings per share	:	**HK$1.29**	HK$0.91	+41.8%

The Board recommended the declaration of a final dividend of HK16.1 cents (2020: HK14.4 cents) per ordinary share to the ordinary shareholders of the Company for the year ended 30 June 2021(ii).

Note (i) Comparative figures have been restated for the Group's application of merger accounting for business combinations under common control. Details of the restatements are set out in Note 1(iii)(a) to the consolidated financial statements.

Note (ii) Together with the interim dividend of HK28.9 cents (2020: HK12.8 cents) per ordinary share paid in March 2021, total distribution of ordinary share dividends made by the Company to its ordinary shareholders for the year ended 30 June 2021 will be HK45.0 cents (2020: HK27.2 cents) per share, representing an increase of 65.4% compared with last year's.

For the year ended 30 June 2021, the dividend payout ratio of the Company is 48.7%, calculated based on the Group's adjusted profit for the year ended 30 June 2021 attributable to ordinary shareholders 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 1(iii)(a) 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).

For the year ended 30 June 2020, the dividend payout ratio of the Company was 45.7%, calculated based on the Group's adjusted profit for the year ended 30 June 2020 attributable to ordinary shareholders of the Company of HK$267.7M (i.e. after excluding (a) the profit of HK$37.3M made by the property and facility management services business during the period from 1 July 2019 to 16 December 2019, the day of completion of the Group's acquisition of this business as described in Note 1(iii)(b) to the consolidated financial statements and (b) preferred distribution to the holder of convertible preference shares of HK$4.6M for the year ended 30 June 2020 from profit attributable to shareholders of the Company of HK$309.6M as previously reported in the Group's consolidated financial statements for the year ended 30 June 2020).

The board of directors (the "Board") of FSE Lifestyle Services Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 30 June 2021 ("FY2021" or the "Year").

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2021

	Notes	**2021**	2020 (restated)*
		HK$'000	HK$'000
Revenue	2	**6,452,741**	5,656,086
Cost of services and sales		**(5,317,654)**	(4,713,276)
Gross profit		**1,135,087**	942,810
General and administrative expenses		**(458,055)**	(458,747)
Other expenses, net	3	**(28,616)**	(660)
Operating profit	4	**648,416**	483,403
Finance income		**2,266**	6,164
Finance costs		**(5,435)**	(10,197)
Share of results of associates and joint ventures		**1,072**	1,193
Profit before income tax		**646,319**	480,563
Income tax expenses	5	**(59,620)**	(68,376)
Profit for the year		**586,699**	412,187
Profit/(loss) for the year attributable to:			
Shareholders of the Company		**586,911**	412,161
Non-controlling interests		**(212)**	26
		586,699	412,187
Earnings per share for profit attributable to ordinary shareholders of the Company (expressed in HK$)			
– Basic and diluted	6	**1.29**	0.91

* Comparative figures have been restated for the Group's application of merger accounting for business combinations under common control. Details of the restatements are set out in Note 1(iii)(a) to the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2021

	2021 HK$'000	2020 (restated)* HK$'000
Profit for the year	**586,699**	412,187
Other comprehensive income/(loss):		
Items that may be subsequently reclassified to consolidated income statement:		
Currency translation differences	**15,440**	(5,885)
Items that will not be subsequently reclassified to consolidated income statement:		
Remeasurement gains on defined benefit retirement scheme, net of tax	**3,700**	191
Remeasurement gains/(losses) on long service payment liabilities, net of tax	**8,477**	(2,198)
Other comprehensive income/(loss) for the year, net of tax	**27,617**	(7,892)
Total comprehensive income for the year	**614,316**	404,295
Total comprehensive income/(loss) for the year attributable to:		
Shareholders of the Company	**614,528**	404,269
Non-controlling interests	**(212)**	26
	614,316	404,295

* Comparative figures have been restated for the Group's application of merger accounting for business combinations under common control. Details of the restatements are set out in Note 1(iii)(a) to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

	Note	**2021**	2020 (restated)*
		HK$'000	HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**45,157**	375,910
Investment property		–	10,850
Right-of-use assets		**58,820**	74,051
Other intangible assets		**185,079**	109,122
Interests in associates		**200**	197
Interests in joint ventures		**950**	1,049
Deferred income tax assets		**15,006**	12,157
Pension assets		**6,032**	3,146
		311,244	586,482
Current assets			
Trade and other receivables	8	**1,671,095**	1,814,481
Contract assets		**499,002**	391,301
Inventories		**18,994**	53,033
Cash and bank balances		**549,890**	894,815
		2,738,981	3,153,630
Total assets		**3,050,225**	3,740,112
EQUITY			
Ordinary shares		**45,000**	45,000
Convertible preference shares		**140,900**	140,900
Reserves		**(108,386)**	530,464
Shareholders' funds		**77,514**	716,364
Non-controlling interests		**22,000**	93
Total equity		**99,514**	716,457

* Comparative figures have been restated for the Group's application of merger accounting for business combinations under common control. Details of the restatements are set out in Note 1(iii)(a) to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 30 June 2021

	Note	2021 HK$'000	2020 (restated)* HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings		**150,000**	463,243
Lease liabilities		**20,198**	20,433
Long service payment liabilities		**42,232**	49,149
Deferred income tax liabilities		**22,702**	27,156
Pension liabilities		–	742
		235,132	560,723
Current liabilities			
Trade and other payables	9	**1,917,290**	1,821,816
Contract liabilities		**466,045**	503,484
Borrowings		**233,812**	–
Current portion of lease liabilities		**22,677**	42,865
Taxation payable		**75,755**	94,767
		2,715,579	2,462,932
Total liabilities		**2,950,711**	3,023,655
Total equity and liabilities		**3,050,225**	3,740,112
Net current assets		**23,402**	690,698
Total assets less current liabilities		**334,646**	1,277,180

* Comparative figures have been restated for the Group's application of merger accounting for business combinations under common control. Details of the restatements are set out in Note 1(iii)(a) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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.

(i) New amendments to existing standards that are effective for the Group's financial year beginning on 1 July 2020

The following new amendments to existing standards are mandatorily effective for the financial year of the Group beginning on 1 July 2020:

Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

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

(ii) New standard, amendments and improvements 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 and improvements to existing standards have been issued but not yet effective for the Group's financial year beginning on 1 July 2020 and have not been early adopted:

		Effective for accounting periods beginning on or after
Amendments to HKFRS 4, HKFRS 7, HKFRS 9, HKFRS 16 and HKAS 39	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
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 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 HKSA 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.

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

(a) Acquisition of the Business Investments Group

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 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, has been charged directly to the Group's reserves.

(b) Acquisition of the Legend Success Group

On 18 October 2019, the Company and FSE Property Management Group Limited ("FPMGL"), a wholly-owned subsidiary of the Company, as the purchaser and FMC, as a vendor entered into a conditional sale and purchase agreement, pursuant to which FMC agreed to sell, and the Company agreed to purchase (or to procure a wholly-owned subsidiary to purchase) the entire issued share capital of Legend Success Investments Limited (the "Legend Success Sale Share") and its subsidiaries (the "Legend Success Group") at an initial sum of consideration of HK$704.9 million, subject to subsequent adjustment by reference to the change in the net tangible asset value of the Legend Success Group from 30 June 2019 to the date of completion of the acquisition (the "Legend Success Acquisition"). Pursuant thereto, the Company has nominated FPMGL to buy the Legend Success Sale Share. The initial sum of consideration 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 to FMC, credited as fully paid. The Group's payment for the initial cash consideration for this transaction was mainly financed by a bank loan with a principal amount of HK$563.9 million drawn in December 2019, which bears interest at 0.7% per annum over Hong Kong Interbank Offered Rate. After the Group's repayment of HK$330 million of this bank loan since its drawdown in December 2019 up to 30 June 2021, its carrying amount at 30 June 2021, net of unamortised transaction costs, was HK$233.8 million.

The convertible preference shares are convertible into 43,676,379 ordinary shares of the Company at an initial price of HK$3.2260 per share, subject to adjustments, at any time within 10 years following its issuance date of 16 December 2019. The acquisition was completed on 16 December 2019 and a positive net tangible asset value adjustment of HK$38.5 million was made to the consideration for this transaction, which thus in aggregate amounts to HK$743.4 million. The total amount of such consideration has been charged directly to the Group's reserves. A final cash payment of the consideration of HK$38.5 million was made on 13 February 2020 with reference to the unaudited net tangible asset value of the Legend Success Group as at the completion date of this transaction of 16 December 2019. The Legend Success Group is principally engaged in the provision of property and facility management services, property agency and related services for buildings, carparks management services and guarding services in Hong Kong.

Both of the Business Investments Acquisition and the Legend Success Acquisition were considered as business combinations under common control as FCESL and Business Investments Group, and FPMGL and the Legend Success Group are both ultimately controlled by FSE Holdings Limited. The acquisitions of the Business Investments Group and the Legend Success Group were 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 and Legend Success Group were included in the consolidated financial statements from the beginning of the earliest period presented as if they had always been part of the Group. As a result, the Group has included their operating results and eliminated its transactions with them, as if the acquisitions had been completed on the earliest date being presented.

(iv) Effect of application of merger accounting for the Group's acquisition of the Business Investments Group

(a) Effect on the consolidated income statement for the year ended 30 June 2021:

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Business Investments Group HK$'000	Adjustments (Note) HK$'000	Consolidated HK$'000
Revenue	**5,682,123**	**775,893**	**(5,275)**	**6,452,741**
Cost of services and sales	**(4,802,611)**	**(520,318)**	**5,275**	**(5,317,654)**
Gross profit	**879,512**	**255,575**	**–**	**1,135,087**
General and administrative expenses	**(393,366)**	**(66,061)**	**1,372**	**(458,055)**
Other (expenses)/income, net	**(28,077)**	**833**	**(1,372)**	**(28,616)**
Operating profit	**458,069**	**190,347**	**–**	**648,416**
Finance income	**1,852**	**414**	**–**	**2,266**
Finance costs	**(5,008)**	**(427)**	**–**	**(5,435)**
Share of result of associates and joint ventures	**892**	**180**	**–**	**1,072**
Profit before income tax	**455,805**	**190,514**	**–**	**646,319**
Income tax expenses	**(44,244)**	**(15,376)**	**–**	**(59,620)**
Profit for the year	**411,561**	**175,138**	**–**	**586,699**
Profit/(loss) for the year attributable to:				
Shareholders of the Company	**411,773**	**175,138**	**–**	**586,911**
Non-controlling interests	**(212)**	**–**	**–**	**(212)**
	411,561	**175,138**	**–**	**586,699**
Earnings per share for profit attributable to ordinary shareholders of the Company (expressed in HK$)				
– Basic and diluted	**0.90**	**0.39**	**–**	**1.29**

Note: The adjustments represent the elimination of revenue and expenses charged between the Group and the Business Investments Group.

