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 2022

FINANCIAL HIGHLIGHTS

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

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

Note (i) After excluding the corresponding effects of government grants of HK\$43.9M for the year ended 30 June 2022 and HK\$308.4M for the year ended 30 June 2021 from the Group's gross profit for both years to better illustrate the Group's performance without such effects. For details of the related government grants, please refer to the "Summary of government grants" table in the "Management Discussion and Analysis" section on page 20.

Note (ii) After excluding the corresponding effects of government grants of HK\$88.2M from the Group's profit attributable to shareholders of the Company of HK\$502.9M for the year ended 30 June 2022, and HK\$280.1 million (which comprised: (a) government grants of HK\$340.0M, (b) losses related to laundry business of HK\$45.8M and (c) one-off professional fees for acquisition of HK\$14.1M) from the Group's profit attributable to shareholders of the Company of HK\$586.9M for the year ended 30 June 2021 to better illustrate the Group's financial results without the effects of such non-recurring items. For details of the related government grants, please refer to the "Summary of government grants" table in the "Management Discussion and Analysis" section on page 20.

Note (iii) Together with the interim dividend of HK20.9 cents (2021: HK28.9 cents) per ordinary share paid in March 2022, total distribution of ordinary share dividends made by the Company to its ordinary shareholders for the year ended 30 June 2022 will be HK45.0 cents (2021: HK45.0 cents) per share.

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

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

The 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 2022 ("FY2022" or the "Year").

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2022

	Notes	**2022 HK$'000**	2021 HK$'000
Revenue	2	**6,966,935**	6,452,741
Cost of services and sales		**(5,974,478)**	(5,317,654)
Gross profit		**992,457**	1,135,087
General and administrative expenses		**(444,268)**	(458,055)
Other income/(expenses), net	3	**42,302**	(28,616)
Operating profit	4	**590,491**	648,416
Finance income		**1,518**	2,266
Finance costs		**(5,420)**	(5,435)
Share of results of associates and joint ventures		**2,128**	1,072
Profit before income tax		**588,717**	646,319
Income tax expenses	5	**(84,813)**	(59,620)
Profit for the year		**503,904**	586,699
Profit/(loss) for the year attributable to:			
Shareholders of the Company		**502,935**	586,911
Non-controlling interests		**969**	(212)
		503,904	586,699
Earnings per share for profit attributable to ordinary shareholders of the Company (expressed in HK$)			
– Basic and diluted	6	**1.10**	1.29

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2022

	Note	**2022** **HK$'000**	2021 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**40,680**	45,157
Right-of-use assets		**115,563**	58,820
Other intangible assets		**180,823**	185,079
Interests in associates		**199**	200
Interests in joint ventures		**1,219**	950
Deferred income tax assets		**12,230**	15,006
Pension assets		**3,553**	6,032
		354,267	311,244
Current assets			
Trade and other receivables	8	**2,015,769**	1,671,095
Contract assets		**438,717**	499,002
Inventories		**23,514**	18,994
Cash and bank balances		**767,037**	549,890
		3,245,037	2,738,981
Total assets		**3,599,304**	3,050,225
EQUITY			
Ordinary shares		**45,000**	45,000
Convertible preference shares		**140,900**	140,900
Reserves		**227,554**	(108,386)
Shareholders' funds		**413,454**	77,514
Non-controlling interests		**23,320**	22,000
Total equity		**436,774**	99,514

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 30 June 2022

	Note	2022 HK$'000	2021 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings		**263,478**	150,000
Lease liabilities		**55,987**	20,198
Long service payment liabilities		**44,040**	42,232
Deferred income tax liabilities		**21,284**	22,702
Pension liabilities		**1,031**	–
		385,820	235,132
Current liabilities			
Trade and other payables	9	**2,013,922**	1,917,290
Contract liabilities		**499,766**	466,045
Borrowings		**140,000**	233,812
Current portion of lease liabilities		**44,607**	22,677
Taxation payable		**78,415**	75,755
		2,776,710	2,715,579
Total liabilities		**3,162,530**	2,950,711
Total equity and liabilities		**3,599,304**	3,050,225
Net current assets		**468,327**	23,402
Total assets less current liabilities		**822,594**	334,646

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 benefit retirement scheme which are measured at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

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

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

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

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

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

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

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

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

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

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

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

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

2. Revenue and segment information

The Executive Directors are the Group's chief operating decision-makers ("CODM"). Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance.

