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

(Incoporated in the Cayman Islands with limited liability)

Stock Code: 331

Annual Report 2020-2021

Contents

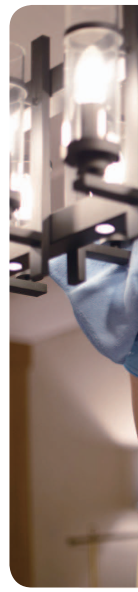
豐盛生活
FSE LIFESTYLE

FSE Lifestyle Services Limited

FSE Lifestyle Services Limited ("FSE Lifestyle") is a listed company in the Hong Kong Stock Exchange (Stock Code: 0331.HK), whose ultimate holding company is FSE Holdings Limited. We are a leading lifestyle services conglomerate with 3 major business segments: property & facility management services, city essential services and electrical and mechanical engineering ("E&M") services.

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

Our clientele includes the HKSAR Government, multinational corporations, owners and investors of intelligent buildings and premises, theme parks, universities, hotels and hospitals which cover all kinds of private and public facilities. We devise for our prestigious clients the optimal choices in creating cost efficiency and service excellence at all stages of their developments and operations.



Where the English and the Chinese texts conflict, the English text prevails.

Property & Facility Management Services

- Property Management
- Facility Management
- Agency Services

Urban Property & Facility Management

Kiu Lok Property Service Management

International Property Management

City Essential Services

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

Far East Engineering Services

Turning Technical Service

Extensive Trading

FSE Environmental Technologies

Hong Kong Island Landscape

General Security

Nova Insurance

Waihong Cleaning

E&M Services

- Design and Installation Services
- Air-conditioning Services
- Electrical Services
- Fire Services
- Plumbing and Drainage Services
- Extra low-voltage Services

FSE Engineering
Majestic Engineering
Young's Engineering

Our Vision

Better Life
Better Home
Better Quality
to You Everyday

Our Mission

We offer superior service, we create an integrated, convenient and safe living environment.

We are devoted to serve:

Our Customers	We provide customized service and maintain long term partnership.
Our Staff	We promote work-life balance and create a strong sense of belonging.
Our Community	We maintain sustainable development and contribute to community.

Our Core Values
Quality
We pursue Quality.
Integrity
We pursue Integrity.
Innovation
We are Innovative.
Passion
We are Passionate.
Caring
We Care.
Teamwork
We work as a Team.

Financial Highlights

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

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

Notes:

(i) Comparative figures have been restated for the Group's application of merger accounting for business combinations under common control. Details of the restatements are set out in Note 2.1(iii)(a) to the consolidated financial statements.

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

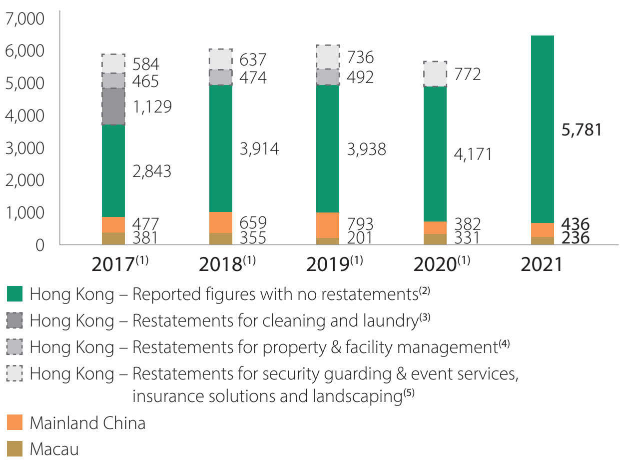
For the year ended 30 June 2021, the dividend payout ratio of the Company is 48.7%, calculated based on the Group's adjusted profit for the year ended 30 June 2021 attributable to ordinary shareholders of the Company of HK$416.1M (i.e. after excluding (a) the profit of HK$162.3M made by the security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

For the year ended 30 June 2020, the dividend payout ratio of the Company was 45.7%, calculated based on the Group's adjusted profit for the year ended 30 June 2020 attributable to ordinary shareholders of the Company of HK$267.7M (i.e. after excluding (a) the profit of HK$37.3M made by the property and facility management services business during the period from 1 July 2019 to 16 December 2019, the day of completion of the Group's acquisition of this business as described in Note 2.1(iii)(b) to the consolidated financial statements and (b) preferred distribution to the holder of convertible preference shares of HK$4.6M for the year ended 30 June 2020 from profit attributable to shareholders of the Company of HK$309.6M as previously reported in the Group's consolidated financial statements for the year ended 30 June 2020).

FSE LIFESTYLE — CONSOLIDATED

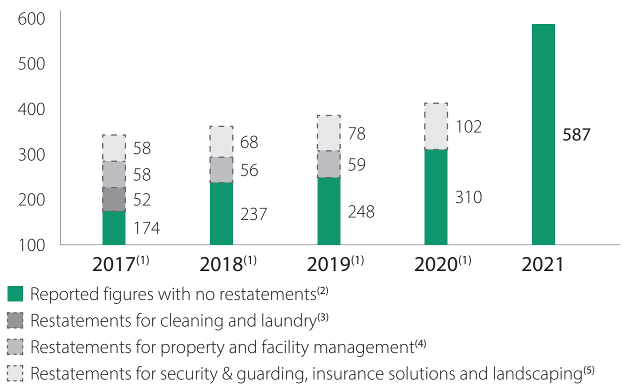
Revenue by Region

For the year ended 30 June
HK$'million



Profit Attributable to Shareholders of the Company

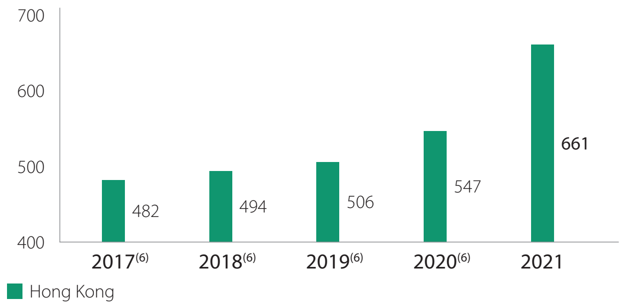
For the year ended 30 June
HK$'million



PROPERTY & FACILITY MANAGEMENT SERVICES SEGMENT

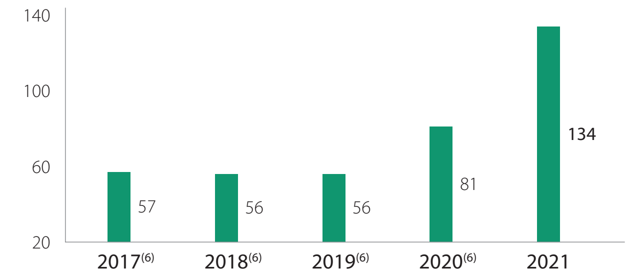
Revenue by Region

For the year ended 30 June
HK$'million



Profit Attributable to Shareholders of the Company

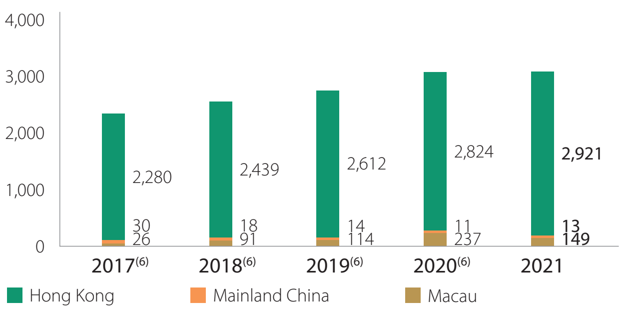
For the year ended 30 June
HK$'million



CITY ESSENTIAL SERVICES SEGMENT

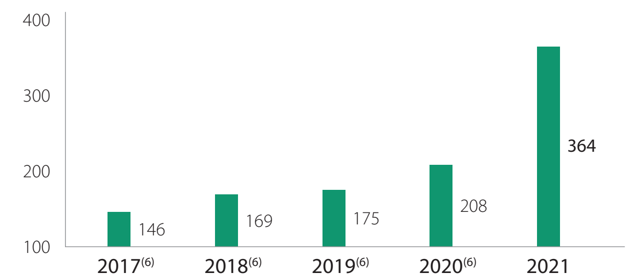
Revenue by Region

For the year ended 30 June
HK$'million



Profit Attributable to Shareholders of the Company

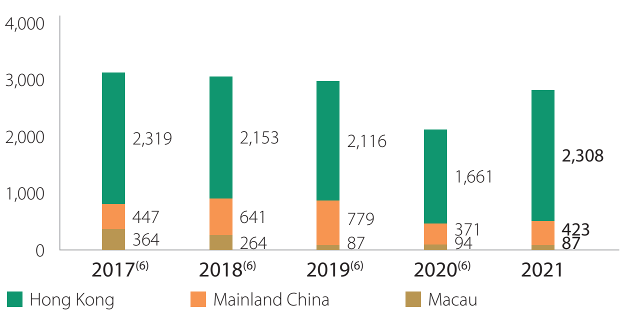
For the year ended 30 June
HK$'million



E&M SERVICES SEGMENT

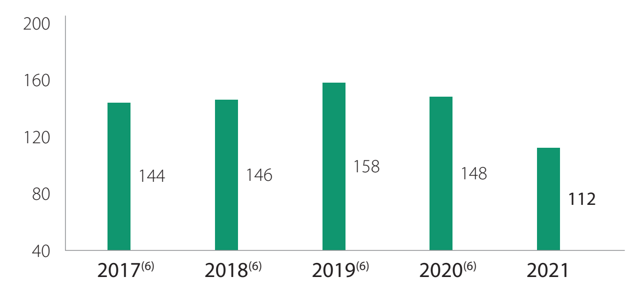
Revenue by Region

For the year ended 30 June
HK$'million



Profit Attributable to Shareholders of the Company

For the year ended 30 June
HK$'million



(1) Restated for the Group's application of merger accounting for business combinations under common control
(2) Reported figures per respective years' published annual results without including subsequent restatements caused by business acquisitions
(3) Restatements for the amounts of cleaning and laundry services businesses acquired in April 2018
(4) Restatements for the amounts of property & facility management services business acquired in December 2019
(5) Restatements for the amounts of security guarding & event services, insurance solutions and landscaping services businesses acquired in April 2021
(6) Restated for the Group's application of merger accounting for business combinations under common control and change in organisation of business segments during the year ended 30 June 2021

Major Events and Accolades

2020

Jul

Urban received a total of 90 awards in the presentation ceremony of "2019 Hong Kong Awards for Environmental Excellence & Hong Kong Green Organization Certification", commending its outstanding achievements in green management. In addition, one of its managed properties, Rhythm Garden (San Po Kong), was honored the "Gold Award" under the category of Property Management (Residential) for the fourth consecutive year.

Aug

FSE Lifestyle Services Limited ("FSE Lifestyle" or the "Company"), together with its subsidiaries, were honoured as the "Best All-round MPF Employer" and the "Good MPF Employer" by the Mandatory Provident Fund Schemes Authority and received the "e-Contribution Award" and the "MPF Support Award" in recognition of their efforts in building solid foundation for employees' retirement protection.

Sep

Hong Kong Island Landscape received the "Caring Certificate – Enterprise Group" under the "Industry Cares Recognition Scheme 2020" from the Federation of Hong Kong Industries.

Oct

General Security was awarded the "Best Diversity & Inclusion Strategy Award" organised by CTgoodjobs of the Hong Kong College of Technology Group recognising its efforts in building a diverse and inclusive workforce for employees with different age, background, behaviors, nationality beliers and physical disabilities.

Nova received the "BOCHK Corporate Environmental Leadership Awards – Eco Partner" organised by the Federation of Hong Kong Industries and sponsored by Bank of China (Hong Kong), recognising its active participation in environmentally conscious practices in Hong Kong and the Pan-Pearl River Delta region.

Nov

Urban was granted the "5+ Year Caring Certificate" in the "Industry Cares Recognition Scheme" organised by the Federation of Hong Kong Industries to recognise its Corporate Social Responsibility achievements for the eighth consecutive year, commending its continuous efforts in social services.

FSE Engineering Group's volunteer team received the "Construction Industry Volunteer Award (Most Supportive Organisation)" from the Construction Industry Council in recognition of its contributions to volunteer services in the industry and promotion of voluntary services culture in the community.

2020

Dec

FSE Lifestyle garnered the "Outstanding Listed Company Award 2020" from the Hong Kong Institute of Financial Analysts and Professional Commentators Limited, affirming its dedication in maintaining high level of transparency and delivering sustainable business performance throughout the year.

Dec

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

FSE Engineering Group Limited received the "HKMOS Awards" (Hong Kong Most Outstanding Service Awards) from CORPHUB, recognising its outstanding services and achievements in the engineering industry.

2021

May

Waihong received "The 8th Best Property Safety Management Award – Gold Award" for its Providence Peak services from the Occupational Safety & Health Council.

Jun

FSE Lifestyle, together with its subsidiaries, received the "Joyful@healthy Workplace Award - Outstanding Organization Award" from the Department of Health and the Occupational Safety and Health Council, recognising its efforts in nurturing a joyful and healthy working environmental for employees.

Kiu Lok received the "Five-Star Managed Property Award" for The Masterpiece and "Outstanding Managed Public Carpark Award" for the K11 Carpark it managed from The Hong Kong Association of Property Management Companies.

Chairman's Statement

With the novel coronavirus ("COVID-19") pandemic remaining a key source of uncertainty, the revival of the local economy will very much hinge on the epidemic situation and the pace of vaccination.

To Our Shareholders:

On behalf of the board of directors (the "Board") of FSE Lifestyle Services Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the annual results of the Company for the year ended 30 June 2021 ("FY2021" or the "Year").

TRANSFORMATION SPANNING THE PAST FIVE YEARS WITH SUCCESSFUL MERGERS AND ACQUISITIONS ("M&A")

The year 2021 marked the fifth anniversary of the Company's listing in Hong Kong and another important milestone was reached on 19 April 2021, with the successful completion of the acquisition of the security guarding & event services, insurance solutions and landscaping services businesses. Since its listing on 10 December 2015, the Group has adopted M&A strategies for market expansion through better utilisation of cash-on-hand and non-core assets, which in turn has provided it with broader and more diversified revenue streams. As a result, its consolidated revenue and profit attributable to shareholders for the Year grew significantly by more than 80% and 260% to HK$6.5 billion and HK$586.9 million respectively while its earnings per share increased more than 200%, compared with the figure recorded for the year ended 30 June 2016. The Company's property & facility management services and city essential services segments contributed more than half of its gross profit and net profit for the Year. Sound financial management remains the Group's priority, which has enabled the net gearing ratio to remain unchanged at 0%. As a long-term development strategy, the Group has successfully repositioned itself into a large-scale and unique lifestyle services conglomerate that has the capacity to offer a comprehensive range of services to its clients and create aspirational and sustainable developments for the city community.