(b) Effect on the consolidated statement of comprehensive income for the year ended 30 June 2021:

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Business Investments Group HK$'000	Consolidated HK$'000
Profit for the year	**411,561**	**175,138**	**586,699**
Other comprehensive income:			
Item that may be subsequently reclassified to consolidated income statement:			
Currency translation differences	**15,090**	**350**	**15,440**
Items that will not be subsequently reclassified to consolidated income statement:			
Remeasurement gains on defined retirement scheme, net of tax	**2,475**	**1,225**	**3,700**
Remeasurement gains on long service payment liabilities, net of tax	**3,968**	**4,509**	**8,477**
Other comprehensive income for the year, net of tax	**21,533**	**6,084**	**27,617**
Total comprehensive income for the year	**433,094**	**181,222**	**614,316**
Total comprehensive income/(loss) for the year attributable to:			
Shareholders of the Company	**433,306**	**181,222**	**614,528**
Non-controlling interests	**(212)**	**–**	**(212)**
	433,094	**181,222**	**614,316**

(c) Effect on the consolidated statement of financial position as at 30 June 2021:

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Business Investments Group HK$'000	Adjustments (Note) HK$'000	Consolidated HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	**40,946**	**4,211**	**–**	**45,157**
Right-of-use assets	**58,721**	**99**	**–**	**58,820**
Other intangible assets	**153,582**	**31,497**	**–**	**185,079**
Interests in associates	**48**	**152**	**–**	**200**
Interests in joint ventures	**950**	**–**	**–**	**950**
Deferred income tax assets	**14,765**	**241**	**–**	**15,006**
Pension assets	**5,323**	**709**	**–**	**6,032**
	274,335	**36,909**	**–**	**311,244**
Current assets				
Trade and other receivables	**1,437,737**	**367,609**	**(134,251)**	**1,671,095**
Contract assets	**498,377**	**625**	**–**	**499,002**
Inventories	**18,266**	**728**	**–**	**18,994**
Cash and bank balances	**428,699**	**121,191**	**–**	**549,890**
	2,383,079	**490,153**	**(134,251)**	**2,738,981**
Total assets	**2,657,414**	**527,062**	**(134,251)**	**3,050,225**
EQUITY				
Ordinary shares	**45,000**	**–**	**–**	**45,000**
Convertible preference shares	**140,900**	**–**	**–**	**140,900**
Reserves	**(216,169)**	**107,783**	**–**	**(108,386)**
Shareholders' (deficit)/funds	**(30,269)**	**107,783**	**–**	**77,514**
Non-controlling interests	**22,000**	**–**	**–**	**22,000**
Total equity	**(8,269)**	**107,783**	**–**	**99,514**
LIABILITIES				
Non-current liabilities				
Borrowings	**–**	**150,000**	**–**	**150,000**
Lease liabilities	**20,188**	**10**	**–**	**20,198**
Long service payment liabilities	**30,660**	**11,572**	**–**	**42,232**
Deferred income tax liabilities	**20,056**	**2,646**	**–**	**22,702**
	70,904	**164,228**	**–**	**235,132**
Current liabilities				
Trade and other payables	**1,857,019**	**194,522**	**(134,251)**	**1,917,290**
Contract liabilities	**423,839**	**42,206**	**–**	**466,045**
Borrowings	**233,812**	**–**	**–**	**233,812**
Current portion of lease liabilities	**22,584**	**93**	**–**	**22,677**
Taxation payables	**57,525**	**18,230**	**–**	**75,755**
	2,594,779	**255,051**	**(134,251)**	**2,715,579**
Total liabilities	**2,665,683**	**419,279**	**(134,251)**	**2,950,711**
Total equity and liabilities	**2,657,414**	**527,062**	**(134,251)**	**3,050,225**
Net current (liabilities)/assets	**(211,700)**	**235,102**	**–**	**23,402**
Total assets less current liabilities	**62,635**	**272,011**	**–**	**334,646**

Note: The adjustments represent the elimination of trade and other receivables/payables of the Group and the Business Investments Group.

(d) Effect on the consolidated income statement for the year ended 30 June 2020:

	The Group (before business combination under common control) HK$'000	**Effect of business combination under common control of the Business Investments Group HK$'000**	**Adjustments (Note) HK$'000**	**Consolidated HK$'000**
Revenue	4,882,119	777,169	(3,202)	5,656,086
Cost of services and sales	(4,121,743)	(594,735)	3,202	(4,713,276)
Gross profit	760,376	182,434	–	942,810
General and administrative expenses	(384,012)	(74,775)	40	(458,747)
Other (expenses)/income, net	(9,345)	8,725	(40)	(660)
Operating profit	367,019	116,384	–	483,403
Finance income	5,535	629	–	6,164
Finance costs	(10,093)	(104)	–	(10,197)
Share of result of associates and joint ventures	1,013	180	–	1,193
Profit before income tax	363,474	117,089	–	480,563
Income tax expenses	(53,885)	(14,491)	–	(68,376)
Profit for the year	309,589	102,598	–	412,187
Profit for the year attributable to:				
Shareholders of the Company	309,563	102,598	–	412,161
Non-controlling interests	26	–	–	26
	309,589	102,598	–	412,187
Earnings per share for profit attributable to ordinary shareholders of the Company (expressed in HK$)				
– Basic and diluted	0.68	0.23	–	0.91

Note: The adjustments represent the elimination of revenue charged between the Group and the Business Investments Group.

(e) Effect on the consolidated statement of comprehensive income for the year ended 30 June 2020:

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Business Investments Group HK$'000	Consolidated HK$'000
Profit for the year	309,589	102,598	412,187
Other comprehensive (loss)/income:			
Items that may be subsequently reclassified to consolidated income statement:			
Currency translation differences	(5,885)	–	(5,885)
Items that will not be subsequently reclassified to consolidated income statement:			
Remeasurement gains/(losses) on defined retirement scheme, net of tax	608	(417)	191
Remeasurement losses on long service payment liabilities, net of tax	(302)	(1,896)	(2,198)
Other comprehensive loss for the year, net of tax	(5,579)	(2,313)	(7,892)
Total comprehensive income for the year	304,010	100,285	404,295
Total comprehensive income for the year attributable to:			
Shareholders of the Company	303,984	100,285	404,269
Non-controlling interests	26	–	26
	304,010	100,285	404,295

(f) Effect on the consolidated statement of financial position as at 30 June 2020:

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Business Investments Group HK$'000	Adjustments (Note) HK$'000	Consolidated HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	371,873	4,037	–	375,910
Investment property	10,850	–	–	10,850
Right-of-use assets	72,177	1,874	–	74,051
Other intangible assets	76,503	32,619	–	109,122
Interests in associates	45	152	–	197
Interests in joint ventures	1,049	–	–	1,049
Deferred income tax assets	11,083	1,074	–	12,157
Pension assets	3,146	–	–	3,146
	546,726	39,756	–	586,482
Current assets				
Trade and other receivables	1,502,962	312,044	(525)	1,814,481
Contract assets	388,390	2,911	–	391,301
Inventories	52,225	808	–	53,033
Cash and bank balances	700,946	193,869	–	894,815
	2,644,523	509,632	(525)	3,153,630
Total assets	3,191,249	549,388	(525)	3,740,112
EQUITY				
Ordinary shares	45,000	–	–	45,000
Convertible preference shares	140,900	–	–	140,900
Reserves	258,723	271,741	–	530,464
Shareholders' funds	444,623	271,741	–	716,364
Non-controlling interests	93	–	–	93
Total equity	444,716	271,741	–	716,457
LIABILITIES				
Non-current liabilities				
Borrowings	463,243	–	–	463,243
Lease liabilities	20,331	102	–	20,433
Long service payment liabilities	32,277	16,872	–	49,149
Deferred income tax liabilities	24,446	2,710	–	27,156
Pension liabilities	-	742	–	742
	540,297	20,426	–	560,723
Current liabilities				
Trade and other payables	1,639,326	183,015	(525)	1,821,816
Contract liabilities	454,801	48,683	–	503,484
Current portion of lease liabilities	41,060	1,805	–	42,865
Taxation payables	71,049	23,718	–	94,767
	2,206,236	257,221	(525)	2,462,932
Total liabilities	2,746,533	277,647	(525)	3,023,655
Total equity and liabilities	3,191,249	549,388	(525)	3,740,112
Net current assets	438,287	252,411	–	690,698
Total assets less current liabilities	985,013	292,167	–	1,277,180

Note: The adjustments represent the elimination of trade and other receivables/payables of the Group and the Business Investments Group.

2. 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(i) and E&M services income. An analysis of the Group's revenue is as follows:

For the year ended 30 June	2021 HK$'000	2020 (restated) HK$'000
Revenue		
Property & facility management services	**658,239**	546,780
City essential services		
- Cleaning services	**1,262,640**	1,126,926
- Technical support & maintenance services		
- Renovations and repairing	**669,960**	739,471
- Routine maintenance	**113,614**	111,076
- Security guarding & event services		
- Rendering of services	**654,707**	648,301
- Sales of goods	**5,386**	13,616
- Insurance solutions	**85,898**	86,198
- Environmental solutions		
- Rendering of services	**80,482**	88,409
- Sales of goods	**75,063**	67,113
- Laundry services(i)	**29,094**	102,017
	2,976,844	2,983,127
E&M services	**2,817,658**	2,126,179
Total(ii)	**6,452,741**	5,656,086

Notes:
(i) Up to 31 December 2020 when the Group disposed of its laundry business
(ii) Included contracting revenue recognised based on percentage of actual costs incurred over total estimated costs of individual contracting work of HK$2,928.6 million (2020: HK$2,314.2 million), comprising (a) HK$2,817.7 million (2020: HK$2,126.2 million) for E&M services, (b) HK$109.6 million (2020: HK$185.5 million) for technical support & maintenance services and (c) HK$1.3 million (2020: HK$2.5 million) for environmental solutions

Following the acquisition of security guarding & event services, insurance solutions and landscaping services businesses as described in Note 1(iii)(a), 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 2021, 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[note]; and

(iii) E&M services — Provision of engineering and consultancy services on installation.