The Group's revenue represents property & facility management services income, cleaning services income, technical support & maintenance services income, security guarding & event services income, insurance solutions income (including commission fee income and claims handling service income), environmental solutions income (including income from environmental engineering services, trading of environmental and building materials and landscaping services), laundry services income and E&M services income. An analysis of the Group's revenue is as follows:

For the year ended 30 June	**2022**	2021
		(restated)
	HK$'000	HK$'000
Revenue		
Property & facility management services	**696,298**	658,239
City essential services		
- Cleaning services	**1,409,300**	1,262,640
- Technical support & maintenance services		
- Renovations, system retrofit and repairing(i)	**719,163**	669,960
- Routine maintenance(ii)	**114,819**	113,614
- Security guarding & event services		
- Rendering of services	**613,900**	654,707
- Sales of goods(iii)	**22,467**	5,386
- Insurance solutions	**99,580**	85,898
- Environmental solutions		
- Rendering of services(iv)	**186,243**	102,288
- Sales of goods(v)	**87,107**	75,063
- Laundry services(vi)	**–**	29,094
	3,252,579	2,998,650
E&M services	**3,018,058**	2,795,852
Total(vii)	**6,966,935**	6,452,741

Notes:

(i) Technical support & maintenance services — Renovations, system retrofit and repairing: Provision of renovation, system retrofit and repairing services covering replacement of chiller units, upgrade of electrical supply systems, modification and enhancement of fire services, plumbing and drainage systems, alteration and addition works and term contracts.

(ii) Technical support & maintenance services — Routine maintenance: Provision of operational and maintenance services for central air conditioning plants and other building services.

(iii) Security guarding & event services — Sales of goods: Sales of closed-circuit televisions and burglar alarm systems.

(iv) Environmental solutions — Rendering of services: Provision of environmental solutions services including installation and maintenance of water treatment systems, odour abatement systems, construction site wastewater treatment systems, ELV systems, IoT solutions, consultancy services for energy audit, carbon audit, building environmental assessment, indoor air quality and water quality assessment, laboratory services, landscape management, leasing of scissor lift platforms.

(v) Environmental solutions — Sales of goods: Sales of tiles, building service products including pipes, pumps, accessory valves and fittings, building automation systems, heating, ventilation, air-conditioning parts, fire services products, environmental engineering products covering building services water treatment and odour abatement systems, air quality monitoring machines, construction site wastewater treatment systems and plants.

(vi) Up to 31 December 2020 when the Group disposed of its laundry business.

(vii) An analysis of the Group's contracting revenue recognised based on percentage of actual costs incurred over total estimated costs of individual contracting work is as follows:

For the year ended 30 June	**2022**	2021 (restated)
	HK$'000	HK$'000
Technical support & maintenance services		
- Renovations, system retrofit and repairing	**119,558**	109,640
Environmental solutions		
- Rendering of services	**100,311**	23,045
E&M services	**3,018,058**	2,795,852
Total	**3,237,927**	2,928,537

Following the anticipated rapid growth in the Group's Extra Low Voltage ("ELV") business starting from this financial year, the Group's CODM has reorganised the Group's businesses into three major business segments as described below to align more closely with the market dynamics and the Group's strategic direction. As a result of such changes occurred during the year ended 30 June 2022, the Group's prior year corresponding segment information that is presented for comparative purpose has been restated accordingly.

The CODM considers the business from the product and service perspectives and the Group is organised into three major business segments according to the nature of services and products provided:

(i) Property & facility management services — Provision of property and facility management services, property agency and related services for buildings, carparks management services and guarding services;

(ii) City essential services — Provision of cleaning and waste disposal services, recycling and environmental disposal services, technical support & maintenance services, security guarding & event services, insurance solutions, environmental engineering services*, trading of environmental and building materials products, landscaping services and laundry services**; and

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

* Includes ELV business (previously included in the E&M services segment) restated retrospectively starting from 1 July 2020.

** Up to 31 December 2020 when the Group disposed of its laundry business.

The CODM assesses the performance of the operating segments based on each segment's operating profit. The measurement of segment operating profit excludes the effects of unallocated corporate expenses. In addition, finance income and costs and share of results of associates and joint ventures are not allocated to segments.

Operating expenses of a functional unit are allocated to the relevant segment which is the predominant user of the services provided by the unit. Operating expenses of other shared services which cannot be allocated to a specific segment and corporate expenses are included as unallocated corporate expenses.

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets are determined after deducting related allowance that are reported as direct offsets in the statement of financial position. Segment assets consist primarily of property, plant and equipment, right-of-use assets, other intangible assets, interests in associates, interests in joint ventures, deferred income tax assets, pension assets, trade and other receivables, contract assets, inventories and cash and bank balances.

Segment liabilities are those operating liabilities that result from the operating activities of a segment. Segment liabilities do not include other liabilities that are incurred for financing rather than operating purpose unless the segment is engaged in financing activities.

As at 30 June 2022 and 30 June 2021, unallocated assets and unallocated liabilities represented the assets and liabilities not arising from the operations of the operating segments.