To reflect the status of the enhanced business following the completion of the acquisitions, and to better promote its corporate image and future business development, the Group has been renamed as FSE Lifestyle Services Limited from FSE Services Group Limited and has also re-categorised its market-leading enterprises into the following business segments:

i. **Property & Facility Management Services**

ii. **City Essential Services** including Cleaning, Technical Support & Maintenance, Security Guarding & Event Services, Insurance Solutions and Environmental Solutions

iii. **E&M Services**

Looking ahead, our plans for performance growth are focused on leveraging our well-established and trusted brand, good governance, embracing cost effectiveness and capitalising on innovative technologies and professional expertise. Last but not least, we will continue to nurture our pool of young talents with diversified and tailor-made training. Thanks to the above efforts and the receipt of government grants, and despite a modest setback incurred by our E&M services business amid the competitive business environment, the Group's FY2021 profit attributable to shareholders reached HK$586.9 million, with a net cash position maintained at the end of the Year. The Board has proposed a final dividend of HK16.1 cents per ordinary share for the Year. Including the interim dividend of HK28.9 cents per ordinary share for the six months ended 31 December 2020, the total dividend payout for the Year is HK45.0 cents per ordinary share, equivalent to a payout ratio of 48.7%.

REMAINING RESILIENT IN A CHALLENGING YEAR

With the novel coronavirus ("COVID-19") pandemic remaining a key source of uncertainty, the revival of the local economy will very much hinge on the pandemic situation and the pace of vaccination. Being a comprehensive lifestyle services conglomerate, COVID-19 has posed unprecedented challenges to the operations of our business portfolio. However, our employees, particularly our frontline staff, have made every effort to maintain our business operations with much perseverance, vigilance and collaboration, and their role in enabling the Company's growth cannot, therefore, be stressed enough. In order to ensure their health and safety, we have provided our 18,000 employees with all necessary pandemic prevention equipment on site and trained them in a well-defined sanitation management process.

During the Year, our management has also adopted various immediate measures to cushion the adverse impacts of the pandemic, including proactive review of project execution, creation of more cross-selling opportunities and continuing its effective cost management. More importantly, amid the pandemic situation, there is a growing demand for professional and branded services providers, and we see this phenomenon gradually transforming society and providing us with numerous business opportunities in the short- to medium-term, especially for our property & facility management and city essential services segments.

Property & Facility Management Services

Urban and Kiu Lok ("Property Management Group") are the largest among all independent players in the residential, non-residential and car park property and facility management markets in Hong Kong, after excluding service companies owned by property developers. In the face of uncertainty, there is a growing demand for one-stop, full-service and high-quality property and facility management services providers like us. The property management market is expected to expand in parallel to the growing number of properties in Hong Kong, supported by the expediting of land supply and strong demand for housing. Urban Renewal is also another key government policy that will fuel the growth momentum of the property management industry in the coming years. Furthermore, backed by the Group's extensive E&M experience in Mainland China, we are also exploring opportunities in and accelerating our expansion into the Greater Bay Area by means of organic growth, strategic collaboration and mergers and acquisitions.

City Essential Services

Leveraging the well-established brands of our property and facility management services and E&M services segments, the Group has continued to promote its city essential services, as below, in parallel both horizontally and vertically, and the benefits of economies of scales and cross synergies have gradually become increasingly pertinent. Aided by the recent acquisition this year, the Group is moving towards a new stage of high-quality development.

Cleaning Services – Waihong is one of the top three players in the Hong Kong environmental hygiene services market. During the pandemic, the Hong Kong Government has emphasised hygiene and environmental control and Waihong successfully secured contracts with the Housing Authority and Hospital Authority, further diversifying its customer base. Moreover, we have also benefited from the escalated demand for pandemic prevention and disinfection works. Once the pandemic is under control, the progressive transformation of the Hong Kong economy towards higher value-added activities and high-end residential and commercial buildings will provide great growth momentum to Waihong's business in the coming years.

Technical Support & Maintenance Services – More than 65% of existing buildings in Hong Kong are over 20 years old. Thus, this division envisages a growing demand for term maintenance, large-scale alterations and additions and system retrofits from various prestigious commercial and residential buildings, hospitals, government properties and educational institutions.

Security Guarding & Event Services – General Security holds all three licenses required for operating a security company in Hong Kong and is one of the top two leading players in Type I security guarding services. Over the years, demand has grown at a steady pace and has been most noticeable in the residential sector, with over 4.8 million square feet of new usable floor area built in 2020. Amid the pandemic, we obtained certain non-regular additional orders for manpower to conduct pandemic prevention measures. Moreover, the Group is now actively exploring the potential new revenue stream of event services under this division and hopes to capture the vast business opportunities that will exist once the event and exhibition sector resumes its normal activities.

Insurance Solutions – Nova is the leader among local insurance brokers in Hong Kong in terms of gross insurance brokerage income. It offers one-stop risk management and insurance solutions, including, but not limited to, property, casualty, construction and employee benefits, to both corporate and individual clients. With a large number of construction activities expected to commence in the near term, and given Nova's wealth of experience in the sector, the Group hopes to see further growth in its insurance solutions business.

Environmental Solutions – The Hong Kong Government has placed much emphasis on Green Development, and this is another important pillar for the Group's high-quality development. We will continue to capitalise on the public's increased awareness of environmental issues, providing total solutions that are energy efficient as well as environmentally friendly. Furthermore, as a landscape service provider, we will provide high-quality arboriculture and horticulture services to our prestigious clients.

E&M Services

Hong Kong

The Hong Kong Government shall continue to provide a stable commercial and residential land supply, with average E&M construction works expenditure for the fiscal year 2021/22 expected to exceed HK$25 billion for the public sector and over HK$24 billion for the private sector according to data from the Construction Industry Council. The Group's E&M services segment currently enjoys a position as one of the two dominant players in the Hong Kong market. In addition to its large-scale projects on hand, including Kai Tak Sports Park, Immigration Headquarters in Tseung Kwan O and 11 SKIES in Chek Lap Kok, the Group is adequately prepared to take on sizeable infrastructure and building projects. Notably among others, these are our major submitted tenders: The Kwun Tong Composite Development, the mixed-used developments at the former Kai Tak runway and Mass Transit Railway Corporation ("MTRC") Wong Chuk Hang station, currently under negotiations. Preparations are also underway for tenders for the District Cooling System at Tung Chung New Town Extension East and Kwu Tung North, Lok Ma Chau Loop Development and the New Town Extension Projects at Kwu Tung North, Fanling North and Hung Shui Kiu. The Group continues to make strides in accommodating the Hong Kong Government's Construction 2.0 initiative, which advocates innovation, professionalism and revitalization. As a result of our highly skilled E&M team and use of advanced technologies such as Building Information Modelling (BIM) and Modular Integrated Construction (MiC) technology, our Vehicle Examination Center at Tsing Yi has been highly praised for both its productivity and work quality.

Mainland China

Domestically, Mainland China was the first economy to recover and return to a pre-pandemic growth trend. Thanks to its geographical proximity, the Greater Bay Area development represents another strategically significant initiative which will undoubtedly inject a new growth impetus into the Group. As one of the few Hong Kong-based E&M general engineering contractors with Class I Qualification in Mainland China, the Group has an advantage in optimising project coverage in this crucial market. The Qianhai and Zengcheng projects are already in progress, laying a solid foundation for future development. As in previous years, the Group will strive to extend its presence in Mainland China with our dual-core engine, supply/installation and project management expertise and our well-established and trusted brand.

Macau

The economic environment of Macau will continue to struggle in 2021 due to a sharp decline in tourism following the pandemic. Nevertheless, we remain optimistic about its long-term development. We anticipate another wave of financial investments from the gaming concessionaires and sub-concessionaires before the license renewal in 2022, and the operation of the Hong Kong-Zhuhai-Macau Bridge and high-speed rail will fuel economic recovery and further position Macau as a world-class tourism centre.

CONCLUSION

Despite the challenges from the pandemic in Hong Kong, the Group will surmount the difficulties through its solid financial position and proven track record. It will also continue to seek new business opportunities to further expand and maximise shareholder value.

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

Dr. Cheng Kar Shun, Henry
Chairman

Hong Kong, 27 September 2021

Board of Directors and Senior Management

BOARD OF DIRECTORS

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

Chairman and Non-executive Director

Dr. Cheng, aged 74, was appointed the Chairman and Non-executive Director of the Company in August 2015. Dr. Cheng assumes an advisory role in respect of the overall strategic planning of the Group. Dr. Cheng has substantial corporate management experiences in a wide range of industries and has been assuming management roles in various listed public companies in Hong Kong, including the Chairman and an executive director of New World Development Company Limited, NWS Holdings Limited and Chow Tai Fook Jewellery Group Limited, and the Vice-Chairman and a non-executive director of i-CABLE Communications Limited. He was the Chairman and a non-executive director of New World Department Store China Limited up to his resignation on 13 May 2021, a non-executive director of DTXS Silk Road Investment Holdings Company Limited up to his resignation on 19 March 2021 and a non-executive director of SJM Holdings Limited up to his retirement on 11 June 2019, all being listed public companies in Hong Kong. Dr. Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation. He was a Standing Committee Member of the Twelfth Chinese People's Political Consultative Conference of The People's Republic of China. Dr. Cheng was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 2001 and 2017 respectively by the Government of the Hong Kong Special Administrative Region. Dr. Cheng is the brother-in-law and brother of Mr. Doo Wai Hoi, William and Mrs. Doo Cheng Sau Ha, Amy respectively, with Mrs. Doo Cheng Sau Ha, Amy being one of the controlling shareholders of the Company. He is also the uncle of Mr. Doo William Junior Guilherme and the cousin of Mr. Poon Lock Kee, Rocky's spouse.

Mr. Lam Wai Hon, Patrick

Vice-Chairman and Executive Director

Mr. Lam, aged 59, was appointed an Executive Director of the Company and a member of the Remuneration Committee of the Board in April 2016, and became the Vice-Chairman of the Company in January 2017. He is on the boards of various companies within the Group, and is responsible for the overall strategic planning of the Group. Mr. Lam is currently an executive director and the Chief Executive Officer of FSE Holdings Limited, a controlling shareholder of the Company. He was a non-executive director of NWS Holdings Limited, a listed public company in Hong Kong, up to his retirement on 25 November 2020. Mr. Lam was appointed as the alternate director to Mr. Doo William Junior Guilherme, a non-executive director of NWS Holdings Limited with effect from the same day. Mr. Lam is a fellow of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales, and a member of the Chartered Professional Accountants of Ontario, Canada. He is a member of the Asia Advisory Board of the Ivey Business School, Western University, Canada.

Mr. Poon Lock Kee, Rocky

Chief Executive Officer and Executive Director

Mr. Poon, aged 65, joined the Group in February 1989 and is the Chief Executive Officer and Executive Director of the Company, and a member of each of the Nomination Committee and the Remuneration Committee of the Board. He also sits on the boards of various companies within the Group. He is primarily responsible for overseeing daily operational management and business performance of the Group and leading our E&M engineering business units in Hong Kong, Macau and the PRC. Mr. Poon is a member of the American Society of Mechanical Engineers, a Chartered Engineer of the Engineering Council in the United Kingdom, and a fellow of both the Chartered Institution of Building Services Engineers in the United Kingdom and the Hong Kong Institute of Engineers. Mr. Poon was awarded the Medal of Merit — Professions by the Macau Government in September 2019. He is also the President of the Macau Air-Conditioning & Refrigeration Chamber of Commerce, Past President of the Hong Kong E&M Contractors' Association Limited, appointed Council Member of Construction Industry Council and the 10th Council — Vice President of Macau Construction Association. Mr. Poon is a Council President of the Hong Kong Federation of Electrical & Mechanical Contractors Limited, a committee member of the Committee of the Chinese People's Political Consultative Conference in Shaoguan City and the Hubei Province of the PRC, a Deputy Chairman of the Shaoguan Overseas Friendship Association (Hong Kong & Macau Region)（韶關海外聯誼會理事會副會長（港澳））, a member of the Trust Committee of the Henry Fok Foundation（澳門霍英東基金會信託委員會委員）, and a director of Macau Urban Renewal Limited. Mr. Poon is the cousin-in-law of Dr. Cheng Kar Shun, Henry and Mr. Doo William Junior Guilherme's mother.

Mr. Doo William Junior Guilherme *JP*

Executive Director

Mr. Doo Junior, aged 47, joined the Group in June 2014 and is an Executive Director of the Company and a member of the Nomination Committee of the Board. He also sits on the boards of various companies within the Group, and is primarily responsible for the overall strategic planning, overseeing business development and major management decisions for the Group. Mr. Doo Junior is also an executive director and Deputy Chief Executive Officer of FSE Holdings Limited, a controlling shareholder of the Company. Mr. Doo Junior is a solicitor admitted in Hong Kong and is currently a non-practising solicitor in England and Wales. Mr. Doo Junior is a Standing Committee Member of the Thirteenth Chinese People's Political Consultative Conference in Beijing of the PRC. He was appointed a Justice of Peace by the Chief Executive of Hong Kong in July 2018. Prior to joining the Group, Mr. Doo Junior had legal practice experience in one of the largest global law firms specialising in finance and corporate transactions. Mr. Doo Junior is also a non-executive director of NWS Holdings Limited and an independent non-executive director of The Bank of East Asia Limited, both being listed public companies in Hong Kong. He was an independent non-executive director of The Bank of East Asia (China) Limited up to his resignation on 1 September 2020. Mr. Doo Junior is the son of Mr. Doo Wai Hoi, William and Mrs. Doo Cheng Sau Ha, Amy, with Mrs. Doo Cheng Sau Ha, Amy being one of the controlling shareholders of the Company. Mr. Doo Junior is also the nephew of Dr. Cheng Kar Shun, Henry and his mother is the cousin of Mr. Poon Lock Kee, Rocky's spouse.

Mr. Lee Kwok Bong
Executive Director

Mr. Lee, aged 50, joined the Group in July 2010 and is an Executive Director of the Company and a member of the Sustainability Committee of the Board. He is also on the boards of various companies within the Group. Mr. Lee is primarily responsible for the overall financial management of the Group. He has been the Chief Financial Officer of FSE Holdings Limited, a controlling shareholder of the Company, since August 2010.

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

Mr. Soon Kweong Wah
Executive Director

Mr. Soon, aged 62, joined the Group in May 1983 and is an Executive Director and Chairman of each of the Risk Management Committee and the Sustainability Committee of the Board. Mr. Soon also sits on the boards of various companies within the Group, and is primarily responsible for the overall operational management and business performance control of the Group's E&M engineering installation business in Hong Kong, as well as directing the research and analysis on the business opportunities and assessing potential markets and projects for this business unit.