Note:
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, investment property, 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 2021 and 30 June 2020, unallocated assets and unallocated liabilities represented the assets and liabilities not arising from the operations of the operating segments.

Prior year's corresponding segment information that is presented for comparative purposes has been restated to conform with AG 5 issued by the HKICPA as a result of the acquisition of the Business Investments Group which is detailed in Note 1(iii)(a).

Capital expenditure comprises mainly additions to property, plant and equipment, right-of-use assets and other intangible assets.

(a) As at and for the year ended 30 June 2021

The segment results for the year ended 30 June 2021 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	658,239	2,976,844	2,817,658	–	6,452,741
Revenue – Internal	3,021	105,762	–	(108,783)	–
Total revenue	661,260	3,082,606	2,817,658	(108,783)	6,452,741
Timing of revenue recognition					
Over time	661,260	2,951,457	2,817,658	(88,044)	6,342,331
At a point in time	–	131,149	–	(20,739)	110,410
Total revenue	661,260	3,082,606	2,817,658	(108,783)	6,452,741
Operating profit before unallocated corporate expenses	147,048	396,860	124,556	–	668,464
Unallocated corporate expenses					(20,048)
Operating profit					648,416
Finance income					2,266
Finance costs					(5,435)
Share of results of associates and joint ventures					1,072
Profit before income tax					646,319
Income tax expenses (Note 5)					(59,620)
Profit for the year					586,699
Other items					
Depreciation and amortisation	11,541	37,054	27,202	–	75,797
Losses related to disposal of subsidiaries					
- Impairment losses					
- Property, plant and equipment	–	22,859	–	–	22,859
- Right-of-use assets	–	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	–	2,800	–	–	2,800
- Other intangible assets	–	845	–	–	845
- Trade and other receivables	1,277	(374)	1,050	–	1,953
Provision for inventories	–	6,406	–	–	6,406

The segment assets and liabilities as at 30 June 2021 and capital expenditure for the year then ended 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	1,242,504	1,436,220	3,016,185
Unallocated assets				34,040
Total assets				3,050,225
Segment liabilities	185,922	679,365	1,650,025	2,515,312
Unallocated liabilities				435,399
Total liabilities				2,950,711
Total capital expenditure	2,482	39,276	5,381	47,139

(b) As at and for the year ended 30 June 2020 (restated)

The segment results for the year ended 30 June 2020, 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	546,780	2,983,127	2,126,179	–	5,656,086
Revenue – Internal, as restated	–	88,925	–	(88,925)	–
Total revenue, as restated	546,780	3,072,052	2,126,179	(88,925)	5,656,086
Timing of revenue recognition					
Over time, as restated	546,780	2,946,528	2,126,179	(74,013)	5,545,474
At a point in time, as restated	–	125,524	–	(14,912)	110,612
Total revenue, as restated	546,780	3,072,052	2,126,179	(88,925)	5,656,086
Operating profit before unallocated corporate expenses, as restated	93,881	231,216	176,055	–	501,152
Unallocated corporate expenses					(17,749)
Operating profit, as restated					483,403
Finance income, as restated					6,164
Finance costs, as restated					(10,197)
Share of results of associates and joint ventures, as restated					1,193
Profit before income tax, as restated					480,563
Income tax expenses, as restated (Note 5)					(68,376)
Profit for the year, as restated					412,187
Other items, as restated					
Depreciation and amortisation, as restated	12,097	38,156	40,026	–	90,279
Impairment losses, net					
- Property, plant and equipment	–	11,394	–	–	11,394
- Right-of-use assets	–	2,502	–	–	2,502
- Trade and other receivables	–	2,121	–	–	2,121

The segment assets and liabilities as at 30 June 2020 and capital expenditure, as restated, for the year then ended are as follows:

	Property & facility management services HK$'000	City essential services HK$'000	E&M services HK$'000	Total HK$'000
Segment assets, as restated	289,496	1,353,589	1,843,494	3,486,579
Unallocated assets				253,533
Total assets, as restated				3,740,112
Segment liabilities, as restated	146,644	686,853	1,654,776	2,488,273
Unallocated liabilities, as restated				535,382
Total liabilities, as restated				3,023,655
Total capital expenditure, as restated	3,029	24,345	13,565	40,939

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	**2021**	2020
		(restated)
	HK$'000	HK$'000
Revenue		
Hong Kong	**5,780,739**	4,943,280
Mainland China	**436,315**	382,256
Macau	**235,687**	330,550
Total	**6,452,741**	5,656,086

The analysis of the Group's major customers, which a single external customer has contributed 10% or more to the Group's revenue, is as follows:

For the year ended 30 June	**2021**	2020
		(restated)
	HK$'000	HK$'000
Customer A	**1,261,242**	933,179
Customer B	**917,882**	593,460
Customer C	**741,987**	N/A(i)

Note:
(i) The amount is below 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:

As at 30 June	**2021**	2020
		(restated)
	HK$'000	HK$'000
Non-current assets, other than deferred tax assets and pension assets		
Hong Kong	**262,955**	513,783
Mainland China	**26,836**	27,904
Macau	**415**	29,492
Total	**290,206**	571,179

3. Other expenses, net

For the year ended 30 June	**2021**	2020
		(restated)
	HK$'000	HK$'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)**	(11,394)
- Right-of-use assets	–	(2,502)
- Other intangible assets	**(845)**	–
(Loss)/gain on disposal of property, plant and equipment, net	**(4,356)**	8,769
Exchange gain/(loss), net	**2,360**	(1,555)
Rental income	**589**	2,346
Government grants (Note i)	**433**	1,508
Ex-gratia payments from the government for retirement of motor vehicles	**450**	449
Sundries	**1,773**	1,719
Total	**(28,616)**	(660)

Note:

(i) During the years ended 30 June 2021 and 30 June 2020, the Group has received government grants from the Anti-epidemic Fund set up by the Government of the Hong Kong Special Administrative Region (the "HKSAR Government") under a One-off Subsidy Scheme as financial support for its businesses and/or licensed goods vehicles. Under this scheme, one-off subsidies are provided to eligible businesses depending on their industries, which have business commenced before 1 January 2020 and is still in operation at the time of application. There are no unfilled conditions or other contingencies attaching to these grants.

4. Operating profit

For the year ended 30 June	2021	2020 (restated)
	HK$'000	HK$'000
Operating profit is stated after charging/(crediting):		
Staff costs (including Directors' emoluments)[i]	**2,390,538**	2,353,643
Subcontracting fees	**1,877,085**	1,599,882
Raw materials and consumables used	**1,100,575**	775,830
Cost of inventories sold	**55,154**	56,359
Depreciation of property, plant and equipment	**34,716**	43,712
Depreciation of right-of-use assets	**38,359**	43,546
Provision/(reversal of provision) for inventories	**6,406**	(50)
Operating lease rental for land and buildings	**6,260**	8,790
Auditors' remuneration		
Audit services	**6,048**	6,103
Non-audit services	**2,911**	2,574
Amortisation of other intangible assets[ii]	**2,413**	2,636
Impairment loss on trade and other receivables, net	**1,953**	2,121
Depreciation of investment property	**309**	385

Note:

(i) Government grants have been received by the Group from (a) the Anti-epidemic Fund set up by the HKSAR Government under the Employment Support Scheme (the "ESS Scheme") and Support for Engineering, Architectural, Surveying, Town Planning and Landscape sectors (the "Support Measure Scheme") and (b) the Government of the Macau Special Administrative Region (the "Macau SAR Government") under its subsidy scheme (the "Macau Scheme") as financial support. The ESS Scheme is eligible for all employers who have been making Mandatory Provident Fund ("MPF") contribution. Eligible employers are required to provide an undertaking not to make redundancies during the subsidy period from June 2020 to November 2020. Otherwise, depending on the headcount reduction percentage, the employers will have to pay penalties to the HKSAR Government. The grants are disbursable to employers in two tranches during 2020. Under the Support Measure Scheme, employers of fresh graduates and new assistant professionals of the engineering, architectural, surveying, town planning and landscape sectors are eligible to apply for salary subsidies from the Anti-epidemic Fund. Under the Macau Scheme, one-off subsidies are provided to each eligible business depending on the number of employees they hired. During the year ended 30 June 2021, the Group has recognised HK$334.1 million (2020: HK$61.6 million (restated)) in relation to these grants as deductions in its staff costs in the consolidated income statement. 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 2020. During the year ended 30 June 2021, the Group was granted reduction in such obligations totalling HK$7.3 million (2020: HK$5.2 million) which would otherwise be recorded as part of the Group's staff costs if no such reduction was granted.

(ii) 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, utility expenses, motor vehicles expenses, etc.

5. Income tax expenses

For the year ended 30 June	2021 HK$'000	2020 (restated) HK$'000
Current income tax		
Hong Kong profits tax	**63,671**	75,427
Mainland China income tax	**867**	245
Macau taxation	**15**	–
Over-provision in prior years	**(160)**	(95)
Deferred income tax expense		
Income tax	**(5,537)**	(7,092)
Withholding tax	**764**	(109)
Total	**59,620**	68,376

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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 2021 (2020: 12% to 25%). According to applicable the 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.

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	2021 HK$'000	2020 (restated) HK$'000
Profit before income tax	**646,319**	480,563
Less: Share of results of		
Associates	**(1,053)**	(1,078)
Joint ventures	**(19)**	(115)
	645,247	479,370
Calculated at a tax rate of 16.5% (2020: 16.5%)	**106,466**	79,096
Expenses not deductible for taxation purposes	**9,894**	5,071
Tax losses not recognised	**4,646**	973
Effect of different taxation rates in other regions	**1,341**	(824)
Withholding tax on undistributed earnings from subsidiaries in Mainland China	**764**	(109)
Income not subject to taxation	**(56,426)**	(12,905)
Recognition of previously unrecognised tax losses	**(5,794)**	–
Tax concessions	**(1,072)**	(868)
Temporary differences not recognised	**138**	10
Utilisation of previously unrecognised tax losses	**(177)**	(1,973)
Over-provision in prior years	**(160)**	(95)
Income tax expenses	**59,620**	68,376

6. 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	2021 HK$'000	2020 (restated) HK$'000
Profit for the year attributable to shareholders of the Company	**586,911**	412,161
Less: Preferred distribution to the holder of convertible preference shares	**(8,454)**	(4,573)
Earnings used in the basic earnings per share calculation	**578,457**	407,588
Weighted average number of ordinary shares in issue (shares in thousands)	**450,000**	450,000
Basic earnings per share (HK$)	**1.29**	0.91

(b) Diluted

During the year ended 30 June 2020, 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 2021 and 30 June 2020, therefore, the effect of their conversion is not included in the calculation of the diluted earnings per share for years ended 30 June 2021 and 30 June 2020. As a result, the diluted earnings per share equals to the basic earnings per share for the years ended 30 June 2021 and 30 June 2020.