Additions to non-current assets comprise mainly additions to property, plant and equipment, right-of-use assets and other intangible assets.

(a) As at and for the year ended 30 June 2022

The segment results for the year ended 30 June 2022 and other segment items included in the consolidated income statement are as follows:

	Property & facility management services HK$'000	City essential services HK$'000	E&M services HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Revenue – External	**696,298**	**3,252,579**	**3,018,058**	–	**6,966,935**
Revenue – Internal	**3,691**	**96,309**	–	**(100,000)**	–
Total revenue	**699,989**	**3,348,888**	**3,018,058**	**(100,000)**	**6,966,935**
Timing of revenue recognition					
Over time	**699,989**	**3,189,157**	**3,018,058**	**(89,539)**	**6,817,665**
At a point in time	–	**159,731**	-	**(10,461)**	**149,270**
Total revenue	**699,989**	**3,348,888**	**3,018,058**	**(100,000)**	**6,966,935**
Operating profit before unallocated corporate expenses	**151,604**	**239,633**	**205,023**	–	**596,260**
Unallocated corporate expenses					**(5,769)**
Operating profit					**590,491**
Finance income					**1,518**
Finance costs					**(5,420)**
Share of results of associates and joint ventures					**2,128**
Profit before income tax					**588,717**
Income tax expenses (Note 5)					**(84,813)**
Profit for the year					**503,904**
Other items					
Depreciation and amortisation	**12,373**	**33,221**	**16,288**	–	**61,882**
Reversal of impairment losses, net					
- Trade and other receivables	**(1,075)**	**(585)**	–	–	**(1,660)**
Reversal of provision for inventories	–	**(1,443)**	–	–	**(1,443)**
Additions to non-current assets (other than financial instruments and deferred tax assets)	**13,319**	**35,337**	**61,777**	–	**110,433**

The segment assets and liabilities as at 30 June 2022 are as follows:

	Property & facility management services HK$'000	City essential services HK$'000	E&M services HK$'000	Total HK$'000
Segment assets	**427,601**	**1,505,363**	**1,661,552**	**3,594,516**
Unallocated assets				**4,788**
Total assets				**3,599,304**
Segment liabilities	**189,242**	**792,633**	**1,670,571**	**2,652,446**
Unallocated liabilities				**510,084**
Total liabilities				**3,162,530**

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

The segment results for the year ended 30 June 2021, as restated, and other segment items included in the consolidated income statement are as follows:

	Property & facility management services HK$'000	City essential services HK$'000	E&M services HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Revenue – External, as restated	658,239	2,998,650	2,795,852	–	6,452,741
Revenue – Internal, as restated	3,021	105,762	–	(108,783)	–
Total revenue, as restated	661,260	3,104,412	2,795,852	(108,783)	6,452,741
Timing of revenue recognition					
Over time, as restated	661,260	2,973,263	2,795,852	(88,044)	6,342,331
At a point in time, as restated	–	131,149	–	(20,739)	110,410
Total revenue, as restated	661,260	3,104,412	2,795,852	(108,783)	6,452,741
Operating profit before unallocated corporate expenses, as restated	147,048	401,410	120,006	–	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, as restated					
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
Additions to non-current assets (other than financial instruments and deferred tax assets)	2,482	39,276	5,381	–	47,139

The segment assets and liabilities as at 30 June 2021 are as follows:

	Property & facility management services HK$'000	City essential services HK$'000	E&M services HK$'000	Total HK$'000
Segment assets	337,461	1,260,068	1,418,656	3,016,185
Unallocated assets				34,040
Total assets				3,050,225
Segment liabilities	185,922	705,673	1,623,717	2,515,312
Unallocated liabilities				435,399
Total liabilities				2,950,711

Revenue from external customers by geographical areas is based on the geographical location of the customers.

Revenue is allocated based on the regions in which the customers are located as follows:

For the year ended 30 June	2022 HK$'000	2021 HK$'000
Revenue		
Hong Kong	**6,123,305**	5,780,739
Mainland China	**565,815**	436,315
Macau	**277,815**	235,687
Total	**6,966,935**	6,452,741

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	2022 HK$'000	2021 HK$'000
Customer A	**1,356,885**	1,261,242
Customer B	**1,191,232**	917,882
Customer C	**N/A**(i)	741,987

Note:
(i) The amount is less than 10% of the Group's revenue.

The revenue contributed by the above major customers is mainly attributable to the Group's E&M services segment in Hong Kong and Mainland China, city essential services and property & facility management services segments in Hong Kong.