Mr. Soon holds a Bachelor's degree in engineering and a Master's degree in engineering from the University of Hong Kong. He also holds a Master's degree in finance from The City University of Hong Kong and an Executive Master of Business Administration degree in management from the Richard Ivey School of Business (Asia) (now known as Ivey Business School), the University of Western Ontario (also known as Western University) in Canada. Mr. Soon has over 30 years of experience in the building services sector and installation of construction industries, and has handled various renowned engineering and construction projects of the Group in Hong Kong, Macau and the PRC.

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

Mr. Wong Shu Hung (alias, Vong Hong)

Executive Director

Mr. Wong, aged 70, joined the Group in October 1986 and was appointed as an Executive Director of the Company in December 2017. He is on the boards of certain subsidiaries of the Group. Mr. Wong is mainly responsible for the operation and management of the Group's E&M engineering projects, and supervision of contracts managers, project managers and engineers. Mr. Wong obtained a Bachelor's degree in Mechanical Engineering from National Cheng Kung University, Taiwan and a Master of Science Degree in Heat Transfer Engineering from the Imperial College of Science and Technology, U.K. He has over 40 years' experience in the E&M engineering business in Hong Kong.

Dr. Cheng Chun Fai

Executive Director

Dr. Cheng, aged 63, join the Group in April 2018 and was appointed as the director of operations and corporate development of the Company in March 2020. He is now an Executive Director of the Company and a member of the Sustainability Committee of the Board. He is also a director of certain subsidiaries of the Company and Director of Operations and Corporate Development in FSE Holdings Limited, a controlling shareholder of the Company. Dr. Cheng obtained a Master of Business Administration from the University of South Australia in 2008, a Master of Laws in Chinese Business Law from the Open University of Hong Kong in 2010 and a Doctor of Philosophy in Business Administration from the Bulacan State University in 2012. He has over 20 years' experience in operational management in different industries. He is also a chairman of The Council of Hong Kong Professional Associations and a member of the executive committee and vice chairperson of the committee on social enterprise and employment of The Hong Kong Society for Rehabilitation.

Mr. Kwong Che Keung, Gordon

Independent Non-executive Director

Mr. Kwong, aged 72, was appointed an Independent Non-executive Director of the Company and the Chairman of the Audit Committee of the Board in November 2015. Mr. Kwong is also an independent non-executive director of a number of listed public companies in Hong Kong, including Agile Group Holdings Limited, Chow Tai Fook Jewellery Group Limited, COSCO SHIPPING International (Hong Kong) Co., Ltd., Henderson Investment Limited, Henderson Land Development Company Limited and NWS Holdings Limited. He is also an independent non-executive director of Piraeus Port Authority S.A., a listed public company in Athens, Greece. He was an independent non-executive director of China Power International Development Limited (up to his retirement on 3 June 2021), Global Digital Creations Holdings Limited (up to his retirement on 22 May 2020) and OP Financial Limited (up to his retirement on 27 August 2019), all being listed public companies in Hong Kong. Mr. Kwong graduated with a Bachelor of Social Science degree from the University of Hong Kong in 1972 and was qualified as a Chartered Accountant in the Institute of Chartered Accountants in England and Wales. He was a partner of Price Waterhouse (now known as PricewaterhouseCoopers) from 1984 to 1998 and an independent member of the Council of the Stock Exchange from 1992 to 1997, during which he had acted as the convener of both the Compliance Committee and the Listing Committee of the Stock Exchange. Mr. Kwong is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

Dr. Tong Yuk Lun, Paul

Independent Non-executive Director

Dr. Tong, aged 80, was appointed an Independent Non-executive Director of the Company and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board in April 2016. He is also a member of the Sustainability Committee of the Board. Dr. Tong holds a Bachelor of Science degree in Engineering and a Master of Science degree in Engineering from the University of Hong Kong, and a Doctor of Philosophy degree from the Victoria University of Manchester. Dr. Tong is a member of the Institute of Civil Engineers, London and the Hong Kong Institution of Engineers, and has solid and extensive experience in the construction industry.

Mr. Hui Chiu Chung, Stephen *JP*

Independent Non-executive Director

Mr. Hui, aged 74, was appointed an Independent Non-executive Director of the Company, and the Chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee of the Board in November 2015. Mr. Hui has 50 years of experience in the securities and investment industry. He had for years been serving as a member and Second Vice-chairman of Council of the Stock Exchange, a member of the Advisory Committee of the Hong Kong Securities and Futures Commission, a director of the Hong Kong Securities Clearing Company Limited, a member of the Listing Committee and GEM Listing Committee of the Stock Exchange, an appointed member of the Securities and Futures Appeal Tribunal, a member of Standing Committee on Company Law Reform, a member of the Committee on Real Estate Investment Trusts of the Hong Kong Securities and Futures Commission, an appointed member of the Hong Kong Institute of Certified Public Accountants Investigation Panel A and also a government appointed independent non-executive director of Hong Kong Exchanges and Clearing Limited. He was also an appointed member of Zhuhai Municipal Committee of the Chinese People's Political Consultative Conference from 2006 to 2017. Mr. Hui is a member of Hengqin New Area Development Advisory Committee, and Hong Kong and Macao Legal Issues Expert Group of The Administrative Committee of Hengqin New Area, Zhuhai. Mr. Hui is also an independent non-executive director of a number of listed public companies in Hong Kong, including Agile Group Holdings Limited, China South City Holdings Limited, Gemdale Properties and Investment Corporation Limited, Lifestyle International Holdings Limited and SINOPEC Engineering (Group) Co., Ltd. He is also a non-executive director of Luk Fook Holdings (International) Limited, also a listed public company in Hong Kong. Mr. Hui was an independent non-executive director of Zhuhai Holdings Investment Group Limited, a listed public company in Hong Kong until its listing was withdrawn on 18 June 2021, up to his resignation on 6 September 2021. Mr. Hui is a fellow of The Hong Kong Institute of Directors and a senior fellow of the Hong Kong Securities and Investment Institute.

Mr. Lee Kwan Hung, Eddie

Independent Non-executive Director

Mr. Lee, aged 56, was appointed an Independent Non-executive Director of the Company, and the Chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee of the Board in November 2015. He is also a member of the Sustainability Committee of the Board. Mr. Lee is also an independent non-executive director of a number of listed public companies in Hong Kong, including Embry Holdings Limited, Glory Sun Financial Group Limited, NetDragon Websoft Holdings Limited, Newton Resources Ltd, Red Star Macalline Group Corporation Ltd., Ten Pao Group Holdings Limited and Tenfu (Cayman) Holdings Company Limited. He was an independent non-executive director of China BlueChemical Ltd. (up to his resignation on 27 May 2021) and Landsea Green Properties Co., Ltd. (up to his retirement on 19 June 2020), both being listed public companies in Hong Kong. He obtained a Bachelor of Laws (Honours) degree from the University of Hong Kong in 1988 and was admitted as a solicitor in Hong Kong in 1991 and in the United Kingdom in 1997. He was a partner of Woo, Kwan, Lee & Lo and is currently a consultant of Howse Williams. Mr. Lee was successively a manager and a senior manager of the Listing Division of the Stock Exchange from December 1992 to April 1994.

SENIOR MANAGEMENT

Corporate Management

Mr. Chan Ju Wai

Chief Financial Officer and Company Secretary

Mr. Chan, aged 53, is the Chief Financial Officer and Company Secretary of the Company. Mr. Chan is also a director of certain subsidiaries of the Company. Mr. Chan is principally responsible for overseeing the Group's financial management, treasury, investor relations, legal and corporate governance functions.

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

Mr. Chan has more than 25 years' professional experience in auditing, finance and accounting in an international accounting firm, multi-national and listed companies. Mr. Chan joined the Group in May 2001 and has been a financial controller in the E&M engineering business for over 20 years.

Mr. Tsang Tin Ngai

General Manager — Internal Audit

Mr. Tsang, aged 52, joined the Group in August 2015 and is the General Manager of the Internal Audit Department of the Company. He is responsible for internal audit and overall risk assurance of the Group.

Mr. Tsang holds a Bachelor's degree of Arts (Hons) with major in Accountancy from the City University of Hong Kong. Mr. Tsang is a fellow member of Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. He is also a member of the Institute of Internal Auditors and a Certified Internal Auditor. Mr. Tsang has over 25 years' experiences in auditing and corporate governance in Hong Kong and the PRC.

Property & Facility Management Services

Urban Group

Dr. Cheng Kam Wah

Managing Director

Dr. Cheng, aged 62, has been the Managing Director of Urban Group since February 2002. Dr. Cheng has over 40 years substantial experiences in real estate, property asset management and facility services. He is responsible for the formulation of strategic directions, corporate business development, operations and management systems enhancement as well as new market development activities of Urban Group.

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

Currently, Dr. Cheng is the President of The Hong Kong Institute of Facility Management and the President of The Hong Kong Association of Property Management Companies.

Kiu Lok Service Management Group

Mr. Chan Wing Wah

Director and General Manager

Mr. Chan, aged 65, is the Director and General Manager of Kiu Lok Service Management Group and is responsible for the overall management of Kiu Lok. He joined Kiu Lok in 1994 and has over 40 years' experience in property management field.

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

City Essential Services

Waihong Services Group

Mr. Chung Wai Man

Director and General Manager

Mr. Chung, aged 63, is the Director and General Manager of Waihong Services Group. He joined Waihong in 1978 which has become a member of the Group since April 2018. Mr. Chung has accumulated over 40 years' experience in the cleaning and environmental industry, and is responsible for the stipulation of business directions, management control and operation systems enhancement as well as new market development activities of the Group's sanitation, cleaning and environmental services businesses.

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

Far East Engineering Services Group

Mr. Cheung Chi Wai

General Manager

Mr. Cheung, aged 57, joined the Group in 1989 and is the Director and General Manager of the E&M maintenance section and also a director of certain subsidiaries of the Company. He is mainly responsible for the overall management and business performance control of the E&M maintenance business in both Hong Kong and Macau, as well as operating the research and analysis on the business opportunities and assessing potential markets and projects for the business units. Mr. Cheung has over 35 years' experience in the E&M engineering business in Hong Kong.

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

Environmental Solutions Group

Mr. Ko Ngai Chun

General Manager

Mr. Ko, aged 36, joined the Group in July 2016 and is the General Manager of the FSE Environmental Technologies Group Limited, Hong Kong Island Landscape Company Limited and Extensive Trading Company Limited. He is responsible for the overall management and business development of the environmental and landscaping business and trading of building materials of the Group.

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

General Security Group

Mr. Lai Yuk Tim

Director and General Manager

Mr. Lai, aged 61, is the Director and General Manager of General Security Group and Perfect Event Services Limited, and is also the General Manager – Corporate Development of FSE Holdings Limited, a controlling shareholder of the Company. He is responsible for formulating strategic planning, corporate business development and management of the security services and event services of the Group.

Mr. Lai has over 35 years of extensive experience in security and facility management field. Prior to joining General Security Group, Mr. Lai was the Senior Group Manager of Urban Group and the Director and General Manager of Urban Parking Ltd under NWS Holding Limited.

Mr. Lai is the Vice-Chairman of Chamber of Security Industry since 2016. He is currently a fellow member of Hong Kong Institute of Housing, fellow member of Chartered Institute of Housing, Registered Professional Housing Manager and full member of Institute of Shopping Centre Management.

Nova Insurance Group

Mr. Chan Chi Kong, Patrick

Director and General Manager

Mr. Chan, aged 56, joined Nova Insurance in 2003 and is the Director and General Manager of Nova Insurance Group managing her operations in Hong Kong, Macau as well as mainland China under an affiliated company of the Group.

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

Mr. Chan has more than 30 years of experience in the insurance industry in Hong Kong and the PRC. He was a past Chairman of the Hong Kong Confederation of Insurance Brokers (CIB) which was an approved body of insurance brokers to implement self-regulation of insurance brokers in Hong Kong. He is currently the Chairman of CIB again since he was re-elected in December 2019. Prior to joining the Group, he had worked for the insurance brokerage of a British conglomerate for over a decade.

E&M Services

FSE Engineering Group

Mr. Lee Wa Yip

General Manager (Mainland China)

Mr. Lee, aged 56, first joined the Group in December 1992 and had worked for the Group for over 15 years during the period from 1992 to 2009. Mr. Lee rejoined the Group in June 2012 and is the General Manager of our E&M Engineering operations in Mainland China. He is responsible for the overall project administration and business marketing for Mainland China projects. He has over 30 years' experience in quantity surveying and E&M project administration in Mainland China.

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

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

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

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

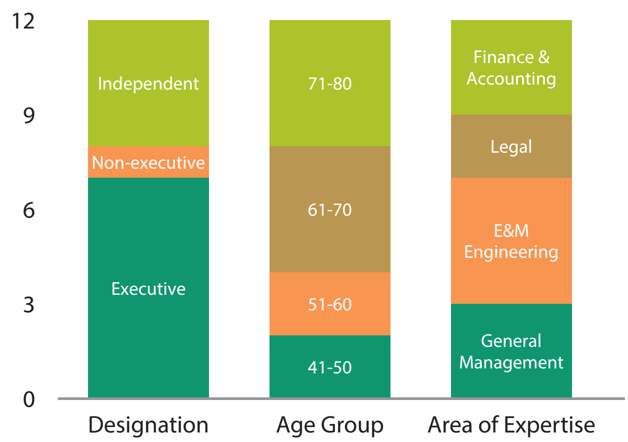
Board diversity policy

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

Composition and responsibilities

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

No. of Directors



The names, biographical details and relationship amongst them, if any, are set out on pages 14 to 19 in the section "Board of Directors and Senior Management".

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

Nomination policy

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

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

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

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

- reputation for integrity;
- qualifications, skills and experience that are relevant to the business of the Group;
- commitment in respect of available time to carry out duties as a director;
- independence in character and judgement to act in the best interest of all shareholders of the Company;
- contribution to the Company's Board diversity policy; and
- any other perspectives that meet the current and anticipated needs of the Board.

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

Corporate governance functions

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

Independence of Independent Non-executive Directors

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

Directors' continuous professional development

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

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

* Mr. Wong Kwok Kin, Andrew resigned as Non-executive Director with effect from 1 January 2021.

ROLES OF CHAIRMAN, VICE-CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dr. Cheng Kar Shun, Henry, the Non-executive Chairman, leads the Board and ensures that the Board works effectively. Mr. Lam Wai Hon, Patrick, the Executive Vice-Chairman and Mr. Poon Lock Kee, Rocky, the Chief Executive Officer jointly manage the Company's day-to-day businesses and implement major strategies and policies of the Company. The positions of the Chairman, the Vice-Chairman and the Chief Executive Officer are held by separate individuals so as to maintain an effective segregation of duties.