7. Dividends

For the year ended 30 June	2021 HK$'000	2020 HK$'000
Interim dividend paid of HK28.9 cents (2020: HK12.8 cents) per share	**130,050**	57,600
Final dividend proposed of HK16.1cents (2020: HK14.4 cents) per share	**72,450**	64,800
Total	**202,500**	122,400

Note:
At a meeting held on 27 September 2021, the Board recommended a final dividend of HK16.1 cents (2020: HK14.4 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 2022.

8. Trade and other receivables

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	2021 HK$'000	2020 (restated) HK$'000
Current to 90 days	**673,882**	629,312
91 – 180 days	**24,178**	41,969
Over 180 days	**38,009**	10,774
Total	**736,069**	682,055

9. Trade and other payables

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	2021	2020 (restated)
	HK$'000	HK$'000
1 – 90 days	294,591	178,771
91 – 180 days	9,668	9,713
Over 180 days	16,770	10,093
Total	321,029	198,577

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In FY2021, the Group recorded revenue amounting to HK$6,452.7 million, representing an increase of HK$796.6 million or 14.1%, as compared with HK$5,656.1 million (restated) in FY2020. Profit attributable to shareholders for the year was HK$586.9 million, representing an increase of HK$174.7 million or 42.4% as compared with HK$412.2 million (restated) in FY2020, mainly resulted from (i) an increase in new contracts awarded in facility/property management, and ad-hoc cleaning and disinfection projects following the outbreak of COVID-19; and (ii) the receipt of subsidies under the Employment Support Scheme (the "ESS Scheme") of the Hong Kong SAR Government; which are offset by (i) the loss recognised by the Group during the year in relation to its disposal of laundry business, (ii) an increase in staff costs and (iii) a decrease in gross profit from the Group's E&M services segment, mostly due to the additional income from completed E&M installation projects in Hong Kong and Macau in the prior year which are not repeated in the Year. Details of the subsidies recognised by the Group are set out in Note 4 to the consolidated financial statements. The expanded business scale after the completion of the Group's acquisition of security guarding & event services, insurance solutions and landscaping services businesses provides a broader and more diversified revenue stream and enhanced profit source to the Group.

PROPERTY & FACILITY MANAGEMENT SERVICES SEGMENT

The Group's property and facility management services business, comprising Urban, including its subsidiary International Property Management Limited, and Kiu Lok, 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.

Urban and Kiu Lok are experts in six core property and facility management pillars: (i) residential property assets 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. Their property asset and facility services cover all kinds of property and facility assets including government 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.

Urban and Kiu Lok's unique market differentiation lies in their vertical integration of services, strong pool of professional talents and partnership approach towards customers. Innovation keeps Urban and Kiu Lok at the forefront of the industry. They have been pioneering in the introduction of modern international standards and service models in property and facility management in Hong Kong.

On 30 June 2021, the Group expanded its property and facility management services business portfolio through the acquisition of the entire issued capital of Kiu Lok Properties (International) Limited (formerly known as Marriott Properties (International) Limited) ("Kiu Lok Properties") by its 70%-owned subsidiary, Wise Plaza Limited, at a total cash consideration of HK$74.9 million. Such consideration 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 Limited's 30% shareholder, which amounts to HK$22.5 million. Kiu Lok Properties principally engages in the provision of property agency and management, and housekeeping services in Hong Kong.

During FY2021, Urban and Kiu Lok submitted tenders for 20 service contracts (with a contract sum equal to or exceeding HK$1 million for each service contract) with a total tender sum of HK$409 million and was awarded 27 service contracts (with a net contract sum equal to or exceeding HK$1 million for each service contract) with a total contract sum of HK$273 million, including previously submitted tenders. Among these 27 service contracts, 3 of them were major service contracts (with net contract sum equal to or more than HK$20 million) for 2 carparks of shopping malls and a residential estate in Tuen Mun.

As at 30 June 2021, the property & facility management services segment has a total gross value of contract sum of HK$2,050 million with total outstanding contract sums of HK$1,446 million.

CITY ESSENTIAL SERVICES SEGMENT

Cleaning Services

The Group's cleaning services business, Waihong, encompasses a wide range of private buildings and public facilities in every corner of Hong Kong, which includes office towers, shopping malls, hotels, university campuses, international schools, tourism facilities, government properties, public utilities, convention and exhibition centres, railway stations, airport terminal building, hospitals, industrial buildings and residential properties. It is mainly engaged in providing specialist cleaning services including general cleaning, initial cleaning, housekeeping, recycling, marble and granite floor maintenance, food and solid waste collection, clinical and construction waste disposal, clinic support, sterilisation and integrated pest management services.

Facing with the downturn of economy in Hong Kong, the specialist cleaning services industry is full of challenges and opportunities. During FY2021, Waihong has seized the opportunity to successfully enter the government market segment through acquiring several service contracts from different government departments. Such breakthrough led Waihong to increase its revenue share ratio for the government sector from 5% to 9% for FY2021. Moreover, with the benefit from tremendous amount of sterilisation service orders, Waihong gained considerable revenue and profit during the outbreak period of COVID-19. As always, Waihong has successfully secured numbers of new service contracts and attain a high renewal rate for its existing contracts over the past financial year. Waihong will extend its business strategies to broaden its service portfolio in the private and public sectors to sustain its market competitiveness.

During FY2021, Waihong submitted tenders for 579 cleaning service contracts (with a contract sum equal to or exceeding HK$1 million for each service contract) with a total tender sum of HK$5,352 million and was awarded 126 new service contracts (with a net contract sum equal to or exceeding HK$1 million for each service contract) with a total contract sum of HK$1,096 million. Among these 126 service contracts, 15 of them were major service contracts (with net contract sum equal to or more than HK$20 million for each service contract), which include 3 universities' campuses and training centres in Kowloon and Hong Kong, 3 residential estates in Sha Tin, Fo Tan and the Island East District, 2 shopping malls in Shatin and Kowloon Bay, 2 government department head offices, a sports wellness facility in Sai Kung, an exhibition centre in Wan Chai, a hospital in the North District, a museum in Tsim Sha Tsui and a commercial complex building in Sheung Wan.

Technical Support & Maintenance Services

The Group's technical support & maintenance services business covers renovation projects for replacement of chiller units, upgrade of electrical supply systems, modification and enhancement of fire services and plumbing and drainage systems, system maintenance and repairing works, testing and commissioning, periodic inspection, testing and certification of electrical installation works, consultancy, and heat, air ventilation, and cooling central plant room routine operation and maintenance services in Hong Kong, Mainland China and Macau.

During FY2021, the Group submitted tenders for 348 maintenance service contracts (with a contract sum equal to or exceeding HK$1 million for each contract, if awarded) with a total tender sum of HK$2,860 million and was awarded 118 projects (with a net contract sum equal to or exceeding HK$1 million for each project) with a total net contract sum of HK$583 million.

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, horse racing facilities, event and exhibition venues. Perfect Event's main clients are property developers and provides services for their property sales events.

General Security holds all three types of licences required for operating as a security company in Hong Kong, including Type I Licence for provision of security guarding services, Type II Licence for providing armoured transportation services and Type III Licence for installation, maintenance and/or repairing of a security device and/or designing a security system incorporating a security device.

Perfect Event provides comprehensive one-stop support services for event activities covering service design and planning, provision of customer service ambassadors and concierge services, security guarding and system, alarm installation and maintenance, cleaning, insurance brokerage, electrical and mechanical supporting, landscaping and IT services.

During FY2021, General Security and Perfect Event submitted tenders for 100 security guarding and event services contracts, including 40 renewal and 60 new contracts (with a contract sum equal to or exceeding HK$1 million for each contract, if awarded) with a total tender sum of HK$1,754 million and was awarded 49 service contracts (with a net contract sum equal to or exceeding HK$1 million for each project) with a total contract sum of HK$531 million. Among these 49 service contracts, 7 of them were major service contracts (with net contract sum equal to or more than HK$20 million for each service contract), which included 6 residential estates in Kowloon Station, Shatin, Fo Tan, Pokfulam and Tin Hau and a shopping centre in Tseung Kwan O.

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. With a highly professional team of brokers and specialists, Nova serves many clients who are leaders within their respective industries including international hotel chains, listed companies, property developers, public transportation companies, manufactories, trading companies, telecommunication companies and non-governmental organisations.

During FY2021, Nova got many new clients including a hotel chain with properties in 20 countries, a property development in Southeast Asia, international contractors, listed companies, schools and non-governmental organisations. Nova also has good growth in areas like yacht insurance, facultative reinsurance for overseas property insurance programme. Nova received more enquiries on financial lines products such as directors and officers liability insurance, professional indemnity insurance and cyber insurance. Construction insurance is an importance segment for Nova which continued to grow steadily. Nova's client retention ratio has always been over 90% which ensures it a stable income. Because of COVID-19, people tend not to visit doctors or having operations unless for emergency situation. Hence, the renewal premium for group medical insurance tend to decrease. Nevertheless, this impact is offset by Nova's growth in new businesses.

During FY2021, Nova submitted tenders for 13 service contracts (with a contract sum equal to or exceeding HK$1 million for each service contract) with a total tender sum of HK$23 million and was awarded service contracts with a total value of HK$12 million.

Environmental Solutions
The Group's environmental solutions business (i) provides environmental assessment and energy efficient solutions to assist its customers in achieving their environmental protection and energy conservation objectives and landscape design and maintenance services to a diversified business portfolio and (ii) engaged in the trading of retail sales of wall and floor tiles, E&M engineering equipment and materials and other building materials.