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

As at 30 June	2022 HK$'000	2021 HK$'000
Non-current assets, other than deferred tax assets and pension assets		
Hong Kong	**302,903**	262,955
Mainland China	**27,054**	26,836
Macau	**8,527**	415
Total	**338,484**	290,206

3. Other income/(expenses), net

For the year ended 30 June	2022 HK$'000	2021 HK$'000
Losses related to disposal of subsidiaries		
- Impairment losses		
- Property, plant and equipment	–	(22,859)
- Right-of-use assets	–	(2,941)
- Loss on disposal of subsidiaries	–	(420)
- Total	–	(26,220)
Other impairment losses		
- Property, plant and equipment	–	(2,800)
- Other intangible assets	–	(845)
Government grants(i)	**36,986**	433
Administrative fee income for application of government grants	**3,112**	–
Ex-gratia payments from the government for retirement of motor vehicles	**519**	450
Gain/(loss) on disposal of property, plant and equipment, net	**280**	(4,356)
Exchange (loss)/gain, net	**(1,254)**	2,360
Rental income	–	589
Sundries	**2,659**	1,773
Total	**42,302**	(28,616)

Note:

(i) During the year ended 30 June 2022, the Group has received government grants under various schemes from the Government of the Hong Kong Special Administrative Region (the "HKSAR Government") and the Macau Special Administrative Region (the "Macau SAR Government") as financial support for its businesses. As a result, the Group has recognised HK$36.6 million (2021: HK$0.4 million) and HK$0.4 million (2021: Nil) in relation to the grants under various schemes from the HKSAR Government and the Macau SAR Government respectively.

4. Operating profit

For the year ended 30 June	**2022** **HK$'000**	2021 HK$'000
Operating profit is stated after charging/(crediting):		
Staff costs (including Directors' emoluments)	**2,870,494**	2,390,538
Subcontracting fees	**2,052,609**	1,877,085
Raw materials and consumables used	**1,136,189**	1,100,575
Cost of inventories sold	**59,829**	55,154
Depreciation of right-of-use assets	**38,546**	38,359
Depreciation of property, plant and equipment	**19,080**	34,716
Expenses relating to short-term leases	**12,618**	6,260
Auditors' remuneration		
Audit services	**6,312**	6,048
Non-audit services	**742**	2,911
Amortisation of other intangible assets[(i)]	**4,256**	2,413
(Reversal of impairment loss)/impairment loss on trade and other receivables, net	**(1,660)**	1,953
(Reversal of provision)/provision for inventories	**(1,443)**	6,406
Depreciation of investment property	**–**	309

Note:
(i) Included in general and administrative expenses

Save as disclosed in this note and elsewhere in the consolidated financial statements, the other items charged/credited to the Group's operating profit are of individually immaterial amounts, which include insurance expenses, repair and maintenance expenses, utility expenses, motor vehicles expenses, etc.

5. Income tax expenses

For the year ended 30 June	**2022** **HK$'000**	2021 HK$'000
Current income tax		
Hong Kong profits tax	**82,240**	63,671
Mainland China income tax	**2,456**	867
Macau taxation	**–**	15
Under/(over)-provision in prior years	**732**	(160)
Deferred income tax (credit)/expense		
Income tax	**(485)**	(5,537)
Withholding tax	**(130)**	764
Total	**84,813**	59,620

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the year. Taxation on Mainland China and Macau profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates. These rates range from 12% to 25% for the year ended 30 June 2022 (2021: 12% to 25%). According to applicable People's Republic of China ("PRC") tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong and meets the conditions or requirements under the double taxation arrangement entered into between the Mainland China and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. Hence, the Group used 5% to accrue the withholding tax for certain PRC subsidiaries which are expected to fulfill the aforesaid conditions.

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

For the year ended 30 June	**2022** **HK$'000**	2021 HK$'000
Profit before income tax	**588,717**	646,319
Less: Share of results of		
Associates	**(1,859)**	(1,053)
Joint ventures	**(269)**	(19)
	586,589	645,247
Calculated at a tax rate of 16.5% (2021: 16.5%)	**96,787**	106,466
Tax losses not recognised	**2,457**	4,646
Expenses not deductible for taxation purposes	**1,051**	9,894
Under/(over)-provision in prior years	**732**	(160)
Effect of different taxation rates in other regions	**368**	1,341
Temporary differences not recognised	**59**	138
Income not subject to taxation	**(15,694)**	(56,426)
Tax concessions	**(726)**	(1,072)
Withholding tax on undistributed earnings from subsidiaries in Mainland China	**(130)**	764
Utilisation of previously unrecognised tax losses	**(91)**	(177)
Recognition of previously unrecognised tax losses	**–**	(5,794)
Income tax expenses	**84,813**	59,620

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	2022 HK$'000	2021 HK$'000
Profit for the year attributable to shareholders of the Company	**502,935**	586,911
Less: Preferred distribution to the holder of convertible preference shares	**(8,454)**	(8,454)
Earnings used in the basic earnings per share calculation	**494,481**	578,457
Weighted average number of ordinary shares in issue (shares in thousands)	**450,000**	450,000
Basic earnings per share (HK$)	**1.10**	1.29

(b) Diluted

On 16 December 2019, the Company issued convertible preference shares which are treated as contingently issuable potential ordinary shares under HKAS 33 "Earnings per Share". Since the conditions for their conversion were not met as at 30 June 2022 and 30 June 2021, therefore, the effect of their conversion is not included in the calculation of the diluted earnings per share for years ended 30 June 2022 and 30 June 2021. As a result, the diluted earnings per share equals to the basic earnings per share for the years ended 30 June 2022 and 30 June 2021.

