

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Summary of government grants

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

Results excluding government grants

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

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Tender submitted and contracts awarded

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

Notes:

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

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

Gross value of contract sum and outstanding contract sum

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

PROPERTY & FACILITY MANAGEMENT Services

Number of staff
Over

5,300

Service contracts
Over

300



property & facility management



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

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

MANAGEMENT DISCUSSION AND ANALYSIS



Our Property & Facility Management Group has expertise in six core property and facility management areas:

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

Our Property & Facility Management Group's unique market differentiation lies in their integration of services, strong

pool of professional talents and partnership approach with our clients. In addition, innovation keeps our Property & Facility Management Group at the forefront of the industry. It is a pioneer in the introduction of modern international standards and innovative service models in property and facility management in Hong Kong, including the self-developed eApplication systems – The Sm@rtUrban Apps for customers and the ComEasy App for internal operation, with the application of drones for high rise inspections, altogether create strong synergies to enhance the overall operational efficiency in its property and facility management services.

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

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

The Incorporated Owners of Allway Gardens

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



MANAGEMENT DISCUSSION AND ANALYSIS



CITY ESSENTIAL *Services*

Number of staff
Over

19,200

Service contracts
Over

13,600

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

Cleaning & Pest Control Services

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

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



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

Insurance Solutions

The Group's insurance solutions business, Nova, comprises Nova Insurance Consultants and International Reinsurance Management, both of which hold Insurance Broker Company Licenses granted by the Insurance Authority. Nova Insurance

Consultants is also a registered Mandatory Provident Fund ("MPF") Intermediary under the Mandatory Provident Fund Schemes Authority and the largest local broker in Hong Kong.

Nova offers five core risk and insurance services:

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

As one of the top five (out of 803) general insurance brokers in Hong Kong, Nova's unique market differentiation lies in its highly professional team of brokers and specialists, strong expertise in various classes of insurance, customised services, good local knowledge and connections, strong bargaining power in the insurance market and its serving network in both the Greater Bay Area and in the world through its affiliated company in China and global broker partners. Nova serves many clients who are leaders within their respective industries.

During the Period, Nova secured placements for a number of operational insurances for a commercial complex and new cyber insurance policies. Nova also won a contract from one of the leading tertiary education institutions. The vast majority of Nova's business involved general insurance, construction and employee benefits-related insurance. Each year Nova has to submit renewal quotations for all these policies to its clients and will only be awarded the renewal contracts when its terms and conditions are competitive. Nova's retention ratio in securing renewed contracts has always been over 90%, reflecting its competitiveness and high level of services.



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

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

Technical Support & Maintenance Services

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



in heat, ventilation, and air conditioning ("HVAC") systems, testing and commissioning, periodic inspection in electrical and fire services installation works; and (iii) renovation works in E&M systems. All these different core services cover mostly in Hong Kong and Macau.

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

EcoPark Management Office

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



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Savills Hong Kong

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



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

Environmental Solutions

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

This division is divided into three business lines:

(i) "Environment Solutions" (water and air treatment, laboratory testing & certification) in comprehensive HVAC water treatment services, environmental assessment in air and water quality, deodorisation system and electro-chlorination system to assist its customers in achieving their environmental protection and energy conservation objectives. Its HVAC water treatment service is well-known for the professionalism in the industry with over 40 years of history and it has a water treatment company which is under the list of approved specialist contractors for



public works in fountain installation. As innovation is at the heart of this business, it has a patented application of using nanobubble ozonation to sterilize fresh water at cooling towers, swimming pools, public toilets, and water features. Its laboratory is accredited by Hong Kong Laboratory Accreditation Scheme ("HOKLAS") which is able to test a wide range of chemical and microbial parameters. For air quality related business, it is one of the nine accredited IAQ certificate issuing bodies in Hong Kong.

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The Hong Kong and China
Gas Company Limited

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



(ii) "Smart Solutions" (ELV, EV and smart facilities) to provide advanced information and communication infrastructure by providing Extra Low Voltage ("ELV") building technology with smart facility systems (i.e. smart office and smart toilet) to enhance operational efficiency, as well as a full range of services covering material supply, electrical installation, design and engineering and project management for electric vehicle ("EV") charging infrastructure.

(iii) "Green Solutions" (landscape and building materials) in landscape management and maintenance services to a diversified business portfolio, including but not limited to property developers and managers, and trading of a wide range of building controls equipment and other building materials to improve environmental quality and promote carbon neutrality. Its landscape business offers a wide range of one-stop green solutions to its clients. It provides landscape design and performs landscape projects and various tree works. It also supplies festival plants to its client.

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

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

Systems Security, Guarding & Event Services

The Group's systems security, guarding & event services business comprises General Security and Perfect Event, which provides systems security, guarding, escort and surveillance security, security system and technology, customer service ambassador and event services.