NON-EXECUTIVE DIRECTORS

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

BOARD COMMITTEES

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

Executive Committee

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

Audit Committee

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

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

During the Year, the Audit Committee held two meetings and reviewed, amongst other matters, the Company's audit plans, internal control procedure, financial reporting system, continuing connected transactions, risk management policy and the adequacy of resources, qualifications and experience of staff in the Group's accounting, financial reporting and internal audit functions. The Committee also reviewed the interim results for the six months ended 31 December 2020 and the annual results for the Year and submitted recommendations to the Board for its approval, and discussed the Reports to the Audit Committee prepared by external auditor relating to accounting issues and major findings in the course of review and audit.

Risk Management Committee

The Risk Management Committee was established in February 2016 under the supervision of the Audit Committee. The Risk Management Committee comprises senior management from different departments and is chaired by Mr. Soon Kweong Wah, an Executive Director. The Risk Management Committee reports to the Audit Committee which supports the Board by monitoring and guiding the activities of the risk management and internal control systems.

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

Remuneration Committee

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

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

During the Year, the Remuneration Committee held two meetings and reviewed the Company's remuneration policy and structure, including that for the Directors and senior management of the Company, and approved the remuneration package for Dr. Cheng Chun Fai for being appointed to the Board as an Executive Director on 1 January 2021. The Committee also reviewed and approved the yearly salary adjustments effective 1 January 2021 and the bonus payment for FY2020.

Nomination Committee

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

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

During the Year, the Nomination Committee held two meetings and reviewed the structure, size, composition of the Board with due consideration to the appropriate balance of skill and experience required by the Company. It also assessed and confirmed the independence of all the four Independent Non-executive Directors having regard to the criteria as set out in Rule 3.13 of the Listing Rules, and recommended to the Board the nomination of Dr. Cheng Kar Shun, Henry, Mr. Poon Lock Kee, Rocky, Mr. Wong Shu Hung and Mr. Lee Kwan Hung, Eddie for reappointment as Directors by the shareholders at the 2020 AGM. The Committee also discussed and resolved to recommend to the Board the appointment of Dr. Cheng Chun Fai as an Executive Director.

Sustainability Committee

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

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

The Sustainability Committee held two meetings since its establishment to discuss, review and monitor the preparation of the ESG Report for FY2021. It also discussed and decided the KPIs and target settings for the ESG Report for FY2022.

Attendance of meetings

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

				Number of meetings attended/eligible to attend					
	Board Meeting	Executive Committee Meeting	Audit Committee Meeting	Risk Management Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Sustainability Committee Meeting	2020 AGM	Extraordinary General Meeting
Non-executive Directors									
Dr. Cheng Kar Shun, Henry	4/6	–	–	–	–	–	–	1/1	0/1
Mr. Wong Kwok Kin, Andrew (i)	3/3	–	–	–	–	–	–	1/1	0/0
Executive Directors									
Mr. Lam Wai Hon, Patrick	6/6	9/9	–	–	2/2	–	–	1/1	1/1
Mr. Poon Lock Kee, Rocky	6/6	9/9	–	–	2/2	2/2	–	1/1	1/1
Mr. Doo William Junior Guilherme	6/6	9/9	–	–	–	2/2	–	1/1	1/1
Mr. Lee Kwok Bong	6/6	9/9	–	–	–	–	2/2	1/1	1/1
Mr. Soon Kweong Wah	6/6	9/9	–	4/4	–	–	2/2	1/1	1/1
Mr. Wong Shu Hung	6/6	9/9	–	–	–	–	–	1/1	1/1
Dr. Cheng Chun Fai (ii)	3/3	5/5	–	–	–	–	2/2	0/0	1/1
Independent Non-executive Directors									
Mr. Kwong Che Keung, Gordon	6/6	–	2/2	–	–	–	–	1/1	1/1
Mr. Hui Chiu Chung, Stephen	6/6	–	2/2	–	2/2	2/2	–	1/1	1/1
Mr. Lee Kwan Hung, Eddie	6/6	–	2/2	–	2/2	2/2	2/2	1/1	1/1
Dr. Tong Yuk Lun, Paul	6/6	–	2/2	–	2/2	2/2	2/2	1/1	1/1

Notes:
(i) Mr. Wong Kwok Kin, Andrew resigned as a Non-executive Director with effect from 1 January 2021.
(ii) Dr. Cheng Chun Fai was appointed as Executive Director and became a member of the Executive Committee with effect from 1 January 2021.

AUDITOR'S REMUNERATION

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

	Fees paid/payable for the year ended 30 June	
Type of services	**2021** **HK$'000**	2020 (restated) HK$'000
Audit services	**5,983**	5,862
Non-audit services*	**2,719**	2,383
Total	**8,702**	8,245

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

Annual report and financial statements

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

Accounting policies

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

Accounting records

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

Safeguarding assets

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

Going concern

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

The reporting responsibilities of PricewaterhouseCoopers, the Company's external auditor, are stated in the Independent Auditor's Report on pages 77 to 80 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

Internal audit

The internal audit function, which is fully independent of the daily operations of the Group, is carried out by the Company's Internal Audit Department, the senior executive in charge of which reports directly to the Audit Committee and is provided with unrestricted access to all information on the Group's assets, records and personnel in the course of audit. All Directors are informed of the findings of internal audit assignments. During the Year, the Internal Audit Department carried out an analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Group through, among others, examination of risk-related documentation, conducting interviews with employees as well as internal control self-assessment questionnaires. It has also conducted special audit on individual operation units.

The senior executive in charge of the Internal Audit Department attended all Audit Committee meetings to explain the internal audit findings and respond to queries from members of the Audit Committee.

Risk appetite

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

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

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

Risk management

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

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

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

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

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

Risk factors

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

COVID-19

The outbreak of COVID-19 since January 2020 has caused serious contraction of the global economy. Despite the diversification of businesses, the Group's business operations have inevitably been affected to some extent. The Group continues to monitor the overall impact of COVID-19 and to contain its operational and financial risks. Different levels of proactive measures and contingency plans have been formulated to act on possible situations in order to sustain the Group's business operations.

Global economy and government policy

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

Labour shortage

Due to aging workforce and less young people willing to join the construction market, Hong Kong construction industry is facing severe labour shortage in the coming years when several infrastructure works such as airport related projects are to be completed. This may affect the Group's ability to sustain a stable workforce to complete the projects in time. As a result, labour costs have been increasing in the past few years; and may keep in the rising trend. Similarly, the Group's cleaning business is also impacted by labour shortage with a consequential increase in labour costs. Labour shortage therefore affects the Group's business and results of operations. The Group maintains good relationship and frequent communication with its labour subcontractors to ensure the availability of sufficient qualified and skilled labourers needed for the delivery of quality services of the projects.

Currency fluctuations

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

Material price fluctuations

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

Safety and personal injuries

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

Delays and latent defects

The Group's business involves working in uncertain site conditions, such as ground conditions, confined spaces and adverse weather. The Group is also responsible for material and labour quality. Any delay due to site conditions, late material delivery or poor installation quality may incur additional costs to the Group including any damages recoverable from other parties. In addition, the Group remains liable for latent defects for years and bear the associated costs despite the projects had been completed and occupied. The Group's business and operation results may be adversely affected. The Group always closely monitors the construction programme and keeps proper records in order to mitigate any potential liabilities due to project delay.

Contract renewals and tenders

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

Environmental concerns

The Group is required to comply with increasingly stringent environmental protection laws, regulations and requirements in Hong Kong, Macau and Mainland China. If the Group fails to comply with the applicable laws, the Group may be required to pay fines or take remedial actions, which may cause negative impacts on the costs and operations of the projects. Furthermore, any updates on impending laws may induce additional costs to the Group for compliance; failing which may lead to suspension or ceasing of our relevant licences to operate the Group's business, thus in turn adversely affect the Group's operation and financial results. To address these risks, the Group adopts green features products and keeps track of the latest environmental requirements.

Cyber security

With the increased application of Information Technology (IT) in the Group's businesses, the threats to IT systems including cyber-attacks are imminent and present a real challenge to the Group's business operations. As such, our Group has implemented a set of comprehensive security and business continuity policies and procedures to address those threats and mitigate the potential loss of the Group's assets and operations, reduce the impact on our business and resume our business operations as soon as practical. In addition, advanced monitor and detection mechanisms, including multi-layered firewalls, intrusion prevention, and offensive behavior detection technologies are established to promptly identify and minimise those threats. An annual security test is also carried out by trusted security agency to mitigate the risk of cyber attacks.

COMPANY SECRETARY

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

SHAREHOLDER AND INVESTOR RELATIONS

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

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

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

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

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

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

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

(1) One or more shareholders (the "Requisitionist(s)") holding, at the date of deposit of the requisition (the "Requisition"), not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company, shall have the right, by written notice, to require an EGM to be called by the Directors for the transaction of any business specified in such Requisition.

(2) The Requisition must state the general nature of the business to be dealt with at the EGM and may include the text of a resolution that may properly be moved and is intended to be moved at the EGM.

(3) The Requisition may consist of several documents in like form which may be sent to the Board or the company secretary of the Company in hard copy form or in electronic form (and must be authenticated by the Requisitionist(s)) at the Company's head office in Hong Kong or through email at enquiry@fse.com.hk.

(4) The Directors must call the EGM within 21 days after the date of the deposit of the Requisition and the EGM must be held within two months after the date of the deposit of the Requisition.

(5) If the Directors are required under paragraph (1) above to call an EGM and fail to do so pursuant to paragraph (4), the Requisitionist(s) may themselves call the EGM. Any reasonable expenses incurred by the Requisitionist(s) by reason of the failure of the Directors duly to call the EGM must be reimbursed by the Company.

Procedures for raising enquiries

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to Tricor Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or through email at is-enquiries@hk.tricorglobal.com.

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

Procedures for putting forward proposals at shareholders' meetings

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

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

AMENDMENT TO THE COMPANY'S CONSTITUTIONAL DOCUMENTS

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

Management Discussion and Analysis

BUSINESS REVIEW

In FY2021, the Group recorded revenue amounting to HK$6,452.7 million, representing an increase of HK$796.6 million or 14.1%, as compared with HK$5,656.1 million (restated) in FY2020. Profit attributable to shareholders for the year was HK$586.9 million, representing an increase of HK$174.7 million or 42.4% as compared with HK$412.2 million (restated) in FY2020, mainly resulted from (i) an increase in new contracts awarded in facility/property management, and ad-hoc cleaning and disinfection projects following the outbreak of COVID-19; and (ii) the receipt of subsidies under the Employment Support Scheme (the "ESS Scheme") of the Hong Kong SAR Government; which are offset by (i) the loss recognised by the Group during the year in relation to its disposal of laundry business, (ii) an increase in staff costs and (iii) a decrease in gross profit from the Group's E&M services segment, mostly due to the additional income from completed E&M installation projects in Hong Kong and Macau in the prior year which are not repeated in the Year. Details of the subsidies recognised by the Group are set out in Note 8 to the consolidated financial statements. The expanded business scale after the completion of the Group's acquisition of security guarding & event services, insurance solutions and landscaping services businesses provides a broader and more diversified revenue stream and enhanced profit source to the Group.

Property & Facility Management Services

Number of staff
Over
5,600

Service contracts
Over
300

Revenue*
HK$'million

Profit
HK$'million

Remaining Works
HK$'million

* Segment revenue does not include inter-segment revenue.

The Group's property and facility management services business, comprising Urban, including its subsidiary International Property Management Limited, and Kiu Lok, is serving one of the largest property and facility asset portfolios in Hong Kong, which provides the most comprehensive and customised professional management services for its clients.

Urban and Kiu Lok are experts in six core property and facility management pillars: (i) residential property assets management; (ii) facilities management and operations, including both public and private sectors; (iii) commercial, retail and industrial premises operations; (iv) project management;

(v) leasing and tenancy management and (vi) car park operations and management. Their property asset and facility services cover all kinds of property and facility assets including government offices and quarters, academic campus and educational institutes, service apartments, Grade A intelligent buildings and commercial complexes, modern industrial premises, composite residential developments to regional car parks and various kinds of public and private facility assets.

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

On 30 June 2021, the Group expanded its property and facility management services business portfolio through the acquisition of the entire issued capital of Kiu Lok Properties (International) Limited (formerly known as Marriott Properties (International) Limited) ("Kiu Lok Properties") by its 70%-owned subsidiary, Wise Plaza Limited, at a total cash consideration of HK$74.9 million. Such consideration is 70% financed by the Group's internal resources, which amounts to HK$52.4 million, and 30% financed by equity contributions from Wise Plaza Limited's 30% shareholder, which amounts to HK$22.5 million. Kiu Lok Properties principally engages in the provision of property agency and management, and housekeeping services in Hong Kong.

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

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

FSE Lifestyle has been introducing modern technologies and innovative thinking into its property and facility management services, striving to become the market leader in the industry.

Cassie Chan
Assistant Property Asset Officer

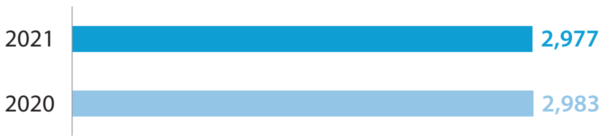
City Essential Services

Number of staff
Over
11,500

Service contracts
Over
8,200

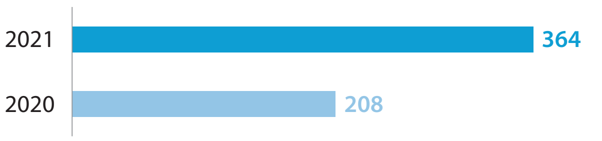
Revenue*

HK$'million



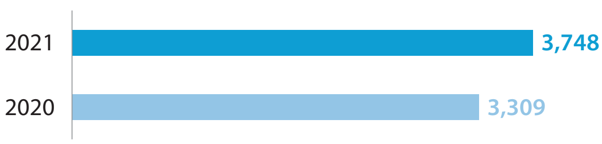
Profit

HK$'million



Remaining Works

HK$'million



* Segment revenue does not include inter-segment revenue.

Cleaning Services

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

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

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

Technical Support & Maintenance Services

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

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

Security Guarding & Event Services

The Group's security guarding & event services business comprises General Security and Perfect Event Services Limited ("Perfect Event"). General Security serves a broad range of clients of residential properties (including estates, service apartments and luxury detached houses), office towers, shopping malls and buildings, private clubs, construction sites, horse racing facilities, event and exhibition venues. Perfect Event's main clients are property developers and provides services for their property sales events.