7. Dividends

For the year ended 30 June	2022 HK$'000	2021 HK$'000
Interim dividend paid of HK20.9 cents (2021: HK28.9 cents) per share	**94,050**	130,050
Final dividend proposed of HK24.1cents (2021: HK16.1 cents) per share	**108,450**	72,450
Total	**202,500**	202,500

Note:
At a meeting held on 5 September 2022, the Board recommended a final dividend of HK24.1 cents (2021: HK16.1 cents) per ordinary share to the ordinary shareholders of the Company. The final dividend will be paid in cash. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements but will be reflected as an appropriation of the retained earnings for the year ending 30 June 2023.

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	**2022** **HK$'000**	2021 HK$'000
Current to 90 days	**769,641**	673,882
91 to 180 days	**35,868**	24,178
Over 180 days	**27,170**	38,009
Total	**832,679**	736,069

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	**2022** **HK$'000**	2021 HK$'000
1 – 90 days	**223,214**	294,591
91 – 180 days	**21,811**	9,668
Over 180 days	**19,420**	16,770
Total	**264,445**	321,029

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Summary of government grants

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

Results excluding non-recurring items

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

PROPERTY & FACILITY MANAGEMENT SERVICES SEGMENT

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

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

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

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

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

CITY ESSENTIAL SERVICES SEGMENT

Cleaning Services

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

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

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

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

Technical Support & Maintenance Services

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

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

Security Guarding & Event Services

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

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

Perfect Event has steadily gained a foothold in its two core businesses in (i) providing its customers service ambassadors to a variety of prestigious events such as exhibitions, concerts, pop music award ceremonies as well as high end private club festive events and (ii) providing them technological support enhancements. Although Perfect Event is young it has a very solid foundation from General Security in management and back-office support, vast operations experiences, as well as a list of potential clients who are already well familiar with the reputation and quality of General Security.

During FY2022, General Security and Perfect Event submitted tenders for 80 security guarding and event services contracts (with a contract sum not less than HK$1 million for each contract) with a total tender sum of HK$1,568 million and, combining the submitted tenders from previous months, was awarded 32 service contracts (with a net contract sum not less than HK$1 million for each project) with a total contract sum of HK$599 million. Among these 32 service contracts, five of them were major service contracts (with net contract sum not less than HK$20 million for each service contract) including two residential estates in Shatin and Yuen Long, a commercial entertainment complex in the vicinity of the airport area, clubhouses and entertaining facilities.

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

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

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

During FY2022, Nova has secured placement for a number of sizeable construction projects. Nova also managed to get some new accounts including residential developments, new hotels, listed companies, non-governmental organisations and other commercial enterprises. In addition, it has handled more trade credit insurance business and concluded some new businesses on cyber insurance. The vast majority of Nova's business is from annual renewable insurance policies. Each year Nova has to submit renewal quotations for all these policies to its clients and will only be awarded the renewal contracts when its terms and conditions are competitive. Nova's retention ratio has always been over 90% reflecting its competitiveness and high level of services.

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

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

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

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

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

Its landscape business offers a wide range of one-stop green solutions to its clients. It provides landscape design and performs landscape projects and various tree works. It also supplies festival plants to its clients.

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

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

E&M SERVICES SEGMENT

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

The Group's E&M services business' unique market differentiation lies in its integration of all E&M services, a strong pool of professional talents, a well-established network of suppliers and subcontractors, and a team-based partnership approach towards its clients. Innovation by using advanced technology keeps it at the forefront of the E&M industry. It is also recognised as one of the industry pioneers in adoption of green building design, Modular Integrated Construction ("MiC"), Multi-trade Integrated Mechanical, Electrical and Plumbing

(“MiMEP”), Design for Manufacture and Assembly (“DfMA”) in its projects. With such competitive edges over its competitors, the Group has strong confidence in securing and undertaking integrated E&M projects in Hong Kong, Mainland China and Macau.