General Security serves a broad range of clients of residential properties (including estates, service apartments and luxury detached houses), office towers, shopping malls and buildings, private clubs, construction sites, entertaining facilities, event and exhibition venues. General Security holds all three types of licences for operating a security company in Hong Kong which covers three core areas: (i) Type I Licence for provision of systems security, guarding services; (ii) Type II Licence for providing armoured transportation services and (iii) Type III Licence for installation, maintenance and/or repairing of a security device and/or designing a

MANAGEMENT DISCUSSION AND ANALYSIS



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

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

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

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

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

The Hong Kong Jockey Club

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



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e&m

E&M Services

Number of staff
Over

1,000

Service contracts
Over

160

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

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

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Hip Hing Engineering Co Ltd

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



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

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



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

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

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FINANCIAL REVIEW

Revenue

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

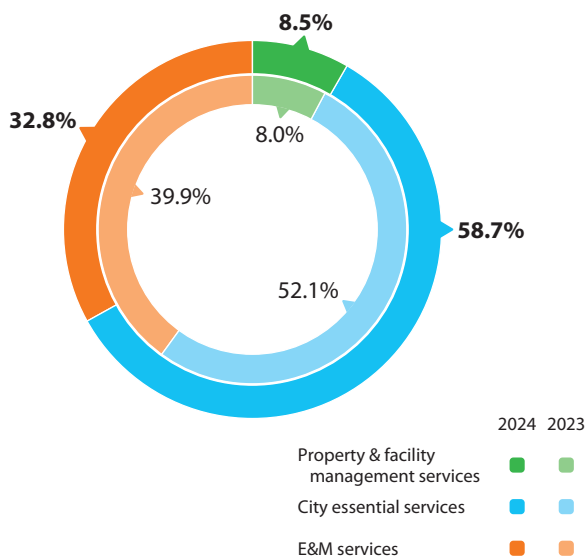
	For the six months ended 31 December		% Change
	2024 HK\$'M	2023 HK\$'M	
Property & facility management services*	350.4	329.8	6.2%
City essential services*	2,399.4	2,142.6	12.0%
E&M services*	1,340.2	1,642.1	(18.4%)
Total	4,090.0	4,114.5	(0.6%)

* Segment revenue does not include inter-segment revenue.

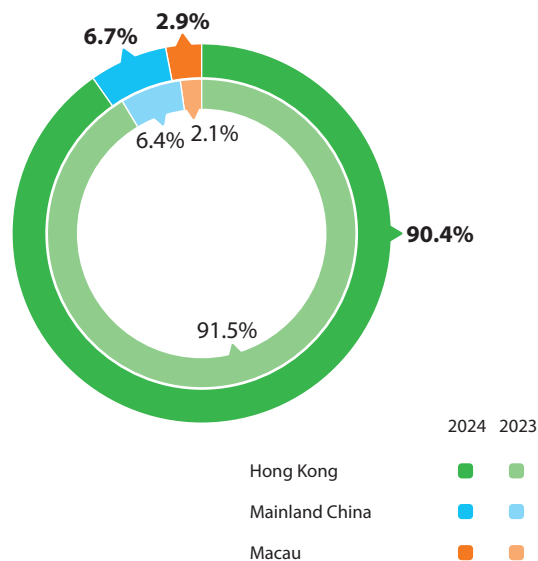
The Group's revenue from the property & facility management services segment and the city essential services segment in aggregate contributed 67.2% (2023: 60.1%), whereas the revenue from E&M services segment contributed 32.8% (2023: 39.9%).

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

For the six months ended 31 December



For the six months ended 31 December



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

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

Under the respective contract terms, approximately 20% of the property & facility management services segment's revenue is accounted for based on the management fee received. Should such revenue be recognised on the same basis as the rest of this segment's revenue derived from its lump sum contracts (i.e. with all direct operational costs for performing the related services borne by it) which are primarily facility management contracts, the property & facility management services segment's revenue for the Period would increase by HK\$1,500.0 million from its reported amount of HK\$350.4 million (2023: HK\$329.8 million) to about HK\$1,900.0 million (2023: HK\$1,900.0 million).

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

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

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

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

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

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

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

Under contract terms, only the management fees and reimbursable costs of the Kai Tak Sports Park project management project were accounted as revenue. Should such revenue be recognised on the same basis as the rest of this segment's revenue derived from its E&M installation contracts (i.e. with all direct project costs for performing the related installation services borne by it), this segment's revenue in the Period would increase by HK\$600.0 million from its reported amount of HK\$1,340.2 million (2023: HK\$1,642.1 million) to about HK\$1,900.0 million (2023: HK\$2,700.0 million).

Gross profit

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

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

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

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

* For details of the related government grants, please refer to the “Summary of government grants” table in the “Management Discussion and Analysis” section on page 14.