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

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

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

Insurance Solutions

The Group's insurance solutions business, Nova, comprising Nova Insurance Consultants Limited and International Reinsurance Management Limited, which both holds an Insurance Broker Company License granted by the Insurance Authority. Nova Insurance Consultants Limited is also a registered Mandatory Provident Fund ("MPF") Intermediary under the Mandatory Provident Fund Schemes Authority. With a highly professional team of brokers and specialists, Nova serves many clients who are leaders within their respective industries including international hotel chains, listed companies, property developers, public transportation companies, manufactories, trading companies, telecommunication companies and non-governmental organisations.

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

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

Environmental Solutions

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

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

Laundry Services

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

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

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

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

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

FSE's City Essential Services emphasises on fully integrated solutions, enabling our clients to enjoy innovative, passionate and customised services.

Cheng Kam Chuen
Acting Security Manager

E&M Services

Number of staff
Over
1,200

Service contracts
Over
100

Revenue*

HK$'million

Profit

HK$'million

Remaining Works

HK$'million

* Segment revenue does not include inter-segment revenue.

The Group has maintained its position as one of the leading E&M companies in Hong Kong, capable of providing a comprehensive range of E&M services and continued to run its E&M operations in Mainland China and Macau. On top of its full range of licences and qualifications and effectiveness in managing tendering risks, the Group has integrated operating and control procedures, strong networks of well-established customers and suppliers, and an experienced and well-trained workforce to support all of its operations. Thus, the Group has strong confidence in securing and undertaking integrated E&M projects in Hong Kong, Mainland China and Macau.

In addition, the Group is committed to creating a greener society. To help build a sustainable environment, it has been constantly optimising design and exploring innovative methods. At the project level, the Group incorporates the application of green building principles into building services equipment; and adopts green building design, Modular Integrated Construction (MiC), Multi-trade Integrated Mechanical, Electrical and Plumbing (MiMEP), Design for Manufacture and Assembly (DfMA) to reduce energy usage, carbon footprint and construction waste. In order to help improve its operational efficiency and project management, the Group invests in innovative construction technologies such as Building Information Modelling (BIM), Digital Works Supervision System (DWSS), modularisation and prefabrication, Robotic Total Solution (RTS) and Sky Drilling Machine (SDM), 3D laser scanning and mobile Apps solutions etc.

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

As at 30 June 2021, the Group's E&M projects encompassed a wide range of buildings and facilities, including government buildings and facilities, offices, shopping malls, hotels, integrated resorts, sports park, residential properties, hospitals and airport facilities.

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

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

The E & M teams under FSE Lifestyle are serving our clients with professionalism and passion, aiming to contribute to a safe and comfortable living environment for the people of Hong Kong.

Gary Tang
Assistant Service Manager

FINANCIAL REVIEW

Revenue

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

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

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

* Segment revenue does not include inter-segment revenue.

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

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

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

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

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

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

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

Gross profit

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

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

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

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

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

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

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

General and administrative expenses

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

Other expenses, net

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

Finance income

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

Finance costs

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

Income tax expenses

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

Profit for the year attributable to shareholders of the Company

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

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

* Unallocated corporate expenses and finance costs comprise the Company's corporate expenses of HK$20.1 million (2020: HK$17.7 million) and interest expenses of HK$3.5 million (2020: HK$7.4 million). The corporate expenses for the Year included legal and professional fees of HK$14.1 million incurred for the acquisition of Business Investments Group as mentioned in the section "Major transaction" on pages 52 and 53, whereas the amount for last year included legal and professional fees of HK$12.1 million incurred for the acquisition of property and facility management services business.

As a result of the foregoing, the Group's profit in FY2021 increased by 42.4% or HK$174.7 million to HK$586.9 million compared to HK$412.2 million (restated) in FY2020. The increase mainly resulted from (i) an increase in new contracts awarded in facility/property management and cleaning business, and ad-hoc cleaning and disinfection projects following the outbreak of COVID-19; and (ii) the receipt of subsidies under the ESS Scheme of the Hong Kong SAR Government; which are offset by (i) the loss recognised by the Group during the Year in relation to its disposal of laundry business, (ii) an increase in staff costs and (iii) a decrease in gross profit from the Group's E&M services segment, mostly due to the additional income from completed E&M installation projects in Hong Kong and Macau in the prior year which are not repeated in the Year. Details of the subsidies recognised by the Group are set out in Note 8 to the consolidated financial statements. The net profit margin of the Group improved to 9.1% for the Year from 7.3% (restated) for last year.

Other comprehensive income/(loss)

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

Liquidity and financial resources

The Group's finance and treasury functions are centrally managed and controlled at its headquarters in Hong Kong. As at 30 June 2021, the Group had total cash and bank balances of HK$549.9 million (30 June 2020: HK$894.8 million (restated)), of which 91%, 7% and 2 % (30 June 2020: 93%, 5% and 2% (restated)) were denominated in Hong Kong dollars, RMB and other currencies respectively, and total borrowings of HK$383.8 million (30 June 2020: HK$463.2 million) denominated in Hong Kong dollars. The Group's net cash balance decreased by HK$265.5 million to HK$166.1 million as at 30 June 2021 as compared to HK$431.6 million (restated) as at 30 June 2020 mainly reflecting the cash outflow for the Group's acquisitions, including HK$418.3 million for the Business Investments Group and HK$72.3 million for Kiu Lok (International) Properties Limited, distribution of the Company's FY2020's final dividend of HK$64.8 million and FY2021's interim dividend of HK$130.1 million, Business Investments Group's dividends paid to its original shareholder of HK$73.0 million and the Group's payments for principal portions of lease liabilities of HK$48.9 million, partly mitigated by net cash inflow from operating activities. The Group's net gearing ratio was maintained at zero as at 30 June 2021 (30 June 2020: 0%). This ratio is calculated as net debt divided by total equity. Net debt is calculated as total bank borrowings less cash and cash equivalents.

Adopting a prudent financial management approach in implementing its treasury policies, the Group maintained a healthy liquidity position throughout the reporting period. As at 30 June 2021, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and/or trade financing of HK$2,754.3 million (30 June 2020: HK$2,656.4 million (restated)). As at 30 June 2021, the Group has banking facilities of HK$100 million (30 June 2020: HK$100 million (restated)) guaranteed by FSE Management Company Limited (a direct wholly-owned subsidiary of FSE Holdings Limited). As at 30 June 2021, HK$821.8 million (30 June 2020: HK$1,004.6 million (restated)) of the Group's banking facilities had been utilised for bank borrowings, bank guarantees and trade finance. The Group believes it has sufficient committed and unutilised banking facilities to meet current business operation and capital expenditure requirements.

Debt profile and maturity

As at 30 June 2021, the Group's total debts amounted to HK$383.8 million (30 June 2020: HK$463.2 million), of which HK$233.8 million matures in December 2021 and HK$150.0 million matures in June 2023. The Group is in the process of discussing with the bank in renewal of the debt of HK$233.8 million which matures in December 2021. The Group has managed its debt maturity profile to minimise it refinancing risks. All of these debts are denominated in Hong Kong Dollar and bears interest at floating rates.

Foreign currency exposure

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

As part of the Group's business is carried out in Mainland China, some of its assets and liabilities are denominated in RMB. The majority of these assets and liabilities had arisen from the net investments in Mainland China operations with net assets of HK$121.2 million (30 June 2020: HK$144.3 million (restated)) as at 30 June 2021. The foreign currency translation arising from translation of these Mainland China operations' financial statements from RMB (functional currency of these Mainland China operations) into Hong Kong dollars (the Group's presentation currency) does not affect the Group's profit before and after tax and will be recognised in its other comprehensive income.

During the Year, the fluctuation of RMB against Hong Kong dollars was 11.2% (comparing the highest exchange rate with the lowest exchange rate of the RMB against the Hong Kong dollars during the Year).

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

Use of net proceeds from listing

Between 10 December 2015 (date of listing of the Company) and 30 June 2021, the net proceeds of HK$264.5 million received from the Company's Initial Public Offering ("IPO") or Global Offering (referred to the prospectus issued by the Company on 26 November 2015) and the revised use of unutilised proceeds of HK$133.5 million as stated in the Company's announcement dated 26 June 2018 were applied in the manner as shown in the table below:

	Original use of proceeds from Global Offering HK$'M	Utilised amount as at 26 June 2018 HK$'M	Revised use of proceeds pursuant to the Company's announcement dated 26 June 2018 HK$'M	Aggregated utilised amount from 27 June 2018 to 30 June 2020 HK$'M	Aggregated utilised amount from 1 July 2020 to 30 June 2021 HK$M	Unutilised amount as at 30 June 2021 HK$'M
Investment in/acquisition of companies engaged in the installation and maintenance of ELV system	81.6	5.9	–	–	–	–
Development of environmental management business	51.0	3.6	20.0	20.0	–	–
Operation of E&M engineering projects on hand and prospective projects	47.4	47.4	88.1	88.1	–	–
Staff-related additional expenses	20.0	20.0	–	–	–	–
Development and enhancement of design capability	19.3	18.3	16.0	16.0	–	–
Enhancement of quality testing laboratory	12.2	4.9	7.3	3.7	2.0	1.6
Upgrade of corporate information technology system and software	8.0	5.9	2.1	2.1	–	–
General working capital	25.0	25.0	–	–	–	–
Total	264.5	131.0	133.5	129.9	2.0	1.6

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

Capital commitments

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

Contingent liabilities

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

Convertible preference shares

On 16 December 2019, the Group acquired Legend Success Investments Limited ("Legend Success") (together with its subsidiaries, the "Legend Success Group"), which principally engaged in the provision of property and facility management services, at a total consideration of HK$743.4 million upon which the initial sum of consideration of HK$704.9 million was satisfied by the Company through (i) the payment of HK$564.0 million in cash and (ii) a non-cash consideration of HK$140.9 million through the issuance and allotment by the Company of 43,676,379 non-voting redeemable convertible preference shares of HK$0.10 each at the issue price of HK$3.2260 per share. A final cash payment of the consideration of HK$38.5 million was made on 13 February 2020. Details of the transaction are set out in Note 2(iii)(b) to the consolidated financial statements.

The convertible preference shares are (i) convertible into 43,676,379 ordinary shares of the Company at an initial price of HK$3.2260 per share (subject to adjustments upon occurrence of certain prescribed events, including consolidation, subdivision or reclassification of shares in the capital of the Company, capitalisation of profits or reserves etc., in each case if not also made available to the holder(s) of the convertible preference shares), provided that any conversion shall not result in the Company failing to comply with any public float requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, within a period of 10 years after their date of issue of 16 December 2019 (the "Issue Date") and (ii) redeemable by the Company at its sole discretion at a redemption price equals to the Issue Price together with all outstanding preferred distributions accrued to the date fixed for redemption at any time after 10 years following the Issue Date. The convertible preference shares are treated as contingently issuable potential ordinary shares under Hong Kong Accounting Standard ("HKAS") 33 "Earnings per Share" and, since the conditions for their conversion were not met as at 30 June 2021, the effect of their conversion is not included in the calculation of the diluted earnings per share for years ended 30 June 2021 and 2020 pursuant to HKAS 33's requirements as described in Note 12 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 2021 and assuming their conditions for conversion were met, the Company's earnings per share after taking into account of the dilutive impact of such conversion for the year ended 30 June 2021 would be HK$1.19 per share, calculated as the Group's profit attributable to shareholders of the Company of HK$586.9 million divided by the weighted average number of the Company's ordinary shares in issue of 493.7 million (after taking into account the weighted average number of incremental number of ordinary shares that would be issued from the conversion of the convertible preference shares on its Issue Date of 43.7 million). The convertible preference shares confer their holder(s) the right to receive preferred distributions from the Issue Date at a rate of 6.0% per annum on its Issue Price, payable annually in arrears. As (i) the Company may at its sole discretion redeem either in whole or in part the convertible preference shares for the time being outstanding (i.e. it has no obligation to settle them in cash unless it elects at its sole discretion to redeem) and (ii) the convertible preference shares are only convertible within a period of 10 years after the Issue Date but redeemable only after 10 years following the Issue Date, an analysis on the Company's share price at which it would be equally financially advantageous for the convertible preference share holder(s) to convert or redeem the convertible preference shares based on their implied rate of return at a range of dates in the future is not applicable. Based on the financial and liquidity position of the Group (with details set out in the paragraphs headed "Liquidity and financial resources" of this section), to the best knowledge of the Company, the Company expects that it will be able to meet its redemption obligations under the outstanding convertible preference shares issued by it.

Major transaction

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

Each of the Acquisition and the Disposal constituted a major and connected transaction of the Company and was approved by the independent shareholders at the extraordinary general meeting of the Company held on 9 April 2021. Completion of the Acquisition and the Disposal took place simultaneously on 19 April 2021 (the "Completion Date") upon which the cash portion of the Consideration of HK$398.0 million was paid by the Group to FMC. A final cash payment of the Consideration of HK$20.3 million was made on 20 May 2021 with reference to the unaudited net tangible asset value of the Target Group as at the Completion Date.

Upon completion,

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

A stand-alone ESG report which references Appendix 27, Environmental, Social and Governance Reporting Guide, to the Listing Rules will be published on the websites of the Company and Hong Kong Exchanges and Clearing Limited in November 2021.

Discussion on environmental policies and performance

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

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

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

Account of key relationships with employees, customers and suppliers

Employees

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

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

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

Customers

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

Suppliers and subcontractors

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

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

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group had a total of 18,460 employees (30 June 2020: 17,889 (restated)), including 7,147 (30 June 2020: 6,840 (restated)) casual workers and employees whose relevant costs are directly reimbursed by or charged to our customers or sub-contractors. Staff costs for the Year, including salaries and benefits, was HK$2,390.5 million (2020: HK$2,353.6 million (restated)). The increase reflects higher staff costs as a result of an increase in the average number of staff, mainly in the cleaning and property and facility management services businesses, partly offset various grants received by the Group from the Hong Kong, Mainland China and Macau governments recognised as deductions in its staff costs.

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

The Company maintained a share option scheme, which aims at providing incentives to the eligible participants (including the employees of the Group) to contribute to the Group and enables us to recruit high-caliber employees and attract human resources that are valuable to the Group. As at the date of this 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

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

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

Discounting service companies owned by property developers, Urban and Kiu Lok is one of the largest independent group of Private Property and Facility Management Companies in Hong Kong. Under the current social situation and the demand for controlling rights of property owners, there is an increasing demand of independent property and facility management companies, which are not subsidiaries of property developers. Moreover, with the diminishing privilege of the property developers in directly assigning property management contracts to their subsidiaries, there is a huge market opening for management service contracts, capitalising on its good reputation, substantial experiences and extensive expertise.

Nowadays, both property owners and investors perceive brand recognition as one of the major selection criteria for their property and facility managers. With the brand equity of over 50 years' substantial experience obtained and accolades received from the Hong Kong society, Urban, including its subsidiary International Property Management Limited, and Kiu Lok have created its unique selling proposition from the industry to obtain the trust from the clients.