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

During FY2022, the Group’s E&M services division submitted tenders for 168 E&M engineering projects (with a contract sum not less than HK$1 million for each project) with a total tender sum of HK$21,413 million and, combining the submitted tenders from previous months, was awarded 42 contracts (with a net contract sum not less than HK$1 million for each project) with a total net contract sum of HK$2,335 million. Among these contracts, nine of them were major projects (with net contract sum not less than HK$100 million for each project), which included, in Hong Kong four residential developments in Ho Man Tin Station, LOHAS Park and Kai Tak, two subsidised housing developments in Anderson Road and Pak Wo Road, a public housing development at Yip Wong Road and AIA Campus Redevelopment and, in Mainland China a commercial complex development in Tianjin.

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

FINANCIAL REVIEW

Revenue

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

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

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

* Segment revenue does not include inter-segment revenue.

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

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

  Segment revenue grew by 5.8% or HK$38.1 million to HK$696.3 million from HK$658.2 million. Such growth was mainly driven by (i) newly awarded property management contracts for car parks of shopping malls, (ii) additional works for staff quarters of a university and (iii) increased commission income from property sales and leasing partly offset by a reduction in revenue from pandemic-induced additional works for government buildings. It should be noted that, under contract terms, about 20% of the property & facility management services segment's revenue represents management fees only. Should such revenue be recognised on the same basis as the rest of this segment's revenue derived from its lump sum contracts (i.e. with all direct operational costs for performing the related services borne by it) which are primarily facility management contracts, the property & facility management services segment's revenue for FY2022 would be increased from its reported amount of HK$696.3 million (2021: HK$658.2 million) to about HK$3,500.0 million (2021: HK$3,500.0 million).

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

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

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

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

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

The increased revenue contribution from Mainland China and Macau reflected a number of E&M engineering installation projects, including Qianhai Chow Tai Fook Finance Tower and Guangzhou New World Zengcheng Comprehensive Development project in Mainland China and Studio City Phase 2 in Macau, which had substantial progress this year. The revenue from Hong Kong region in the Year remained stable at HK$2,299.0

million compared to HK$2,285.6 million last year and contributed 76.2% of this segment's revenue. It should be noted that, under contract terms, only the management fees and reimbursable costs were reflected in the revenue of the Kai Tak Sports Park project.

Gross profit

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

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

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

In FY2022, the Group's property & facility management services segment, city essential services segment and E&M services segment contributed 22.1% (2021: 21.4%), 43.8% (2021: 55.3% (restated)) and 34.1% (2021: 23.3% (restated)) of its gross profit respectively. The Group's gross profit decreased by HK$142.6 million or 12.6% to HK$992.5 million from HK$1,135.1 million in FY2021, with an overall gross profit margin decreased to 14.2% from 17.6%, mainly reflecting a decrease in COVID-19 related government grants.

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

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

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

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

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

General and administrative expenses

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

Other income/(expenses), net

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

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

Finance income

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

Finance costs

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

Income tax expenses

The effective tax rate of the Group increased by 5.3% to 14.4% (2021: 9.2%), mainly attributable to a reduction in 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			
	2022	2021 (restated)	Change	% Change
	HK$'M	HK$'M	HK$'M	
Property & facility management services	**136.3**	134.1	2.2	1.6%
City essential services	**201.5**	368.1	(166.6)	(45.3%)
E&M services	**173.4**	108.3	65.1	60.1%
Unallocated corporate expenses and finance costs*	**(8.3)**	(23.6)	15.3	(64.8%)
Total	**502.9**	586.9	(84.0)	(14.3%)

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

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

If excluding the effects of government grants in the Group's result for both years and item (iii) mentioned above in the Group's prior year results to better illustrate the Group's financial results without the effects of such non-recurring items, the Group recorded an increase in adjusted net profit for the Year of 35.2% to HK$414.7 million (i.e. after excluding government grants of HK$88.2 million from profit attributable to shareholders of the Company of HK$502.9 million for the Year) as compared to its adjusted net profit of HK$306.8 million for last year (i.e. after excluding (a) government grants of HK$340.0 million, (b) losses related to laundry business of HK$45.8 million and (c) one-off professional fees for acquisition of HK$14.1 million from profit attributable to shareholders of the Company of HK$586.9 million last year).

Other comprehensive (loss)/income

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

Liquidity and financial resources

The Group's finance and treasury functions are centrally managed and controlled at its headquarters in Hong Kong. As at 30 June 2022, the Group had total cash and bank balances of HK$767.0 million (30 June 2021: HK$549.9 million), of which 89%, 9% and 2 % (30 June 2021: 91%, 7% and 2%) were denominated in Hong Kong dollars, RMB and other currencies respectively, and total borrowings of HK$403.5 million (30 June 2021: HK$383.8 million) denominated in Hong Kong dollars. The Group's net cash balance increased by HK$197.4 million to HK$363.5 million as at 30 June 2022 as compared to HK$166.1 million as at 30 June 2021 mainly reflecting the net cash inflow from operating activities, partly offset by partly offset by the distribution of the Company's FY2021's final dividend of HK$72.5 million and FY2022's interim dividend of HK$94.0 million and the Group's payments for principal portion of lease liabilities of HK$37.7 million. The Group's net gearing ratio was maintained at zero as at 30 June 2022 (30 June 2021: 0%). This ratio is calculated as net debt divided by total equity. Net debt is calculated as total bank borrowings less cash and cash equivalents.