During FY2021, the Group submitted tenders for 45 environmental and landscape service contracts (with a contract sum equal to or exceeding HK$1 million for each contract, if awarded) with a total tender sum of HK$157 million and was awarded 17 service contracts (with a net contract sum equal to or exceeding HK$1 million for each project) with a total contract sum of HK$41 million. In addition, the Group submitted 166 orders for building material trading (with a order sum equal to or exceeding HK$1 million for each order, if awarded) with a total order sum of HK$924 million and was awarded 9 orders (with a sum equal to or exceeding HK$1 million for each order) with a total sum of HK$28 million.

Laundry Services
New China Laundry Group ("NCL") provides laundry and dry cleaning services in Hong Kong. Its clientele covers hotels, service apartments, clubhouses, an international theme park and major airlines.

During the period from July 2020 to December 2020, NCL submitted tenders for 3 service contracts (with a contract sum equal to or exceeding HK$1 million for each service contract) with a total tender sum of HK$16 million and was awarded 1 new service contract with a total contract sum of HK$3 million.

Since the outbreak of COVID-19, NCL's business has been adversely affected. The hard hit retail, tourism and hospitality industries have impacted its turnovers. As it offers laundry, dry cleaning and linen management services to corporate customers including major high-end hotels, restaurant chains and theme parks, its business is impacted by the plummeted tourist arrivals and low hotel room occupancy rates. The unprecedented economic contraction, particularly the total shutdown of tourism and hospitality industries, has resulted in an overwhelming drop in the volume of NCL's laundry service. The prospect of NCL is far from being optimistic in the near future, in particular, in view of the continued adverse impact of the COVID-19 outbreak on the general economy of Hong Kong. Moreover, substantial amount of capital injection from the Group would be required for NCL's capital expenses in the coming years.

In view of the above, the Group disposed of NCL at a consideration of HK$4.0 million on 31 December 2020. The disposal provides the Group with a good opportunity to dispose of its loss-making operation and to redeploy its resources to other profitable business divisions. All employees of NCL had been laid off prior to completion. Nevertheless, the Group offered employment opportunities within its other members to the affected NCL employees.

As at 30 June 2021, the city essential services segment has a total gross value of contract sum of HK$6,203 million with a total outstanding contract sum of HK$3,748 million.

E&M SERVICES SEGMENT

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 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 has integrated operating and control procedures, strong networks of well-established customers and suppliers, and an experienced and well-trained workforce to support all of its operations. Thus, the Group has strong confidence in securing and undertaking integrated E&M projects in Hong Kong, Mainland China and Macau.

In addition, the Group 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, Modular Integrated Construction (MiC), Multi-trade Integrated Mechanical, Electrical and Plumbing (MiMEP), Design for Manufacture and Assembly (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 Building Information Modelling (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.

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.

As at 30 June 2021, 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, hospitals and airport facilities.

During FY2021, the Group submitted tenders for 202 E&M projects (with a contract sum equal to or exceeding HK$1 million for each project, if awarded) with a total tender sum of HK$24,827 million and was awarded 28 contracts (with a net contract sum equal to or exceeding HK$1 million for each project) with a total net contract sum of HK$1,723 million. Among these contracts, 6 of them are major projects (with net contract sum equal to or exceeding HK$100 million for each project), which include a public housing development in Tai Po, 11 SKIES commercial development in Chek Lap Kok, a private residential development in Kai Tak, Chow Tai Fook Finance Tower in Shenzhen Qianhai, a complex development in Guangzhou Zengcheng and the redevelopment of Ramada Square in Shanghai.

As at 30 June 2021, the E&M services segment has a total gross value of contract sum of HK$8,719 million with a total outstanding contract sum of HK$5,474 million.

FINANCIAL REVIEW

Revenue

In FY2021, the Group's revenue increased by HK$796.6 million or 14.1% to HK$6,452.7 million from HK$5,656.1 million (restated) in FY2020, reflecting higher revenue from the E&M services segment and property & facility management services segment amounting to HK$691.5 million and HK$111.4 million respectively, partly offset by lower revenue from the city essential services segment amounting to HK$6.3 million.

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

	For the year ended 30 June			
	2021	**%**	2020	%
		of total	(restated)	of total
	HK$'M	**revenue**	HK$'M	revenue
Property & facility management services*	**658.2**	**10.2%**	546.8	9.7%
City essential services*	**2,976.8**	**46.1%**	2,983.1	52.7%
E&M services*	**2,817.7**	**43.7%**	2,126.2	37.6%
Total	**6,452.7**	**100.0%**	5,656.1	100.0%

* Segment revenue does not include inter-segment revenue.

	For the year ended 30 June			
	2021	2020	Change	% Change
		(restated)		
	HK$'M	HK$'M	HK$'M	
Hong Kong	**5,780.7**	4,943.3	837.4	16.9%
Mainland China	**436.3**	382.3	54.0	14.1%
Macau	**235.7**	330.5	(94.8)	(28.7%)
Total	**6,452.7**	5,656.1	796.6	14.1%

- *Property & facility management services:* This segment, which presently principally provides services in Hong Kong, contributed 10.2% (2020: 9.7% (restated)) of the Group's total revenue.

  Segment revenue grew by 20.4% or HK$111.4 million to HK$658.2 million from HK$546.8 million (restated). Such growth was mainly driven by newly awarded property management contracts for government buildings in the New Territories and car parks of shopping malls and pandemic-induced additional works.

- *City essential services:* This segment contributed 46.1% (2020: 52.7% (restated)) of the Group's total revenue. Segment revenue of HK$2,976.8 million (2020: HK$2,983.1 million (restated)) comprises provision of cleaning services of HK$1,262.6 million (2020: HK$1,126.9 million), technical support & maintenance services of HK$783.6 million (2020: HK$850.5 million (restated)), security guarding & event services of HK$660.1 million (2020: HK$661.9 million (restated)), insurance solutions of HK$85.9 million (2020: HK$86.2 million (restated)), environmental solutions of HK$155.5 million (2020: HK$155.5 million (restated)) and laundry services of HK$29.1 million (2020: HK$102.1 million). Such revenue reflected a decrease in revenue contribution from Macau amounting to HK$87.6 million, partly mitigated by an increase in revenue contributions from Hong Kong and Mainland China of HK$80.0 million and HK$1.3 million respectively.

  The total revenue for this segment in the Year was stable compared with last year and reflected (i) a number of new general cleaning service contracts, which encompassed a wide range of buildings and facilities, including shopping malls, government buildings, residential and commercial properties and an exhibition centre and (ii) additional ad-hoc intensive disinfection cleaning contracts following the outbreak of COVID-19, partly offset by (i) a reduction in revenue from the laundry business resulted from the plummeting tourist arrivals and lower hotel room occupancy rates following the outbreak of COVID-19, coupled with the Group's disposal of this business in December 2020, and (ii) a lower revenue contribution from this segment's technical support and maintenance services following the substantial progress of renovation works for the Four Seasons Service Apartment project in Macau last year.

- *E&M services:* This segment contributed 43.7% (2020: 37.6% (restated)) of the Group's total revenue. Segment revenue increased by 32.5% or HK$691.5 million to HK$2,817.7 million from HK$2,126.2 million (restated) and reflected an increase in revenue contribution from Hong Kong and Mainland China by HK$646.0 million and HK$52.7 million respectively, partly offset by a reduction in revenue contribution from Macau amounting to HK$7.2 million.

  The increased revenue contribution from Hong Kong and Mainland China reflected a number of E&M engineering installation projects, including 11 SKIES in Chek Lap Kok, District Cooling System at Kai Tak Development Phase III and Inland Revenue Tower in Kai Tak in Hong Kong and Qianhai Chow Tai Fook Finance Tower in Mainland China, which had substantial progress this year, partly offset by lower revenue contribution from several residential developments at LOHAS Park in Hong Kong and Tianjin Chow Tai Fook Financial Centre in Mainland China which had substantial progress last year. It should be noted that, under contract terms, only the management fees and reimbursable costs are reflected in the revenue of the Kai Tak Sports Park project.

Gross profit

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

	For the year ended 30 June			
	2021		2020 (restated)	
	Gross profit HK$'M	**% of total gross profit**	Gross profit HK$'M	% of total gross profit
Property & facility management services	**242.9**	**21.4%**	178.1	18.9%
City essential services	**623.2**	**54.9%**	455.1	48.3%
E&M services	**269.0**	**23.7%**	309.6	32.8%
Total	**1,135.1**	**100.0%**	942.8	100.0%

	For the year ended 30 June			
	2021		2020 (restated)	
	Gross profit HK$'M	**Gross profit margin %**	Gross profit HK$'M	Gross profit margin %
Property & facility management services	**242.9**	**36.9**	178.1	32.6
City essential services	**623.2**	**20.9**	455.1	15.3
E&M services	**269.0**	**9.5**	309.6	14.6
Total	**1,135.1**	**17.6**	942.8	16.7

In FY2021, the Group's property & facility management services segment, city essential services segment and E&M services segment contributed 21.4% (2020: 18.9% (restated)), 54.9% (2020: 48.3% (restated)) and 23.7% (2020: 32.8% (restated)) of its gross profit respectively. The Group's gross profit increased by HK$192.3 million or 20.4% to HK$1,135.1 million from HK$942.8 million (restated) in FY2020, with an overall gross profit margin increased to 17.6% from 16.7% (restated).

The property & facility management services segment recorded an increase in its gross profit of HK$64.8 million to HK$242.9 million from HK$178.1 million (restated), with its gross profit margin increased to 36.9% from 32.6% (restated), reflected an increase in new contracts awarded in facility/property management and the receipt of COVID-19 related government grants.

The city essential services segment recorded a growth in its gross profit of HK$168.1 million to HK$623.2 million from HK$455.1 million (restated), with its gross profit margin increased to 20.9% from 15.3% (restated), mostly attributable to an increase in new general cleaning service contracts, especially government buildings and an exhibition centre, ad-hoc cleaning and intensive disinfection projects following the outbreak of COVID-19 and the receipt of COVID-19 related government grants.

The gross profit of the E&M services segment reduced by HK$40.6 million to HK$269.0 million from HK$309.6 million with its gross profit margin decreased to 9.5% from 14.6% (restated), principally due to the additional income from completed E&M installation projects in Hong Kong and Macau in the prior year which are not repeated in the Year.

General and administrative expenses
General and administrative expenses of the Group for the Year remained stable at HK$458.1 million compared to HK$458.7 million (restated) last year, reflected a successful cost saving campaign, reduced rental expenses and depreciation of leasehold improvements and the COVID-19 related government grants, offset by an increase in staff costs.