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

Urban and Kiu Lok have long been recognised as a pioneer in introducing modern management models and standards to the Hong Kong property management industry. Urban is the first property management company to obtain the internationally recognised ISO 9001 quality management certification in 1997 and implement such system in all properties under its services. Currently, Urban has also successfully obtained the ISO 14001, ISO 50001, ISO 10002 and OHSAS 18001 certification, assuring its service standards at the highest level. In addition, Urban has been applying modern information technologies into its operations, which enable it to continuously improve the operational efficiency and cost-effectiveness in its service deliveries to its clients.

Apart from the statutory requirements, Urban and Kiu Lok have been implementing stringent governance initiatives covering environmental protection and care, corporate social responsibilities as well as risks and crisis control. With the implementation of the ISO 14001 environmental management system, Urban is contributing to a greener living environment by applying green measures and control mechanisms into its daily operations. All along, Urban is a household name of "Hong Kong's Premier Community Manager" through organising and participating in over 100 CSR activities annually. More importantly, Urban's well-defined and comprehensive risks and crisis management system covers an extensive spectrum of crises, from the operational suspension of building services and systems breakdowns, to the territory-wide pandemic diseases and social movements in the society.

City Essential Services Segment

1. **Cleaning Services**

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

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

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

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

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

2. **Technical Support & Maintenance Services**

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

3. **Security Guarding & Event Services**

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

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

4. **Insurance Solutions**

   In the coming year, Nova will further leverage its leading position in the market and expertise to develop more clientele in industries it is well experienced with, such as construction, property managers, hospitality, jewellery and non-government organisations. Nova will also focus more on specialty products with higher yields and where in-depth professional skills and knowledge are required such as cyber insurance and warranty and indemnity insurance. By taking advantage of Nova's international broker networks, it will penetrate clients in Hong Kong who have overseas investments.

5. **Environmental Solutions**

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

   The higher market demand of green elements in indoor and outdoor spaces, coupled with the customers' needs to enhance visual and ecological environment have provided more opportunities for green solutions provided by our Group's landscape services. The greening policies, town planning initiatives and various support provided by the government will be highly beneficial to the development of the industry and our landscape services business. We embrace technology to enhance our business operation efficiency. Systems such as landscape management apps and automated irrigation system will be used in our operation to cope with the dynamic business environment.

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

E&M Services Segment

In Hong Kong, the government targets to maintain an annual works expenditure of over HK$100 billion in the next few years as stated in its 2020 Policy Address. According to the construction expenditure forecast provided by the Construction Industry Council in June 2021, expenditure in E&M construction works each year will amount to over HK$24 billion for the public sector and over HK$22 billion for the private sector over the next five years.

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

In its 2020 Policy Address, the Hong Kong Government has identified 330 hectares of land to build 316,000 public housing units to meet the demand in the coming 10 years. The supply of land mainly comes from Tung Chung New Town Extension, Kai Tak Development Area, Anderson Road Quarry, Hung Shui Kiu/Ha Tsuen, Kwu Tung North/Fanling North, etc. The Hong Kong Government also plans to provide in the coming 10 to 15 years over 150,000 public and private housing units along the Northern Link and Siu Ho Wan MTR Depot topside development, and the redevelopment of three urban squatter areas (namely Cha Kwo Ling Village, Ngau Chi Wan Village and Chuk Yuen United Village) and Tai Hang Sai Estate. Furthermore, the Housing Authority had decided to redevelop its four factory estates into 4,800 public housing units in the next 10 years.

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

For private residential and commercial developments, the redevelopments driven by the Urban Renewal Authority and the Hong Kong Housing Society, the developments at the Kai Tak Development Area, Yau Tong and Ap Lei Chau, together with the railway property developments including West Kowloon High Speed Rail Station, LOHAS Park Station, Wong Chuk Hang Station, Ho Man Tin Station, Kam Sheung Road Station, etc. The Hong Kong Government will also examine the development of Tseung Kwan O Area 137 for residential and commercial development and other relevant purposes.

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

To prepare for the challenges brought by the aging population, the Hong Kong Government earmarked HK$200 billion in 2016 for a ten-year hospital development plan covering, among others, the construction of a new acute hospital at Kai Tak and the redevelopment or expansion of various hospitals such as Prince of Wales Hospital, North District Hospital, Princess Margaret Hospital, Our Lady of Maryknoll Hospital and Grantham Hospital.

On top of the HK$200 billion invested in the first 10-year plan, the Hong Kong Government has committed to an extra HK$300 billion capital works programme to support the second 10-year hospital development plan, improve the clinic facilities of the Department of Health, and upgrade and increase healthcare training facilities. In addition, the Hong Kong Government has decided to finance over HK$10 billion for the construction of a Chinese medicine hospital and the Government Chinese Medicines Testing Institute at Pak Shing Kok in Tseung Kwan O which is expected to be operated in 2025.

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

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

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

The Hong Kong Government also requested the Airport Authority Hong Kong to create at Lantau an Aerotropolis connecting the Greater Bay Area and the world. These include the construction of a three-runway system (2022) and modification North Runway (2024), the expansion of the existing Terminal 2 (2024), the development of a high value-added logistics centre at the South Cargo Precinct (2023), the 11 SKIES development projects (2022 - 2025) and the development of phase two of AsiaWorld-Expo at the Hong Kong International Airport.

Use of district cooling systems ("DCS") is also one of the Hong Kong Government's initiatives and commitment to low-carbon development. Apart from the additional DCS in the West Kowloon Cultural District, providing DCS in new development areas – Tung Chung and Kwu Tung North - have also been planned. Feasibility, design and construction studies of DCS continue in all future new development areas, such as in Hung Shui Kiu/Ha Tsuen and Tseung Kwan O industrial estate.

To encourage and enhance Innovation and Technology (I&T), the Hong Kong Government will collaborate with Shenzhen in the development of Shenzhen-Hong Kong I&T Co-operation Zone under the "one zone, two parks" model. In addition, the infrastructure works of the Hong Kong-Shenzhen Innovation and Technology Park at the Lok Ma Chau Loop has commenced in June 2018, with the objective of providing the first batch of land parcels for superstructure development in 2021. Since the promulgation of the Smart City Blueprint for Hong Kong in late 2017, the Hong Kong Government has released over 130 smart city initiatives in the Smart City Blueprint for Hong Kong 2.0 in 2020.

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

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

Looking ahead, the Group will keep working with vendors to customise those systems according to the specific needs of customers and smart city blueprint, using advanced technologies and smart solutions such as Artificial Intelligence (AI) and Internet of Things (IOT), intelligent IP/IT-based and various 5G mobile applications. The Group believes that with a highly qualified and experienced staff and sound project management skills, it can fulfill its commitment of delivering quality and professional services to all its valued customers.

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

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

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

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

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

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

In recent years, the Group has been providing project management services across Mainland China to an international exhibition centre development in Shenyang, 2 high-rise building complexes in Tianjin and Guangzhou, and 2 commercial buildings in Beijing. The Group firmly believes that due to its high market recognition and strong value-added E&M project management expertise in the areas of, among others, integrated services coordination, coordinated services drawing production, Building Information Modelling (BIM) techniques, project planning, quality assurance and system testing and commissioning, it will be a preferred partner of foreign and Hong Kong-based developers of high-end projects in Mainland China.

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

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

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

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

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

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

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

- analysed the contract provisions on extension of time and force majeure clauses and issued notifications promptly to engineers and architects for our projects on the likelihood of any delays;
- made detailed records of site activities together with their cost implications for those delayed portions;
- closely monitored the supplies of materials and considered re-scheduling works or sourcing other suppliers; and
- checked insurance arrangements on deferred material delivery and kept updating of new regulatory policies.

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

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

Conclusion

Despite the challenges and operational difficulties we face in this financial year, in particular those arising from the outbreak of COVID-19, the Group's operations remained stable and the Group was able to record a remarkable growth in its profit in the Year. The successful acquisition of the security guarding & event services, insurance solutions and landscaping services businesses in April 2021 has enabled the Group to enlarge its customer base, diversify its revenue stream and risks and enhance its profit growth potential. In addition, the Group shall endeavour to maintain a strong financial position so as to stay poised for new investment opportunities as and when they arise. We are confident that the Group will continue to grow.

Report of the Directors

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

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries of the Company are set out in Note 36 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) comprising analysis of the Group's performance during the Year, particulars of important events affecting the Group that have occurred since the end of the Year, as well as indication of likely future development in the business of the Group are set out in the sections headed "Chairman's Statement" on pages 10 to 13 and "Management Discussion and Analysis" on pages 38 to 63. Description of the principal risks and uncertainties facing the Group are set out in the "Corporate Governance Report" under the paragraphs headed "Risk Management and Internal Control" on pages 31 to 35. Discussions on the environmental policies and performance, compliance by the Group with the relevant laws and regulations that have a significant impact on the Group and the account of the key relationships of the Group with its stakeholders are contained in the "Management and Discussion and Analysis" on pages 53 to 56 of this annual report.

RESULTS AND APPROPRIATION

The results of the Group for the Year and the state of affairs of the Company and of the Group as at 30 June 2021 are set out in the consolidated financial statements on pages 81 to 198.

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

Notes:

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

(ii) Based on the Group's adjusted profit for the year ended 30 June 2020 attributable to shareholders of the Company of HK$267.7M (i.e. after excluding (a) the profit of HK$37.3M made by the property and facility management services business during the period from 1 July 2019 to 16 December 2019, the day of completion of the Group's acquisition of this business as described in Note 2.1(iii)(b) to the consolidated financial statements and (b) preferred distribution to the holder of convertible preference shares of HK$4.6M for the year ended 30 June 2020 from profit attributable to shareholders of the Company of HK$309.6M as previously reported in the Group's consolidated financial statements for the year ended 30 June 2020).

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

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

RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in Notes 27 and 35 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

At 30 June 2021, the Company's reserves available for distribution amounted to HK$395.8 million (30 June 2020: HK$292.9 million).

DONATIONS

During the Year, the Group made charitable and other donations amounting to HK$6.6 million (2020: HK$7.7 million (restated)).

PROPERTY, PLANT AND EQUIPMENT

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

SHARE ISSUED

Details of the Company's share capital are set out in Note 26 to the consolidated financial statements. There was no movement in the share capital during the Year.

EQUITY-LINKED AGREEMENTS

Save for the convertible preference shares set out in Note 26 to the consolidated financial statements and the share option scheme adopted by the Company as mentioned under the section headed "Share Option Scheme" below, no equity-linked agreements were entered into by the Company during the Year or subsisted at the end of the Year.

FIVE-YEAR FINANCIAL SUMMARY

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

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group accounted for 50.1% of the Group's revenue and the percentage of revenue attributable to the Group's largest customer amounted to 19.5%. The percentage of purchases attributable to the Group's five largest suppliers accounted for 9.7% of the Group's total purchases and the percentage of purchases attributable to the Group's largest supplier amounted to 3.6%.

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

MANAGEMENT CONTRACTS

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

DIRECTORS

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

Non-executive Directors

Dr. Cheng Kar Shun, Henry *(Chairman)*
Mr. Wong Kwok Kin, Andrew [(i)]

Executive Directors

Mr. Lam Wai Hon, Patrick *(Vice-Chairman)*
Mr. Poon Lock Kee, Rocky *(Chief Executive Officer)*
Mr. Doo William Junior Guilherme
Mr. Lee Kwok Bong
Mr. Soon Kweong Wah
Mr. Wong Shu Hung
Dr. Cheng Chun Fai [(ii)]

Independent Non-executive Directors

Mr. Kwong Che Keung, Gordon
Mr. Hui Chiu Chung, Stephen
Mr. Lee Kwan Hung, Eddie
Dr. Tong Yuk Lun, Paul

Notes:
(i) Mr. Wong Kwok Kin, Andrew resigned as Non-executive Director with effect from 1 January 2021.
(ii) Dr. Cheng Chun Fai ceased to be alternate director to Mr. Wong Shu Hung and was appointed as Executive Director by the board of directors of the Company (the "Board"), both with effect from 1 January 2021. He was re-appointed by shareholders of the Company at the extraordinary general meeting on 9 April 2021.

In accordance with article 105 of the Company's articles of association, Mr. Lee Kwok Bong, Mr. Soon Kweong Wah, Mr. Kwong Che Keung, Gordon and Mr. Hui Chiu Chung, Stephen shall retire as Directors by rotation at the forthcoming annual general meeting and, all being eligible, offer themselves for re-election as Directors.

The Company has received an annual confirmation from each of the Independent Non-executive Directors of his independence pursuant to Rule 3.13 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considered all the Independent Non-executive Directors independent.

The Directors' biographical details are set out on pages 14 to 19.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Details of the connected transactions and material related party transactions are set out on pages 70 to 75 and Notes 2.1(iii) and 34 to the consolidated financial statements respectively.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules were as follows:

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

Name	Capacity/nature of interest	Number of shares	Percentage of shareholding[4]
Mr. Lam	Interest of controlled corporation	10,000,000[1]	2%
Mr. Doo Jr	Interest of controlled corporations	45,000,000[2]	9%
Mr. Lee Kwok Bong ("Mr. Lee")	Interest of controlled corporation	5,000,000[3]	1%

Notes:

1. The shares are held by Equal Merit Holdings Limited ("Equal Merit"), the entire issued share capital of which is solely and beneficially owned by Mr. Lam.
2. The shares are held by Master Empire Group Limited ("Master Empire") as to 25,000,000 shares and Supreme Win Enterprises Limited ("Supreme Win Enterprises") as to 20,000,000 shares, the entire issued share capital of each of which is solely and beneficially owned by Mr. Doo Jr.
3. The shares are held by Lagoon Treasure Limited ("Lagoon Treasure"), the entire issued share capital of which is solely and beneficially owned by Mr. Lee.
4. The percentage of shareholding is calculated on the basis of 500,000,000 shares of FSE Holdings in issue as at 30 June 2021.