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

Debt profile and maturity

As at 30 June 2022, the Group's total debts amounted to HK$403.5 million (30 June 2021: HK$383.8 million), of which HK$140.0 million matures in June 2023 and HK$263.5 million matures in December 2024. The Group has managed its debt maturity profile to minimise 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$136.6 million (30 June 2021: HK$121.2 million) as at 30 June 2022. The foreign currency translation arising from translation of these Mainland China operations' financial statements from RMB (functional currency of these Mainland China operations) into Hong Kong dollars (the Group's presentation currency) does not affect the Group's profit before and after tax and will be recognised in its other comprehensive income.

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

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

Use of net proceeds from listing

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

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

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

Capital commitments

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

Contingent liabilities

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

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

Convertible preference shares

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

The convertible preference shares are (i) convertible into 43,676,379 ordinary shares of the Company at an initial price of HK$3.2260 per share (subject to adjustments upon occurrence of certain prescribed events, including consolidation, subdivision or reclassification of shares in the capital of the Company, capitalisation of profits or reserves etc., in each case if not also made available to the holder(s) of the convertible preference shares), provided that any conversion shall not result in the Company failing to comply with any public float requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), within a period of 10 years after their date of issue of 16 December 2019 (the "Issue Date") and (ii) redeemable by the Company at its sole discretion at a redemption price equals to the Issue Price together with all outstanding preferred distributions accrued to the date fixed for redemption at any time after 10 years following the Issue Date. The convertible preference shares are treated as contingently issuable potential ordinary shares under Hong Kong Accounting Standard ("HKAS") 33 "Earnings per Share" and, since the conditions for their conversion were not met as at 30 June 2022, the effect of their conversion is not included in the calculation of the diluted earnings per share for years ended 30 June 2022 and 2021 pursuant to HKAS 33's requirements as described in Note 6 to the consolidated financial statements. Assuming that all of the outstanding convertible preference shares were converted as at the end of the financial year of 30 June 2022 and assuming their conditions for conversion were met, the Company's earnings per share after taking into account of the dilutive impact of such conversion for the year ended 30 June 2022 would be HK$1.02 per share, calculated as the Group's profit attributable to shareholders of the Company of HK$502.9 million divided by the weighted average number of the Company's ordinary shares in issue of 493.7 million (after taking into account the weighted average number of incremental number of ordinary shares that would be issued from the conversion of the convertible preference shares on its Issue Date of 43.7 million). The convertible preference shares confer their holder(s) the right to receive preferred distributions from the Issue Date at a rate of 6.0% per annum on its Issue Price, payable annually in arrears. As (i) the Company may at its sole discretion redeem either in whole or in part the convertible preference shares for the time being outstanding (i.e. it has no obligation to settle them in cash unless it elects at its sole discretion to redeem) and (ii) the convertible preference shares are only convertible within a period of 10 years after the Issue Date but redeemable only after 10 years following the Issue Date, an analysis on the Company's share price at which it would be equally financially advantageous for the convertible preference share holder(s) to convert or redeem the convertible preference shares based on their implied rate of return at a range of dates in the future is not applicable. Based on the financial and liquidity position of the Group (with details set out in the paragraphs headed "Liquidity and financial resources" of this section), to the best knowledge of the Company, the Company expects that it will be able to meet its redemption obligations under the outstanding convertible preference shares issued by it.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

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

Environmental policies and performance

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

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

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

People development

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

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

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

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

In addition to focusing on employees' training, the Group also extends this learning and caring culture to our employees' children. FSE Children Academic Star Award was launched in 2014 to recognise the academic achievements of our employees' next generation. This award scheme also serves to develop human asset with different potential that could be beneficial to our society and the Group. The prize set for the award scheme recognising students' outstanding achievements in HKDSE, GCE/GCSE A-Level and International Baccalaureate Diploma examinations as well as talents performing in Music, Sports and Art. A total of 72 children of our employees have been awarded for the outstanding academic achievements and another 4 children have achieved the special awards for their talents. This award scheme displays the alignment of FSE Lifestyle's core values and contributes to establishing a caring employer brand for our Group.