Other expenses, net
Other net expenses in FY2021 amounted to HK$28.6 million as compared with HK$0.7 million (restated) recorded in FY2020. The net expenses recorded during the Year mainly represented the Group's losses related to disposal of its laundry business of HK$26.2 million.

Finance income
In FY2021, the Group recorded finance income of HK$2.3 million (2020: HK$6.2 million (restated)). The decrease mainly reflected lower average market interest rates on the Group's bank deposits placed in Hong Kong.

Finance costs
The Group's finance costs of HK$5.4 million (2020: HK$10.2 million (restated)) for FY2021 included interest expenses (i) of HK$3.5 million (2020: HK$7.4 million) for the Group's bank loan financing its acquisition of property & facility management services business in December 2019, (ii) HK$1.5 million (2020: HK$2.5 million (restated)) for lease liabilities and (iii) HK$0.4 million (2020: HK$0.3 million) for other bank borrowings.

Income tax expenses
The effective tax rate of the Group reduced by 5.1% to 9.2% (2020: 14.3% (restated)), mainly attributable to the non-taxable COVID-19 related government grants.

Profit for the year attributable to shareholders of the Company
The following table presents breakdown of the Group's profit contribution by business segment:

	For the year ended 30 June			
	2021	2020 (restated)	Change	% Change
	HK$'M	HK$'M	HK$'M	
Property & facility management services	**134.1**	80.6	53.5	66.4%
City essential services	**364.3**	208.2	156.1	75.0%
E&M services	**112.1**	148.5	(36.4)	(24.5%)
Unallocated corporate expenses and finance costs*	**(23.6)**	(25.1)	1.5	(6.0%)
Total	**586.9**	412.2	174.7	42.4%

* Unallocated corporate expenses and finance costs comprise the Company's corporate expenses of HK$20.1 million (2020: HK$17.7 million) and interest expenses of HK$3.5 million (2020: HK$7.4 million). The corporate expenses for the Year included legal and professional fees of HK$14.1 million incurred for the acquisition of Business Investments Group as mentioned in the section "Major transaction" below, whereas the amount for last year included legal and professional fees of HK$12.1 million incurred for the acquisition of property and facility management services business.

As a result of the foregoing, the Group's profit in FY2021 increased by 42.4% or HK$174.7 million to HK$586.9 million compared to HK$412.2 million (restated) in FY2020. The increase mainly resulted from (i) an increase in new contracts awarded in facility/property management and cleaning business, and ad-hoc cleaning and disinfection projects following the outbreak of COVID-19; and (ii) the receipt of subsidies under the ESS Scheme of the Hong Kong SAR Government; which are offset by (i) the loss recognised by the Group during the Year in relation to its disposal of laundry business, (ii) an increase in staff costs and (iii) a decrease in gross profit from the Group's E&M services segment, mostly due to the additional income from completed E&M installation projects in Hong Kong and Macau in the prior year which are not repeated in the Year. Details of the subsidies recognised by the Group are set out in Note 4 to the consolidated financial statements. The net profit margin of the Group improved to 9.1% for the Year from 7.3% (restated) for last year.

Other comprehensive income/(loss)

The Group recorded other comprehensive income for the Year of HK$27.6 million (2020: other comprehensive loss of HK$7.9 million (restated)), reflected a favourable exchange reserve movement of HK$15.4 million (2020: unfavourable exchange movement of HK$5.9 million) recorded during the Year following an appreciation of the Renminbi ("RMB") for conversion of the Group's net investments in Mainland China, remeasurement gains on long service payment liabilities of HK$8.5 million (2020: losses of HK$2.2 million (restated)) and defined benefit retirement scheme of HK$3.7 million (2020: gains of HK$0.2 million (restated)).

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 2021, the Group had total cash and bank balances of HK$549.9 million (30 June 2020: HK$894.8 million (restated)), of which 91%, 7% and 2% (30 June 2020: 93%, 5% and 2% (restated)) were denominated in Hong Kong dollars, RMB and other currencies respectively, and total borrowings of HK$383.8 million (30 June 2020: HK$463.2 million) denominated in Hong Kong dollars. The Group's net cash balance decreased by HK$265.5 million to HK$166.1 million as at 30 June 2021 as compared to HK$431.6 million (restated) as at 30 June 2020 mainly reflecting the cash outflow for the Group's acquisitions, including HK$418.3 million for the Business Investments Group and HK$72.3 million for Kiu Lok (International) Properties Limited, distribution of the Company's FY2020's final dividend of HK$64.8 million and FY2021's interim dividend of HK$130.1 million, Business Investments Group's dividends paid to its original shareholder of HK$73.0 million and the Group's payments for principal portions of lease liabilities of HK$48.9 million, partly mitigated by net cash inflow from operating activities. The Group's net gearing ratio was maintained at zero as at 30 June 2021 (30 June 2020: 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 2021, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and/or trade financing of HK$2,754.3 million (30 June 2020: HK$2,656.4 million (restated)). As at 30 June 2021, the Group has banking facilities of HK$100 million (30 June 2020: HK$100 million (restated)) guaranteed by FSE Management Company Limited (a direct wholly-owned subsidiary of FSE Holdings Limited). As at 30 June 2021, HK$821.8 million (30 June 2020: HK$1,004.6 million (restated)) 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 2021, the Group's total debts amounted to HK$383.8 million (30 June 2020: HK$463.2 million), of which HK$233.8 million will mature in December 2021 and HK$150.0 million will mature in June 2023. The Group is in the process of discussing with the bank in renewal of the debt of HK$233.8 million which matures in December 2021. The Group has managed its debt maturity profile to minimise it 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 arises.

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$121.2 million (30 June 2020: HK$144.3 million (restated) as at 30 June 2021. 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 11.2% (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 2021, if the Hong Kong dollars had strengthened/weakened by another 11.2% against the RMB with all other variables unchanged, the Group's other comprehensive income would have been HK$13.6 million lower/higher.

Use of net proceeds from listing

Between 10 December 2015 (date of listing of the Company) and 30 June 2021, 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$'M	Aggregated utilised amount from 27 June 2018 to 30 June 2020 HK$'M	Aggregated utilised amount from 1 July 2020 to 30 June 2021 HK$M	Unutilised amount as at 30 June 2021 HK$'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	3.7	2.0	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	–	–	–	–
Total	264.5	131.0	133.5	129.9	2.0	1.6

The Group has utilised HK$262.9 million of the net proceeds from Global Offering, of which HK$2.0 million was utilised during FY2021 with the actual usage consistent with the usage as intended and previously disclosed by the Company. The Group expects that the remaining balance of the IPO proceeds in the amount of HK$1.6 million will be utilised in accordance with the manner as shown in the table above within 3 years up to 2023. The Group held the unutilised net proceeds mainly in short-term deposits or time deposits with licensed banks and authorised financial institutions in Hong Kong.

Capital commitments

As at 30 June 2021, the Group had capital commitments of HK$1.7 million (30 June 2020: HK$0.5 million) in relation to purchase of equipment and a motor vehicle.

Contingent liabilities
The Group had no material contingent liabilities as at 30 June 2021 and 30 June 2020.

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. Details of the transaction are set out in Note 1(iii)(b) to the consolidated financial statements.

The convertible preference shares are (i) convertible into 43,676,379 ordinary shares of the Company at an initial price of HK$3.2260 per share (subject to adjustments upon occurrence of certain prescribed events, including consolidation, subdivision or reclassification of shares in the capital of the Company, capitalisation of profits or reserves etc., in each case if not also made available to the holder(s) of the convertible preference shares), provided that any conversion shall not result in the Company failing to comply with any public float requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, within a period of 10 years after their date of issue of 16 December 2019 (the "Issue Date") and (ii) redeemable by the Company at its sole discretion at a redemption price equals to the Issue Price together with all outstanding preferred distributions accrued to the date fixed for redemption at any time after 10 years following the Issue Date. The convertible preference shares are treated as contingently issuable potential ordinary shares under Hong Kong Accounting Standard ("HKAS") 33 "Earnings per Share" and, since the conditions for their conversion were not met as at 30 June 2021, the effect of their conversion is not included in the calculation of the diluted earnings per share for years ended 30 June 2021 and 2020 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 period under review of 30 June 2021 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 2021 would be HK$1.19 per share, calculated as the Group's profit attributable to shareholders of the Company of HK$586.9 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.

Major transaction

On 26 February 2021, the Company, FSE City Essential Services Limited (the "Buyer Co", a direct wholly-owned subsidiary of the Company) and FSE Management Company Limited ("FMC", a direct wholly-owned subsidiary of FSE Holdings Limited) entered into a conditional sale and purchase agreement pursuant to which the Company agreed to nominate the Buyer Co to acquire from FMC the entire issued share capital in Business Investments Limited (the "Target Company", together with its subsidiaries and a joint venture company (the "JV") indirectly owned as to 20% by the Target Company, the "Target Group") at a total consideration of HK$840.6 million (the "Consideration") (subject to adjustments, if any) (the "Acquisition"), comprising (i) a non-cash consideration of HK$442.6 million settled through the disposal of certain subsidiaries which own properties (the "Property Holdcos") and a property (the "Disposal Property") to FMC (the "Disposal"); and (ii) a cash consideration of HK$398.0 million, 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 Target Group is principally engaged in the provision of security guarding & event services, insurance solutions and landscaping services in Hong Kong.

Each of the Acquisition and the Disposal constituted a major and connected transaction of the Company and was approved by the independent shareholders at the extraordinary general meeting of the Company held on 9 April 2021. Completion of the Acquisition and the Disposal took place simultaneously on 19 April 2021 (the "Completion Date") upon which the cash portion of the Consideration of HK$398.0 million was paid by the Group to FMC. 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 Target Group as at the Completion Date.

Upon completion,

(i) the Target Company and each of its subsidiaries became a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of each of them have been consolidated in the financial statements of the Company for the Year;

(ii) the JV became an associated company of the Company; and

(iii) the Group ceased to hold any right, title and interest in the Disposal Property and the Property Holdcos.

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. Under the guidance of an Executive Director, the Group's management committee oversees the management of ESG-related risks and the implementation of our Integrated Management System ("IMS") for the majority of our Group's operations. The IMS combines three international management system standards — ISO 9001 Quality Management System, ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health and Safety Management System — providing a systematic approach to monitoring and managing ESG-related matters.

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 2021.

Discussion on 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.