Save as disclosed above, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2021.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2021, the interests and short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long position in ordinary shares and underlying shares of the Company

Name	Capacity/nature of interest	Number of ordinary shares in issue	Number of underlying shares	Total number of ordinary shares interested in	Percentage of shareholding (7)
FSE Holdings	Beneficial interest and interest of controlled corporation	337,500,000 (1)	43,676,379 (2)	381,176,379 (3)	84.71%
Sino Spring Global Limited ("Sino Spring") (4)	Interest of controlled corporation	337,500,000	43,676,379	381,176,379	84.71%
Mr. Doo Wai Hoi, William ("Mr. Doo") (5 & 8)	Interest of controlled corporation	337,500,000	43,676,379	381,176,379	84.71%
Mrs. Doo Cheng Sau Ha, Amy ("Mrs. Doo") (6 & 8)	Interest of spouse	337,500,000	43,676,379	381,176,379	84.71%
FSE Management Company Limited ("FMC") (2)	Beneficial interests	–	43,676,379	43,676,379	9.71%

Notes:

As at 30 June 2021

1. These shares are held by FSE Holdings.
2. These shares are issuable to FMC upon full conversion of a total of 43,676,379 non-voting redeemable convertible preference shares (the "CPS") issued by the Company to FMC on 16 December 2019. Upon exercise of the conversion rights attaching to each CPS, each CPS is convertible into one ordinary share of the Company (subject to adjustments upon occurrence of certain prescribed events, including consolidation, subdivision or reclassification of shares in the capital of the Company, capitalisation of profits or reserves etc., in each case if not also made available to holder(s) of CPS) within a period of 10 years from its date of issue. FMC is wholly owned by FSE Holdings. By virtue of Part XV of the SFO, FSE Holdings is deemed to be interested in all the shares in which FMC is interested.
3. These shares comprise (a) the 337,500,000 ordinary shares in issue and held by FSE Holdings; and (b) the 43,676,379 ordinary shares issuable to FMC upon full conversion of the 43,676,379 CPS as referred to in Note 2 above.
4. FSE Holdings is held as to 63% by Sino Spring, 18% by Power Victory Global Limited ("Power Victory"), 7% by Frontier Star Limited ("Frontier Star"), 5% by Master Empire, 4% by Supreme Win Enterprises, 2% by Equal Merit and 1% by Lagoon Treasure. By virtue of Part XV of the SFO, Sino Spring is deemed to be interested in all the shares in which FSE Holdings is interested.
5. Each of Sino Spring, Power Victory and Frontier Star is wholly owned by Mr. Doo. They together are holding an aggregate of 88% interest in FSE Holding. By virtue of Part XV of the SFO, Mr. Doo is deemed to be interested in all the shares in which each of Sino Spring, Power Victory and Frontier Star is interested.
6. Mrs. Doo is the spouse of Mr. Doo and is therefore taken to be interested in all the shares of the Company in which Mr. Doo is interested by virtue of Part XV of the SFO.
7. The percentage of shareholding is calculated on the basis of 450,000,000 voting shares of the Company in issue as at 30 June 2021. On a fully diluted basis upon full conversion of the CPS (assuming no change in the number of voting shares of the Company in issue other than as a result of conversion of the CPS), the total number of voting shares of the Company in issue will be 493,676,379 and the percentage of shareholdings held by FSE Holdings and FMC will be 77.21% and 8.85%, respectively. These percentage shareholdings on a fully diluted basis are provided for illustrative purposes only. The terms of the CPS will not permit conversion if immediately after such conversion, the public float of the ordinary shares of the Company will fall below the minimum public float requirement of the Listing Rules.

Subsequent to 30 June 2021

8. In July 2021, Mr. Doo transferred Sino Spring, Power Victory and Frontier Star to Fung Seng Holdings (X) Limited, a company wholly-owned by Mrs. Doo. By virtue of Part XV of the SFO, Mrs. Doo is deemed to be interested in all the shares in which each of Sino Spring, Power Victory and Frontier Star is interested. Mr. Doo, being the spouse of Mrs. Doo, is taken to be interested in all the shares of the Company in which Mrs. Doo is interested by virtue of Part XV of the SFO.

Save as disclosed above, no other person was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position in the shares or underlying shares of the Company as at 30 June 2021.

SHARE OPTION SCHEME

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

(i) Purposes of the Scheme

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

(ii) Who may join

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

(a) any employee (whether full-time or part-time including any executive director but excluding any non- executive director) of the Company or any of its subsidiaries or any entity ("Invested Entity") in which any member of the Group holds an equity interest;

(b) any non-executive directors (including independent non-executive directors) of the Company or any of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity;

(h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group;

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

(iii) Maximum number of Shares available for issue

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

(iv) Maximum entitlement of each participant

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

(v) Time of acceptance

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

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

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

(vii) Consideration for the option

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

(viii) Subscription price for the Shares

The subscription price for the Shares under the Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

(ix) Period of the Scheme

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

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

CONNECTED TRANSACTIONS

Connected persons of the Company

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

In the above paragraph and as appeared in this section:

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

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

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

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

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

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

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

Connected transaction and continuing connected transactions

The Company has entered into the following transactions during the Year and up to the date of this report with one or more the above connected persons which constituted connected transaction (paragraph (2) below) or continuing connected transactions ("CCTs") (paragraphs (1) and (3) below) of the Company.

(1) The 2020 master services agreements

On 24 April 2020, in view of the expiry of various master services agreements on 30 June 2020, six new master services agreements (the "2020 Master Services Agreements") were entered into by the Company in relation to the provision and/or receipt of services with details as follows:

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

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

- the provision of, by the NWD Group to the Group, rental services, sundry services, IT support services, supply of construction and building equipment and materials services and such other types of services as the NWD Group and the Group may agree upon from time to time in writing.

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

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

- the provision of, by the NWS Group to the Group, contracting services, facility management services, rental services and such other types of services as the NWS Group and the Group may agree upon from time to time in writing.

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

- the provision of, by the Group to the NWDS Group, E&M engineering and environmental services, cleaning services and such other types of services as the NWDS Group and the Group may agree upon from time to time in writing; and

- the provision of, by the NWDS Group to the Group, rental services and such other types of services as the NWDS Group and the Group may agree upon from time to time in writing.

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

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

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

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

(f) a master services agreement entered into between FMC and the Company (the "2020 Doo's Associates Master Services Agreement") which serves to provide them with a master framework of agreement upon and to which the individual agreement for each CCT between the Doo's Associates Group and the Group (the "Doo's Associates CCT") in relation to the following services is to be entered into and subject:

- the provision of, by the Group to the Doo's Associates Group, E&M engineering and environmental services, cleaning and laundry services, facility and property management services and such other types of services as the Doo's Associates Group and the Group may agree upon from time to time in writing; and
- the provision of, by the Doo's Associates Group to the Group, leasing services, security and guarding, landscaping and such other types of services as the Doo's Associates Group and the Group may agree upon from time to time in writing.

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

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

The 2020 NWD Master Services Agreements

Categories	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	1,068,369	1,960,106
Paid/payable by the Group	2,806	32,767

The 2020 NWS Master Services Agreement

Categories	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	886,563	1,837,314
Paid/payable by the Group	5,547	40,808

The 2020 NWDS Master Services Agreement

Categories	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	16	27,178
Paid/payable by the Group	179	1,262

The 2020 CTFE Master Services Agreement

Category	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	46,923	112,710

The 2020 CTFJ Master Services Agreement

Category	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	5,740	19,882

The 2020 Doo's Associates Master Services Agreement

Categories	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	4,073	137,931
Paid/payable by the Group	25,458	54,781

(2) Acquisition of entities engaged in the provision of security guarding & event services, insurance solutions and landscaping services; and disposal of properties

On 26 February 2021, the Company, FSE City Essential Services Limited (the "Buyer Co", a direct wholly-owned subsidiary of the Company) and FMC (a direct wholly-owned subsidiary of FSE Holdings) entered into a conditional sale and purchase agreement (the "S&P Agreement") pursuant to which the Company agreed to nominate the Buyer Co to acquire from FMC the entire issued share capital in Business Investments Limited (the "Target Company", together with its subsidiaries and a joint venture company indirectly owned as to 20% by the Target Company, the "Target Group") at a total consideration of HK$840.6 million (subject to adjustments, if any), comprising (i) a non-cash consideration of HK$442.6 million settled through the disposal of a property and certain subsidiaries which own properties to FMC; and (ii) a cash consideration of HK$398.0 million, funded by the Group's internal resources. The Target Group is principally engaged in the provision of security guarding & event services, insurance solutions and landscaping services in Hong Kong. For details of the transaction, please refer to the paragraph headed "Major Transactions" in the Management Discussion and Analysis section set out on pages 52 and 53.

(3) The 2021 Master Facility and Related Services Agreements

In their ordinary and usual course of business, the Target Company and its subsidiaries regularly entered into continuing transactions with the NWD Group, the NWS Group, the CTFE Group, the CTFJ Group and the Doo's Associates Group in relation to security guarding & event service, insurance solutions and landscaping services.

On 19 April 2021, being the completion date of the S&P Agreement (the "Completion Date") upon which the Target Company became a wholly-owned subsidiary of the Company, five master facility and related services agreements (the "2021 Master Facility and Related Services Agreements") were entered into by the Company in relation to the provision and/or receipt of security guarding & event service, insurance solutions and landscaping services, and the rental of the disposed properties under the S&P Agreement with details as follows:

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

- the provision of, by the Group to the NWD Group, security guarding & event services, insurance and related services, landscaping services and such other types of services as the NWD Group and the Group may agree upon from time to time in writing; and
- the provision of, by the NWD Group to the Group, IT support services, rental services and such other types of services as the NWD Group and the Group may agree upon from time to time in writing.

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

- the provision of, by the Group to the NWS Group, security guarding & event services, supply of security products, insurance advisory services, landscaping services and such other types of services as the NWS Group and the Group may agree upon from time to time in writing; and
- the provision of, by the NWS Group to the Group, rental of properties, spare spaces, car parking spaces, vehicles and vessels and related services, convention and exhibition facilities and related functions and services, food and beverage catering services and such other types of services as the NWS Group and the Group may agree upon from time to time in writing.

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

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

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

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

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

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

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

During the period from the Completion Date to 30 June 2021, the transaction amounts under the 2021 Master Facility and Related Services Agreements are summarized as follows:

The 2021 NWD Master Facility and Related Services Agreements

Categories	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	37,400	60,346
Paid/payable by the Group	32	2,144

The 2021 NWS Master Facility and Related Services Agreement

Categories	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	7,371	16,864
Paid/payable by the Group	–	395

The 2021 CTFE Master Facility and Related Services Agreement

Categories	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	736	2,811
Paid/payable by the Group	–	187

The 2021 CTFJ Master Facility and Related Services Agreement

Categories	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	798	2,559
Paid/payable by the Group	–	20

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

Categories	Approximate total transaction amounts HK$'000	Annual cap HK$'000
Paid/payable to the Group	1,102	2,928
Paid/payable by the Group	3,450	4,106

Annual review of CCTs

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

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms;

(c) according to the relevant agreement governing the respective transactions on the terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(d) within the caps as set out in the relevant circulars.

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

Save as disclosed above, a summary of significant related party transactions made during the Year, which included the abovesaid connected transactions of the Company, is disclosed in Note 34 to the consolidated financial statements. To the extent that the Group's related party transactions constituted connected transactions or continuing connected transactions as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the Year.

NON-COMPETE UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

FSE Holdings, Sino Spring and Mr. Doo, each a controlling shareholder of the Company (collectively, the "Controlling Shareholders") during the Year, have entered into a deed of non-compete undertaking (the "Deed"), under which they have given non-compete undertakings (the "Non-compete Undertakings") in favour of the Company (for itself and as trustee for and on behalf of each of our subsidiaries), pursuant to which they have, among other matters, irrevocably undertaken not to engage (and shall procure their respective close associates and/or companies controlled by them) (other than those of the Group) in any business which, directly or indirectly, compete or may compete with the businesses of the Group.

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

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

On 18 October 2019, FSE Property Management Group Limited ("FPMGL") (as borrower), and FSE Engineering Group Limited ("FSEE") and FSE Facility Services Group Limited ("FFSGL") (as guarantors), all being wholly-owned subsidiaries of the Company, entered into a 2-year term loan facility agreement (the "Facility Agreement") with a bank for the financing of an acquisition of companies principally engaged in the provision of property and facility management services. The Facility Agreement provides for up to the lesser of HK$600 million or 80% of the total consideration of the acquisition. The loan under the Facility Agreement bears an interest of 0.7% per annum over Hong Kong Interbank Offered Rate and is repayable on the date that is two years from the drawdown date.

Under the Facility Agreement, each of FPMGL, FSEE and FFSGL (collectively, the "Obligors") undertakes to procure that Mr. Doo Wai Hoi, William, the then controlling shareholder of the Company, and Mr. Doo William Junior Guilherme, a director of the Company, shall maintain not less than 51% direct or indirect shareholding of each of the Obligors, the breach of which will constitute an event of default under the Facility Agreement. Upon occurrence of an event of default, all amounts advanced under the Facility Agreement including all interest accrued thereon will become immediately due and repayable, and the bank shall not be required to make any further advances under the Facility Agreement.

In July 2021, Mr. Doo Wai Hoi, William transferred Sino Spring Global Limited, Power Victory Global Limited and Frontier Star Limited, which together are holding 88% interest in FSE Holdings Limited, to Fung Seng Holdings (X) Limited, a company wholly-owned by Mrs. Doo Cheng Sau Ha, Amy ("Transfer"). A bank consent has been obtained to the Transfer such that no event of default shall arise as a result thereof or in connection therewith under the Facility Agreement.

Announcement regarding the entering into of the Facility Agreement was made on 18 October 2019 pursuant to Rule 13.18 of the Listing Rules. As at 30 June 2021, the principal amount of the bank loan in respect of the Facility Agreement of HK$233.9 million remained outstanding.