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

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

General and administrative expenses

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

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

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

Other income, net

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

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

Finance income

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

Finance costs

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

Income tax expenses

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

Profit for the period attributable to shareholders of the Company

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

Other comprehensive income

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

Capital structure

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

Notes:

(i) All borrowings are bank loans.

(ii) Net cash is calculated as cash and bank balances less total bank borrowings.

(iii) Being net current assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

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

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

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

and/or trade financing of HK\$3,089.8 million (30 June 2024: HK\$3,134.9 million). As at 31 December 2024, HK\$410.3 million (30 June 2024: HK\$235.8 million) of the Group's banking facilities had been utilised for bank borrowings and HK\$919.9 million (30 June 2024: HK\$790.8 million) of the Group's banking facilities had been utilised for bank guarantees and trade finance. The Group believes it has sufficient committed and unutilised banking facilities to meet current business operation and capital expenditure requirements.

Debt profile and maturity

As at 31 December 2024, the Group's total debts amounted to HK\$410.3 million (30 June 2024: HK\$235.8 million), of which HK\$40.0 million is renewed on a weekly basis, HK\$151.3 million on a monthly basis and HK\$219.0 million matures in October 2026. The Group has managed its debt maturity profile to minimise its refinancing risks. All of these debts, including HK\$389.0 million denominated in Hong Kong Dollar and HK\$21.3 million denominated in RMB, bear interest at floating rates.

Foreign currency exposure

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

As part of the Group's business is carried out in Mainland China, some of its assets and liabilities are denominated in RMB. The majority of these assets and liabilities had arisen from the net investments in Mainland China operations with net assets of HK\$221.5 million as at 31 December 2024 (30 June 2024: HK\$130.2 million). The foreign currency translation arising from translation of these Mainland China operations' financial statements from RMB (functional currency of these Mainland China operations) into Hong Kong dollars (the Group's presentation currency) does not affect the Group's profit before and after tax and will be recognised in its other comprehensive income.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

Capital commitments

As at 31 December 2024, the Group had capital commitments of HK\$6.9 million (30 June 2024: HK\$5.4 million) in relation to purchase of plant and equipment.

Contingent liabilities

In carrying out the ordinary course of business, the Group is subject to the risk of being named as defendant in legal actions, claims and disputes in connection with its business activities. The nature of the legal proceedings initiated against the Group mainly includes claims for compensation by the Group's existing or former employees for work-related injuries. The Group maintains insurance cover and, in the opinion of the Directors, based on current available evidence, any such existing claims and legal proceedings against the Group are not expected to have significant adverse financial impact to the Group as at 31 December 2024.

Convertible preference shares

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

The convertible preference shares are (i) convertible into 43,676,379 ordinary shares of the Company at an initial price of HK\$3.2260 per share (subject to adjustments upon occurrence of certain prescribed events, including consolidation, subdivision or reclassification of shares in the capital of the Company, capitalisation of profits or reserves etc., in each case if not also made available to the holder(s) of the convertible preference shares), provided that any conversion shall not result in the Company failing to comply with any public float requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, within a period of 10 years after their date of issue of 16 December 2019 (the "Issue Date") and (ii) redeemable by the Company at its sole discretion at a redemption price equals to the Issue Price together with all outstanding preferred distributions accrued to the date fixed for redemption at any time after 10 years following the Issue Date. The convertible preference shares are treated as contingently issuable potential ordinary shares under Hong Kong Accounting Standard ("HKAS") 33 "Earnings per Share" and, since the conditions for their conversion were not met as at 31 December 2024, the effect of their conversion is not included in the calculation of the diluted earnings per share for six months ended 31 December 2024 and 2023 pursuant to HKAS 33's requirements as described in Note 9 to the condensed consolidated interim financial statements. Assuming that all of the outstanding convertible preference shares were converted as at the end of the Period of