Account of key relationships with employees, customers and suppliers

Employees

We are steadfast in providing an inclusive, caring and safe work environment. We place strong emphasis on equal opportunities and our employees are remunerated with competitive salaries and benefits commensurate with their work experience and job duties. To effectively manage our human capital, we have a set of well-established and transparent procedures on talent acquisition and employee dismissal in place.

The wellbeing of our employees is crucial to creating a positive workplace. To accommodate the diverse interests of our employees, we arrange a variety of staff activities including interest classes on photography, pottery crafting, baking, and other sports and outdoor activities. Placing high value on continued professional development of our employees, we have established the Mentorship Programme and Graduate Scheme “A” Training.

As a component of our IMS, the Group has implemented the OHSAS 18001 Occupational Health and Safety Management System at our operations in Hong Kong, as well as the GB/T28001-2011/OHSAS 18001:2007 Occupational Health and Safety Management System at our operations in Mainland China. This integrated system guides our employees to assess, mitigate and control relevant health and safety hazards at all times. We also arrange safety training sessions on a regular basis to ensure our employees and subcontractors are well-informed of our safety policies and guidelines. With a high internal awareness on safety, we are pleased to report that there were no work-related fatalities during the Year.

Customers

The Group aims to provide efficient, professional and quality E&M engineering services to its customers. Aspiring to achieve high customer satisfaction rates, we have established the ISO 9001 Quality Management System. Each of our business units establishes its own set of guidelines to ensure accountability in quality assurance. Regular audits are carried out to identify potential risks and defect issues in the business, and a standard audit system has been set up for our projects in Mainland China. In cases where quality or safety concerns arise, a thorough investigation will be conducted and effective correction actions will be promptly implemented.

Suppliers and subcontractors

The Group seeks to positively influence the environmental and social practices of its suppliers and subcontractors. Our established procurement procedure assesses project experience, safety performance and financial conditions which enables the Group to select supplier and subcontractors which share our sustainability vision. Only those which can meet the evaluation criteria will be included in our approved vendor list. The Group also reviews the suitability and sustainability performance of its suppliers and subcontractors annually to maintain consistency in the quality of our services. In case of serious non-compliance, substandard suppliers and subcontractors will be suspended or removed from the approved vendor list.

Compliance status with relevant laws and regulations that have a significant impact on the business

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.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group had a total of 18,460 employees (30 June 2020: 17,889 (restated)), including 7,147 (30 June 2020: 6,840 (restated)) casual workers and employees whose relevant costs are directly reimbursed by or charged to our customers or sub-contractors. Staff costs for the Year, including salaries and benefits, was HK$2,390.5 million (2020: HK$2,353.6 million (restated)). The increase reflects higher staff costs reflected an increase in the average number of staff, mainly in the cleaning and property and facility management services businesses, partly offset 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 announcement, no share options under this scheme have been granted.

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

OUTLOOK

Property & Facility Management Services Segment

Based on the Group's property & facility management services group's over 50 years of substantial experience and professional capabilities in this business, it is able to provide quality management services to preserve and add value to the property and facilities for its clients to enhance their reputation and asset values. With the increasing expectation of the corporate clients and property investors, there is a growing demand of one-stop and full-service professional property and facility management services. Extended services include property pre-management services, project planning and management, building renovation and rejuvenation services, leasing and tenancy management, facility re-commissioning, and other value-added services. Under the foreseeable unstable economic situation, Urban and Kiu Lok believe that large corporations and multinational enterprises will continue the trend to outsource their non-core property and facility management activities to external professional agencies, which creates new business opportunities to them.

Apart from the strong synergies generated among business units within the Group, Urban and Kiu Lok have also established extensive partnerships with professional service suppliers and contractors in the territory. They obtain their competitive advantages by creating economies of scale and bargaining power for its clients to achieve cost-effectiveness and operational efficiency at all times. Most importantly, they are able to provide the most cost-effective services to them at the optimum price levels.

Discounting service companies owned by property developers, Urban and Kiu Lok is one of the largest independent group of Private Property and Facility Management Companies in Hong Kong. Under the current social situation and the demand 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. Moreover, with the diminishing privilege of the property developers in directly assigning property management contracts to their subsidiaries, there is a huge market opening for management service contracts, capitalising on its good reputation, substantial experiences and extensive expertise.

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' substantial experience obtained and accolades received from the Hong Kong society, Urban, including its subsidiary International Property Management Limited, and Kiu Lok have created its unique selling proposition from the industry to obtain the trust from the clients.

Urban and Kiu Lok have been maintaining one of the strongest operation teams in the Hong Kong property and facility management services industry. They have over 5,000 professionally trained and qualified staff in the areas of property and facility management, technical and engineering, customer relations and security services. Following the enactment of the Property Management Services Ordinance (Cap. 626 of the Laws of Hong Kong), apart from the licensing of property management companies, there are also statutory requirements on the number of qualified and licensed property management professionals and practitioners being employed by property management companies as a proportion to their management portfolios. Urban and Kiu Lok have been well prepared for the statutory requirements with over 500 staff who are fully qualified for the Tier 1 and Tier 2 licences, which is believed to be one of the largest service teams in the industry. With such a strong team of professionals, it has maintained good competitive advantages over its rival companies in new tendering and business development activities in future. Moreover, it has a strong technical and engineering team to fulfill the market demands on the day-to-day repairs and maintenance services of its clients as well as the building renovation and rejuvenation projects to enhance the asset values of the properties and facilities.

Urban and Kiu Lok have long been recognised as a pioneer in introducing modern management models and standards to the Hong Kong property management industry. Urban is the first property management company to obtain the internationally recognised ISO 9001 quality management certification in 1997 and implement such system in all properties under its services. Currently, Urban has also successfully obtained the ISO 14001, ISO 50001, ISO

10002 and OHSAS 18001 certification, assuring its service standards at the highest level. In addition, Urban has been applying modern information technologies into its operations, which enable it to continuously improve the operational efficiency and cost-effectiveness in its service deliveries to its clients.

Apart from the statutory requirements, Urban and Kiu Lok have been implementing stringent governance initiatives covering environmental protection and care, corporate social responsibilities as well as risks and crisis control. With the implementation of the ISO 14001 environmental management system, Urban is contributing to a greener living environment by applying green measures and control mechanisms into its daily operations. All along, Urban is 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 and social movements in the society.

City Essential Services Segment

1. **Cleaning Services**

   Although the pandemic of COVID-19 is getting stable in Hong Kong, the demands of services for preventive infection measures for public and private facilities are still growing as citizens increase their awareness of virus prevention and personal hygiene. Waihong will reap the benefit from the increase in sterilisation service orders from its current and ad-hoc customers in the coming year. Waihong believes that such kind of disinfectant services will remain in high demand in the market until the pandemic finally eases. Waihong will continue to engage in antiviral coating and sterilisation services as these services can generate higher profit to it.

   Foreseeably, the rebound of Hong Kong economy will benefit its tourism and catering service industries in the coming years when the pandemic eases. Waihong may benefit from the rising demands of quality cleaning and hygiene services in the market. It has invested more resources to bid for mega service contracts from different government departments since the success of entering this market segment in FY2021. By capitalising on its extensive experience, systematic and customised services, Waihong has competitive advantages to sustain its business growth in the long-run.

   As always, retaining the current service contracts in a higher successful ratio is one of Waihong's business development objectives. With a view to increasing Waihong's competitiveness to keep its current service contracts, Waihong's management has strived to lower its operating costs and introduced smart innovative equipment to attract clients for contract renewal.

   Hong Kong economy has been hard-hit by the outbreak of COVID-19, the unemployment rate is over 5% for a certain period. Waihong may utilise this difficult moment to attract management talents from other industries to cater the Group's long-term development. We also prudently reallocate labour resources to lower operations costs to seek for new business from relatively stable clients such as public institutions or government facilities. Aged functional vehicles are gradually replaced for improving Waihong's fleet and reducing GHG emissions. It can strengthen the transport capacity with energy efficient on business expansion for food waste, clinical waste and municipal solid waste collection services.

Towards global trend of smart city development embracing innovation and technology, Waihong has introduced some innovative technologies comprising ten some units of robotic equipment used for different workplaces to enhance productivity and competitiveness. Waihong is partnering with some strategic business vendors to establish the competitive edges in the industry for further expanding specialist and sterilisation services to prestige clients by smart and advance systems. Further, Waihong has set up smart toilet system at selected commercial towers for enhancing supervisory process and establishing strategic partnership with value added services to prime clients. Waihong's management will continue to explore diversified services with innovative strategies to satisfy market demands.

2. Technical Support & Maintenance Services

Hundreds of new buildings will be constructed each year and over 65% of the existing buildings are aged over 20 years in Hong Kong including commercial buildings, industrial buildings and residential buildings. The local economy remains on track for recovery recently. The Group's technical support & maintenance services section envisages a continuous demand for the term maintenance contracts from different prestigious commercial and residential buildings, hospitals, the public sector and educational institutions seeking the services of quality contractors to assist them in maintaining their properties in the best possible condition. Besides, large-scale alteration and addition and system retrofit works are also set to provide favourable returns to the Group's technical support & maintenance services section.

3. Security Guarding & Event Services

Demand for security services had grown at a steady pace over the years and most noticeably at the residential sector, with over 4.8 million square feet new usable floor area built in 2020, creating huge demands for security services. General Security is a major player in the security industry with a long history for providing high end professional services.

Despite the economic downturn which also affects the security industry following a drastic reduction in exhibition activities, unique business opportunities still exist for the industry. During FY2021, COVID-19 vastly increased demands for manpower conducting temperature screening in all sort of setting. In addition, the exhibition venue near the airport was converted into a medical facility and resulted in the need for round the clock security services. General Security was able to grasp these non-regular demands by means of its professionalism and its capacity in providing manpower.

4. Insurance Solutions

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 with, such as construction, property managers, hospitality, jewellery and non-government organisations. Nova will also focus more on specialty products with higher yields and where in-depth professional skills and knowledge are required such as cyber insurance and warranty and indemnity insurance. By taking advantage of Nova's international broker networks, it will penetrate clients in Hong Kong who have overseas investments.