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

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

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

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

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

Commitment to the environment
We are committed to reduce energy consumption and greenhouse gas emissions in our operations. This year, we have set targets of reducing 3% of energy consumption (intensity), 3% of greenhouse gases emissions (intensity), and paper procured by 2% by end of the financial year ended 30 June 2022. Through adopting different initiatives, applications, measures and communication with employees, the results of the targets set were completely achieved by the said period.

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

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

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

With the use of IoT technology, we provide complete integrated solutions to tackle the pain points of our customers. FioTec, our smart solution system, delivers a wide scope of services ranging from consultation and solution design, system implementation and operation, to routine support and maintenance. It focuses on innovative IoT solutions for facility management, including building automation and energy optimisation, facility digitalisation, predictive maintenance solutions for building services equipment, video analytic and smart security solutions, etc. FioTec can integrate with existing Building Management System and Central Control and Monitoring System, and BIM model to create an IoT ecosystem for various customers.

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

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

Compliance with relevant laws and regulations

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

EMPLOYEES AND REMUNERATION POLICY

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

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

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

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

OUTLOOK

Property & Facility Management Services Segment

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

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

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

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

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

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

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

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

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

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

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

City Essential Services Segment

1. **Cleaning Services**

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

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

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

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

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

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

2. Technical Support & Maintenance Services

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

In the private sector, steady and stable income generated from maintenance and system retrofit works support the fundamental operation business of the Group's technical support & maintenance services section. Furthermore, large-scale renovation works for existing commercial premises is also expected to create emerging business opportunities in the coming few years. Information from Hong Kong Tourism Board reviewed that there are more than 300 hotels and 50 mega size shopping malls in Hong Kong, this market offers tremendous opportunities for further developing business in the private sector in the next few years.

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

3. **Security Guarding & Event Services**

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

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

4. **Insurance Solutions**

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

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

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

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

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

5. **Environmental Solutions**

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

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

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

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

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

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

E&M Services Segment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Since the outbreak of COVID-19, its resulting impact to the global economy is far-reaching and we have taken various proactive measures and contingency plans to contain the operational and financial risks which it brings to the Group. These included swapping teams workplace (i.e. Teams A and B) arrangements, setting up of alternative offices, flexible business and lunch hours, IT enhancement to sustain the business operations, provision of personal protective equipment, including face masks, rapid antigen test (RAT) kit sets, disposable gloves and protective gowns, to our frontline staff, body temperature checking for anyone entering into our work areas and putting sanitizing hand rubs in easily accessible places in our work areas to promote their usage by our staff, workers and visitors.

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

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

Our environmental services business remains as usual and stable under the current situation. Our landscape business with hotels and service apartments is however affected by the frozen tourism industry in Hong Kong. Our building material trading business is also impacted under the current 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.

The COVID-19 variant Omicron had more material impacts to our E&M business, owing to its fifth wave outbreak in Hong Kong and in Mainland China during 2022. As a result of the governments' measures to contain the spread of the virus, the cross-border land ports were closed, the production of materials and equipment by factories located in Mainland China were suspended for a few months and just resumed recently. Logistic problem and shortage of parts and materials supplies still exist globally. Therefore, our construction projects have experienced disruptions caused by delay in the supply and distribution channels and shortage of labour force.

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

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

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

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

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

FINAL DIVIDEND

The Board has resolved to recommend a final dividend of HK24.1 cents (2021: HK16.1 cents) per ordinary share for the year ended 30 June 2022 to the shareholders whose names appear on the register of ordinary shareholders of the Company on 26 October 2022. The proposed final dividend, if approved at the forthcoming annual general meeting ("AGM") of the Company, will be paid on or about 8 November 2022. Together with the interim dividend of HK20.9 cents (2021: HK28.9 cents) per share paid in March 2022, total distribution of dividend paid to the ordinary shareholders by the Company for the year ended 30 June 2022 will thus be HK45.0 cents (2021: HK45.0 cents) per share, representing a dividend payout ratio of 41.0% (2021: 48.7%).

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 2022 AGM:

- Latest time to lodge transfer documents for registration	4:30 pm on 12 October 2022
- Closure of register of ordinary shareholders	13 to 18 October 2022 (both dates inclusive)
- Record date	18 October 2022
- AGM date	18 October 2022

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

- Ex-dividend date	21 October 2022
- Latest time to lodge transfer documents for registration	4:30 pm on 24 October 2022
- Closure of register of ordinary shareholders	25 and 26 October 2022
- Record date	26 October 2022
- Dividend payment date	on or about 8 November 2022

During the above closure periods, no transfer of ordinary shares will be registered. To be eligible to attend and vote at the 2022 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 17/F, Far East Finance Centre, 16 Harcourt Road, 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, with the exception of code provision F.2.2.

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

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 2022, 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 2022 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
Executive Vice-Chairman

Hong Kong, 5 September 2022

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