MANAGEMENT DISCUSSION AND ANALYSIS

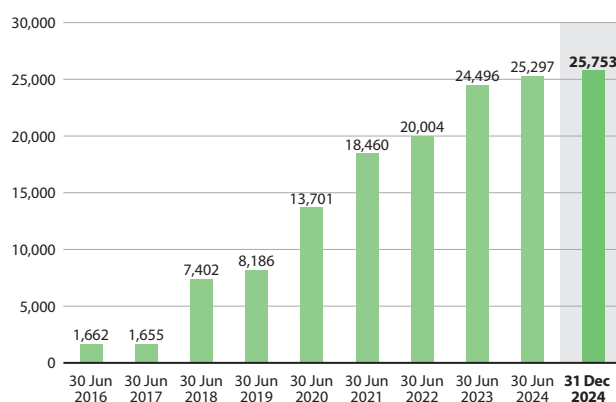
31 December 2024 and assuming their conditions for conversion were met, the Company's earnings per share after taking into account of the dilutive impact of such conversion for the six months ended 31 December 2024 would be HK\$0.49 per share, calculated as the Group's profit attributable to shareholders of the Company of HK\$241.6 million divided by the weighted average number of the Company's ordinary shares in issue of 493.7 million (after taking into account the weighted average number of incremental number of ordinary shares that would be issued from the conversion of the convertible preference shares on its Issue Date of 43.7 million). The convertible preference shares confer their holder(s) the right to receive preferred distributions from the Issue Date at a rate of 6.0% per annum on its Issue Price, payable annually in arrears. As (i) the Company may at its sole discretion redeem either in whole or in part the convertible preference shares for the time being outstanding (i.e. it has no obligation to settle them in cash unless it elects at its sole discretion to redeem) and (ii) the convertible preference shares are only convertible within a period of 10 years after the Issue Date but redeemable only after 10 years following the Issue Date, an analysis on the Company's share price at which it would be equally financially advantageous for the convertible preference share holder(s) to convert or redeem the convertible preference shares based on their implied rate of return at a range of dates in the future is not applicable. Based on the financial and liquidity position of the Group (with details set out in the paragraphs headed "Liquidity and financial resources" of this section), to the best knowledge of the Company, the Company expects that it will be able to meet its redemption obligations under the outstanding convertible preference shares issued by it.



As at 31 December 2024, the Group had a total of 25,753 employees (31 December 2023: 24,881) including 9,638 (31 December 2023: 9,683) casual workers and employees whose relevant costs are directly reimbursed by or charged to our customers or charged by sub-contractors. Staff costs for the Period, including salaries and benefits, were HK\$1,930.0 million (2023: HK\$1,756.6 million). The increase mainly reflects an increase in the number of staff.

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

Number of Staff



MANAGEMENT DISCUSSION AND ANALYSIS

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

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

OUTLOOK



Property & Facility Management Services Segment

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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



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

City Essential Services Segment

1. Cleaning & Pest Control Services

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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



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

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

MANAGEMENT DISCUSSION AND ANALYSIS

2. Insurance Solutions

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

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

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

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

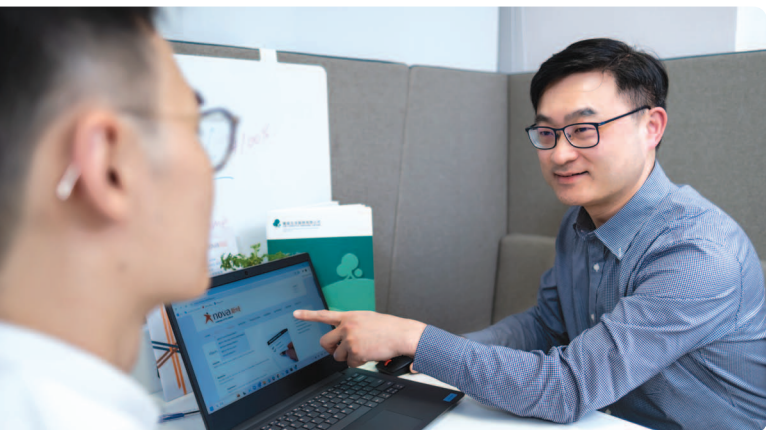
- Having completed the acquisition of Beijing Nova Insurance Services Limited on 27 December 2024, Nova can enter and expand its presence in the lucrative Chinese insurance brokerage market, and diversify its business operations geographically, lowering the risks from relying too much on a single market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

3. Technical Support & Maintenance Services

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

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

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



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

4. Environmental Solutions

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

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

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

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

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

Smart Solutions (ELV, EV charging and smart facilities)

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

MANAGEMENT DISCUSSION AND ANALYSIS

- The Hong Kong Roadmap on Popularisation of Electric Vehicle (“EV”) announced by the Government in 2021, targeting to achieve zero vehicular emissions by 2050 has fuelled the demand for relevant installation in car parks to support and encourage EV adoption, and that has presented the Group with ample business opportunities.
- With finger on the pulse of the market, the business segment has worked hard on identifying new and more powerful products. It will continue to work with vendors to customise systems according to specific customer needs and smart city blueprints, using advanced technologies and smart solutions such as AI and IoT, intelligent intellectual property/information technology-based systems and various 5G mobile applications to strengthen building management and environmental monitoring systems, so as to enhance building sustainability and environmental quality, and in turn increase customer satisfaction.
- For the Group’s building materials trading business, technological advancement and emphasis on healthy and green living concepts will translate into new opportunities for promoting new products with new features. Collaborating with the Group’s environment solutions team, the business has been able to identify new building materials and products that agree with latest market trends.

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



Green Solutions (landscape and building materials)

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

MANAGEMENT DISCUSSION AND ANALYSIS



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

E&M Services Segment

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

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

CONCLUSION

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