5. Environmental Solutions

Increasing public awareness of the importance of sustainable environment has fueled the demand for environmental engineering services and products. The Building Energy Efficiency Ordinance (Chapter 610 of the Laws of Hong Kong) enacted in 2012 continues to support the business development of the Group's environmental consultancy services. Its seawater and fresh water treatment and odour removal products such as electro-chlorination and biotech deodorisation systems respectively have brought steady growth to its environmental engineering segment. Our laboratory has been accredited by the Hong Kong Accreditation Service under the Hong Kong Laboratory Accreditation Scheme (HOKLAS) since 2015 which complement the work of the E&M engineering & environmental services segment. The Group has also been approved as an Accredited Indoor Air Quality ("IAQ") Certificate Issuing Body ("CIB"). The inspection works of IAQ further strengthen the Group's environmental consultancy services.

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 our Group's 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. We embrace technology to enhance our business operation efficiency. Systems such as landscape management apps and automated irrigation system will be used in our operation to cope with the dynamic business environment.

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

E&M Services Segment

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 2020 Policy Address. According to the construction expenditure forecast provided by the Construction Industry Council in June 2021, expenditure in E&M construction works each year will amount to over HK$24 billion for the public sector and over HK$22 billion for the private sector over the next five years.

The long-term housing strategy of the Hong Kong Government, as stated in its 2018 Policy Address, aims at continuing its ongoing efforts in enlarging the land and housing supply and increasing the public-private housing ratio to 7:3. According to government projections, 450,000 residential flats will be provided in the next decade including 220,000 public housing units, 95,000 subsidised-sale units and 135,000 private housing units.

In its 2020 Policy Address, the Hong Kong Government has identified 330 hectares of land to build 316,000 public housing units to meet the demand in the coming 10 years. The supply of land mainly comes from Tung Chung New Town Extension, Kai Tak Development Area, Anderson Road Quarry, Hung Shui Kiu/Ha Tsuen, Kwu Tung North/Fanling North, etc. 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, and the redevelopment of three urban squatter areas (namely Cha Kwo Ling Village, Ngau Chi Wan Village and Chuk Yuen United Village) and Tai Hang Sai Estate. Furthermore, the Housing Authority had decided to redevelop its four factory estates into 4,800 public housing units in the next 10 years.

The Hong Kong Government has also dedicated HK$8.3 billion funding to build 15,000 transitional housing units by non-government organisations (NGOs) with the use of the MiC method starting from 2020 to 2023.

For private residential and commercial developments, the redevelopments 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 including West Kowloon High Speed Rail Station, LOHAS Park Station, Wong Chuk Hang Station, Ho Man Tin Station, Kam Sheung Road Station, etc. The Hong Kong Government will also examine the development of Tseung Kwan O Area 137 for residential and commercial development and other relevant purposes.

Furthermore, the reclamation of artificial islands at Kau Yi Chau under the “Lantau Tomorrow Vision” includes the benefits of creating new land for increasing housing supply, optimising the transport network by linking up roads and railways on Hong Kong Island, North Lantau and the coastal areas of Tuen Mun. The Group foresees great business opportunities in construction of infrastructure works, residential and commercial development and associated public facilities in these areas.

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 covering, among others, the construction of a new acute hospital at Kai Tak and the redevelopment or expansion of various hospitals such as Prince of Wales Hospital, North District Hospital, Princess Margaret Hospital, Our Lady of Maryknoll Hospital and Grantham Hospital.

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. In addition, the Hong Kong Government has decided to finance over HK$10 billion for the construction of a Chinese medicine hospital and the Government Chinese Medicines Testing Institute at Pak Shing Kok in Tseung Kwan O which is expected to be operated in 2025.

To promote sport in the community and maintain Hong Kong as a centre for major international sporting events, the Hong Kong Government has planned to spend a total of HK$20 billion between 2017 and 2021 to launch 26 projects to develop new or improve existing sports and recreation facilities. Besides, the construction of the Kai Tak Sports Park, the largest sport project with an investment over HK$30 billion, has commenced in early 2019 and planned to be completed in 2023.

Apart from the above, construction of the Shatin to Central Link, investments in the West Kowloon Cultural District, expansion of convention and exhibition venues in Wan Chai, development of university hostel, and revitalisation of industrial buildings in Kwun Tong and Wong Chuk Hang will definitely help boost the construction industry in Hong Kong in the coming decade. The Hong Kong Government has also successfully transformed Kowloon East (namely the vicinity of Kwun Tong, Kowloon Bay and Kai Tak) into the second core business district under the "Energising Kowloon East" Initiative, thereby increasing the commercial gross floor area to about 3.5 million square metres, making the scale comparable with the core business district in Central.

The Hong Kong Government, in its 2020 Policy Address, strives to implement seven new railway projects in a proactive manner: the MTRC is embarking on the detailed planning and design for the Tung Chung Line Extension and the Tuen Mun South Extension; and will commence the planning and design of the Northern Link shortly. The MTRC will also submit the South Island Line (West) project proposal to the government.

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. These include the construction of a three-runway system (2022) and modification North Runway (2024), the expansion of the existing Terminal 2 (2024), the development of a high value-added logistics centre at the South Cargo Precinct (2023), the 11 SKIES development projects (2022 - 2025) and the development of phase two of AsiaWorld-Expo at the Hong Kong International Airport.

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 and Kwu Tung North - have also been planned. Feasibility, design and construction studies of DCS continue in all future new development areas, such as in Hung Shui Kiu/Ha Tsuen and Tseung Kwan O industrial estate.

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 at 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. Since the promulgation of the Smart City Blueprint for Hong Kong in late 2017, the Hong Kong Government has released over 130 smart city initiatives in the Smart City Blueprint for Hong Kong 2.0 in 2020.

Regarding the Extra Low Voltage ("ELV") business, with more property developers adopting information and technology ("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.

Since the establishment of the new ELV division, the Group has been awarded several ELV projects including four projects on Sai Yuen Lane, Sheung Heung Road, Luk Hop Street and Waterloo Road, two public housing projects on Texaco Road in Tsuen Wan and Tung Chung, an office development project at King's Road in North Point, an Aviation Training Centre at Chek Lap Kok, Inland Revenue Tower at Kai Tak, Immigration Headquarters at Tseung Kwan O, Kai Tak Sports Park and 11 SKIES commercial development at Chep Lap Kok.

Looking ahead, the Group 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 Artificial Intelligence (AI) and Internet of Things (IOT), intelligent IP/IT-based and various 5G mobile applications. The Group believes that with a highly qualified and experienced staff and sound project management skills, it can fulfill its commitment of delivering quality and professional services to all its valued customers.

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

The filibustering in the Legislative Council delaying award of new public works contracts may have passed. The Legislative Council has gradually approved and released new public works contracts for tendering in coming years, and the Group is strived to secure more new public works.

The construction expenditure in 2020 was not seriously reduced due to the economic downturn and uncertainties as a result of the COVID-19 pandemic; though the Group foresees that the office and hotel development will be slowed down in 2021 but should recover in early 2022 as people get vaccination gradually since early 2021. The Group has implemented and constantly updated preventive measures and contingency plans both in offices and construction sites to fight against the virus. Managing construction projects are still effective and not affected by swapping teams workplace (i.e. Teams A and B) arrangements, working from home, etc. Although there are delays in supply of materials and equipment from the supply chain due to the pandemic worldwide, the delays were cautiously under control.

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 in the areas of, among others, integrated services coordination, coordinated services drawing production, Building Information Modelling (BIM) techniques, project planning, quality assurance and system testing and commissioning, 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 include 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, 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 leads to an increase in premium rates for certain types of insurances due to poor claims experience caused by the pandemic, which is positive to 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 soften retail market. Our landscape and building material trading businesses have applied stringent cost controls to mitigate the above adverse impacts caused by the pandemic.

Regarding our E&M business, as a result of the government's measures to contain the spread of the virus, our construction projects have experienced disruptions mainly caused by delay in the supply and distribution channels and shortage of labour force consequent to the mandatory quarantine measures.

In view of the above disruptions, we have kick-started 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; 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 and the Group was able to record a remarkable growth in its profit in the Year. The successful acquisition of the security guarding & event services, insurance solutions and landscaping services businesses in April 2021 has enabled the Group to enlarge its customer base, diversify its revenue stream and risks and enhance its profit growth potential. 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.

FINAL DIVIDEND

The Board has resolved to recommend a final dividend of HK16.1 cents (2020: HK14.4 cents) per ordinary share for the year ended 30 June 2021 to the shareholders whose names appear on the register of ordinary shareholders of the Company on 29 November 2021. The proposed final dividend, if approved at the forthcoming annual general meeting ("AGM") of the Company, will be paid on or about 9 December 2021. Together with the interim dividend of HK28.9 cents (2020: HK12.8 cents) per share paid in March 2021, total distribution of dividend paid to the ordinary shareholders by the Company for the year ended 30 June 2021 will thus be HK45.0 cents (2020: HK27.2 cents) per share, representing an increase of 65.4% compared with last year's and a dividend payout ratio of 48.7% (2020: 45.7%).

CLOSURE OF REGISTER OF ORDINARY SHAREHOLDERS

The register of ordinary shareholders of the Company will be closed as set out below for the following purposes:

(i) For the purpose of determining ordinary shareholders' eligibility to attend and vote at the 2021 AGM:

- Latest time to lodge transfer documents for registration	4:30 pm on 15 November 2021
- Closure of register of ordinary shareholders	16 to 19 November 2021 (both dates inclusive)
- Record date	19 November 2021
- AGM date	19 November 2021

(ii) For the purpose of determining ordinary shareholders' entitlement to the final dividend:

- Ex-dividend date	24 November 2021
- Latest time to lodge transfer documents for registration	4:30 pm on 25 November 2021
- Closure of register of ordinary shareholders	26 to 29 November 2021 (both dates inclusive)
- Record date	29 November 2021
- Dividend payment date	on or about 9 December 2021

During the above closure periods, no transfer of ordinary shares will be registered. To be eligible to attend and vote at the 2021 AGM and to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the respective latest time specified above.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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 Listing Rules to its corporate governance structure and practices. Throughout the Year, the Company had complied with all the code provisions set out in the Corporate Governance Code.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Audit Committee of the Board was established for the purposes of, among other things, reviewing and providing supervision over the Group's financial reporting process and internal controls. It currently comprises four independent non-executive directors of the Company. The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 30 June 2021, including the accounting principles and practices adopted by the Group.

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 30 June 2021 have been agreed by the Group's auditor, PricewaterhouseCoopers ("PwC Hong Kong"), to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by PwC Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PwC Hong Kong on the preliminary announcement.

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.

On behalf of the Board of
FSE Lifestyle Services Limited
Lam Wai Hon, Patrick
Vice-Chairman

Hong Kong, 27 September 2021

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