Save as disclosed above, as at 30 June 2021, the Company did not have other disclosure obligations under Rule 13.21 of the Listing Rules.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board

Dr. Cheng Kar Shun, Henry
Chairman

Hong Kong, 27 September 2021

Independent Auditor's Report

羅兵咸永道

To the Shareholders of FSE Lifestyle Services Limited
(Formerly known as FSE Services Group Limited)
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of FSE Lifestyle Services Limited (the "Company") and its subsidiaries (the "Group") set out on pages 81 to 198, which comprise:

- the consolidated statement of financial position as at 30 June 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

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

KEY AUDIT MATTERS

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of the contracting work Refer to Note 4.1 in the critical accounting estimates and judgements in the consolidated financial statements. The Group recognises its contracting revenue according to the percentage of completion of individual contracting work. The Group has recognised HK$2,929 million contracting revenue in relation to contracting work for the year ended 30 June 2021. Because of the nature of the activity undertaken in contracts, the date at which the contract activity entered into and the date when the activity is completed usually fall into different financial periods. Management is required to exercise significant judgement in their review and revision of the estimates of the completeness and accuracy of the total contract revenue, total contract costs and actual costs incurred for each contract as the contract progresses, based on past experience and market circumstances, especially in relation to change in estimates of revenue and costs arising from variation orders, litigation and claims with the customers and sub-contractors. The eventual realisation of these estimates are inherently uncertain, subject to the outcome of negotiations with the customers and sub-contractors. Any revision of the total contract revenue, total contract costs and actual costs incurred, which determined the percentage of completion, would affect the contracting revenue recognition and may result in material adjustments to margin, which can be positive or negative.	Our audit procedures in relation to revenue recognition of the contracting work included the following: — Obtained an understanding of management's internal control and evaluated and tested the operating effectiveness of key controls operated by the Group about the estimation of the total contract revenue, the estimation of the total contract costs and actual costs incurred; — Checked, on a sample basis, the contractual terms of the work and variation orders in order to understand their work nature and contractual relationships with the customers; checked correspondences with the customers, including the agreed documents or communication evidence to evaluate the reasonableness of management's estimates on the budgeted total contract revenue, especially the estimates of revenue arising from variation orders and claims; — Checked, on a sample basis, to correspondences, such as agreed documents or communication evidence, with the sub-contractors and suppliers to evaluate the reasonableness of management's assessment of budgeted total contract costs and actual costs incurred, especially the estimates of costs relating to variation orders; and — Selected contracts, on a sample basis, to perform interview with the project directors and assessed whether or not these estimates showed any evidence of management bias. We found the management's estimations and judgements on the revenue recognition in respect of contracting work to be supportable based on the available evidence.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 September 2021

Consolidated Income Statement

For the year ended 30 June 2021

	Notes	2021 HK$'000	2020 (restated)* HK$'000
Revenue	5	6,452,741	5,656,086
Cost of services and sales		(5,317,654)	(4,713,276)
Gross profit		1,135,087	942,810
General and administrative expenses		(458,055)	(458,747)
Other expenses, net	6	(28,616)	(660)
Operating profit	7	648,416	483,403
Finance income	10	2,266	6,164
Finance costs	10	(5,435)	(10,197)
Share of results of associates and joint ventures		1,072	1,193
Profit before income tax		646,319	480,563
Income tax expenses	11	(59,620)	(68,376)
Profit for the year		586,699	412,187
Profit/(loss) for the year attributable to:			
Shareholders of the Company		586,911	412,161
Non-controlling interests		(212)	26
		586,699	412,187
Earnings per share for profit attributable to ordinary shareholders of the Company (expressed in HK$)			
Basic and diluted	12	1.29	0.91

* Comparative figures have been restated for the Group's application of merger accounting for business combinations under common control. Details of the restatements are set out in Note 2.1(iii)(a) to the consolidated financial statements.

The notes on pages 87 to 198 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2021

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

* Comparative figures have been restated for the Group's application of merger accounting for business combinations under common control. Details of the restatements are set out in Note 2.1(iii)(a) to the consolidated financial statements.

The notes on pages 87 to 198 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	2021 HK$'000	2020 (restated)* HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	45,157	375,910
Investment property	15	–	10,850
Right-of-use assets	16	58,820	74,051
Other intangible assets	17	185,079	109,122
Interests in associates	18	200	197
Interests in joint ventures	19	950	1,049
Deferred income tax assets	20	15,006	12,157
Pension assets	21	6,032	3,146
		311,244	586,482
Current assets			
Trade and other receivables	22	1,671,095	1,814,481
Contract assets	23	499,002	391,301
Inventories	24	18,994	53,033
Cash and bank balances	25	549,890	894,815
		2,738,981	3,153,630
Total assets		3,050,225	3,740,112
EQUITY			
Ordinary shares	26	45,000	45,000
Convertible preference shares	26	140,900	140,900
Reserves	27	(108,386)	530,464
Shareholders' funds		77,514	716,364
Non-controlling interests	28	22,000	93
Total equity		99,514	716,457

* Comparative figures have been restated for the Group's application of merger accounting for business combinations under common control. Details of the restatements are set out in Note 2.1(iii)(a) to the consolidated financial statements.

The notes on pages 87 to 198 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	2021 HK$'000	2020 (restated)* HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	29	**150,000**	463,243
Lease liabilities	16	**20,198**	20,433
Long service payment liabilities	30	**42,232**	49,149
Deferred income tax liabilities	20	**22,702**	27,156
Pension liabilities	21	**–**	742
		235,132	560,723
Current liabilities			
Trade and other payables	31	**1,917,290**	1,821,816
Contract liabilities	23	**466,045**	503,484
Borrowings	29	**233,812**	–
Current portion of lease liabilities	16	**22,677**	42,865
Taxation payable		**75,755**	94,767
		2,715,579	2,462,932
Total liabilities		**2,950,711**	3,023,655
Total equity and liabilities		**3,050,225**	3,740,112
Net current assets		**23,402**	690,698
Total assets less current liabilities		**334,646**	1,277,180

* Comparative figures have been restated for the Group's application of merger accounting for business combinations under common control. Details of the restatements are set out in Note 2.1(iii)(a) to the consolidated financial statements.

The notes on pages 87 to 198 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 81 to 198 were approved by the Board of Directors on 27 September 2021 and were signed on its behalf.

Lam Wai Hon, Patrick
Director

Poon Lock Kee, Rocky
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Ordinary shares (Note 26) HK$'000	Convertible preference shares (Note 26) HK$'000	Reserves (Note 27) HK$'000	Equity attributable to shareholders of the Company HK$'000	Non-controlling interests HK$'000	Total (restated)* HK$'000
At 1 July 2019						
As previously reported	45,000	–	809,267	854,267	67	854,334
Acquisition of the Business Investments Group	–	–	219,656	219,656	–	219,656
As restated	45,000	–	1,028,923	1,073,923	67	1,073,990
Profit for the year, as restated	–	–	412,161	412,161	26	412,187
Other comprehensive (loss)/income:						
Currency translation differences	–	–	(5,885)	(5,885)	–	(5,885)
Remeasurement gains on defined benefit retirement scheme, net of tax, as restated	–	–	191	191	–	191
Remeasurement losses on long service payment liabilities, net of tax, as restated	–	–	(2,198)	(2,198)	–	(2,198)
Total comprehensive income for the year, as restated	–	–	404,269	404,269	26	404,295
Transactions with shareholders:						
Issuance of shares (Note 26)	–	140,900	–	140,900	–	140,900
Acquisition of the Business Investments Group, as restated	–	–	800	800	–	800
Acquisition of the Legend Success Group (Note 2.1(iii)(b))	–	–	(743,378)	(743,378)	–	(743,378)
Dividends to ordinary shareholders	–	–	(111,150)	(111,150)	–	(111,150)
Dividends to the original shareholder of the Business Investments Group, as restated	–	–	(49,000)	(49,000)	–	(49,000)
At 30 June 2020, as restated	45,000	140,900	530,464	716,364	93	716,457
At 1 July 2020						
As previously reported	45,000	140,900	258,723	444,623	93	444,716
Acquisition of the Business Investments Group	–	–	271,741	271,741	–	271,741
As restated	45,000	140,900	530,464	716,364	93	716,457
Profit/(loss) for the year	–	–	586,911	586,911	(212)	586,699
Other comprehensive income/(loss):						
Currency translation differences	–	–	15,440	15,440	–	15,440
Remeasurement gains on defined benefit retirement scheme, net of tax	–	–	3,700	3,700	–	3,700
Remeasurement gains on long service payment liabilities, net of tax	–	–	8,477	8,477	–	8,477
Total comprehensive income/(loss) for the year	–	–	614,528	614,528	(212)	614,316
Transactions with shareholders:						
Acquisition of the Business Investments Group (Note 2.1(iii)(a))	–	–	(709,894)	(709,894)	–	(709,894)
Dividends to ordinary shareholders	–	–	(194,850)	(194,850)	–	(194,850)
Dividends to the original shareholder of the Business Investments Group	–	–	(340,180)	(340,180)	–	(340,180)
Distribution to convertible preference shareholder	–	–	(8,454)	(8,454)	–	(8,454)
Issuance of shares to a non-controlling shareholder	–	–	–	–	3	3
Equity contribution from a non-controlling shareholder	–	–	–	–	22,116	22,116
At 30 June 2021	45,000	140,900	(108,386)	77,514	22,000	99,514

* Comparative figures have been restated for the Group's application of merger accounting for business combinations under common control. Details of the restatements are set out in Note 2.1(iii)(a) to the consolidated financial statements.

The notes on pages 87 to 198 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Notes	2021 HK$'000	2020 (restated)* HK$'000
Cash flows from operating activities			
Cash generated from operations	32(a)	628,639	508,656
Hong Kong profits tax paid		(84,001)	(56,047)
Mainland China and Macau income tax paid		(479)	(6,140)
Interest paid		(4,866)	(9,678)
Net cash generated from operating activities		539,293	436,791
Cash flows from investing activities			
Cash consideration for acquisition of businesses	32(b)	(418,283)	(602,478)
Acquisition of a subsidiary	32(c)	(72,287)	–
Purchase of property, plant and equipment		(18,735)	(22,217)
Disposal of subsidiaries and a property as consideration for acquisition of businesses	32(d)	(4,920)	–
Other disposal of subsidiaries	32(e)	4,508	475
Interest received		2,266	6,164
Dividend received from associates		1,050	1,112
Proceeds from disposal of property, plant and equipment		711	1,037
Dividend received from joint ventures		118	–
Additions to intangible assets		–	(300)
Proceeds from development costs refund		–	420
Net cash used in investing activities		(505,572)	(615,787)
Cash flows from financing activities			
Repayment of bank borrowings	32(f)	(230,000)	(130,000)
Dividends paid to ordinary shareholders	32(f)	(194,850)	(111,150)
Dividends paid to the original shareholder of the Business Investments Group	32(f)	(73,000)	(19,000)
Payments for principal portion of lease liabilities	32(f)	(48,857)	(36,560)
Distribution paid to convertible preference shareholder	32(f)	(8,454)	–
Proceeds from bank borrowings, net	32(f)	150,000	562,792
Equity contribution from a non-controlling shareholder	32(g)	22,116	–
Net cash (used in)/generated from financing activities		(383,045)	266,082
Net (decrease)/increase in cash and cash equivalents during the year		(349,324)	87,086
Cash and cash equivalents at the beginning of the year		894,815	811,302
Exchange differences	32(h)	4,399	(3,573)
Cash and cash equivalents at the end of the year		549,890	894,815
Analysis of balances of cash and cash equivalents			
Representing:			
Cash and bank balances as stated in the consolidated statement of financial position		549,890	894,815

* Comparative figures have been restated for the Group's application of merger accounting for business combinations under common control. Details of the restatements are set out in Note 2.1(iii)(a) to the consolidated financial statements.

The notes on pages 87 to 198 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

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

Pursuant to a special resolution passed by the shareholders of the Company on 9 April 2021 and the issue of Certificate of Incorporation on Change of Name on the same date, the English name of the Company was changed from "FSE Services Group Limited" to "FSE Lifestyle Services Limited" and the Chinese name of the Company was changed from "豐盛服務集團有限公司" to "豐盛生活服務有限公司" with effect from 9 April 2021. The Company name was changed for the purposes of reflecting the status of the enlarged group after completion of the acquisition of the security guarding & event services, insurance solutions and landscaping businesses as described in Note 2.1(iii)(a) to the consolidated financial statements and better promoting the corporate image and future development of the Group.

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in provision of property and facility management services, property agency and related services for buildings, carparks management services, cleaning and management of waste disposal services, recycling and environmental disposal services, security guarding & event services, insurance solutions services, trading of environmental products and provision of related engineering consultancy services, trading of building materials, landscaping services in Hong Kong and provision of mechanical and electrical engineering services in Hong Kong, Mainland China and Macau. The ultimate holding company of the Company is FSE Holdings Limited incorporated in the Cayman Islands. The directors consider Mr. Doo Wai Hoi, William to be the ultimate controlling shareholder (the "Ultimate Controlling Shareholder") during the financial year ended 30 June 2021.

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

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

These consolidated financial statements have been approved for issue by the Board of Directors of the Company (the "Board") on 27 September 2021.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.1 Basis of preparation (Continued)

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

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

		Effective for accounting periods beginning on or after
Amendments to HKFRS 4, HKFRS 7, HKFRS 9, HKFRS 16 and HKAS 39	Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations	1 January 2022
Annual Improvements	2018 – 2020 Cycle	1 January 2022
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to 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.

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

2.1 Basis of preparation (Continued)

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

(a) Acquisition of the Business Investments Group

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

The acquisition was completed on 19 April 2021 (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, has been charged directly to the Group's reserves.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.1 Basis of preparation (Continued)

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

(b) Acquisition of the Legend Success Group

On 18 October 2019, the Company and FSE Property Management Group Limited ("FPMGL"), a wholly-owned subsidiary of the Company, as the purchaser and FMC, as a vendor entered into a conditional sale and purchase agreement, pursuant to which FMC agreed to sell, and the Company agreed to purchase (or to procure a wholly-owned subsidiary to purchase) the entire issued share capital of Legend Success Investments Limited (the "Legend Success Sale Share") and its subsidiaries (the "Legend Success Group") at an initial sum of consideration of HK$704.9 million, subject to subsequent adjustment by reference to the change in the net tangible asset value of the Legend Success Group from 30 June 2019 to the date of completion of the acquisition (the "Legend Success Acquisition"). Pursuant thereto, the Company has nominated FPMGL to buy the Legend Success Sale Share. The initial sum of consideration was satisfied by the Company through (i) the payment of HK$564.0 million in cash and (ii) a non-cash consideration of HK$140.9 million through the issuance and allotment by the Company of 43,676,379 non-voting redeemable convertible preference shares of HK$0.10 each at the issue price of HK$3.2260 per share to FMC, credited as fully paid. The Group's payment for the initial cash consideration for this transaction was mainly financed by a bank loan with a principal amount of HK$563.9 million drawn in December 2019, which bears interest at 0.7% per annum over Hong Kong Interbank Offered Rate. After the Group's repayment of HK$330 million of this bank loan since its drawdown in December 2019 up to 30 June 2021, its carrying amount at 30 June 2021, net of unamortised transaction costs, was HK$233.8 million.

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

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

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

2.1 Basis of preparation (Continued)

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

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

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.1 Basis of preparation (Continued)

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

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.1 Basis of preparation (Continued)

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

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

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Business Investments Group HK$'000	Adjustments (Note) HK$'000	Consolidated HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	40,946	4,211	–	45,157
Right-of-use assets	58,721	99	–	58,820
Other intangible assets	153,582	31,497	–	185,079
Interests in associates	48	152	–	200
Interests in joint ventures	950	–	–	950
Deferred income tax assets	14,765	241	–	15,006
Pension assets	5,323	709	–	6,032
	274,335	36,909	–	311,244
Current assets				
Trade and other receivables	1,437,737	367,609	(134,251)	1,671,095
Contract assets	498,377	625	–	499,002
Inventories	18,266	728	–	18,994
Cash and bank balances	428,699	121,191	–	549,890
	2,383,079	490,153	(134,251)	2,738,981
Total assets	2,657,414	527,062	(134,251)	3,050,225
EQUITY				
Ordinary shares	45,000	–	–	45,000
Convertible preference shares	140,900	–	–	140,900
Reserves	(216,169)	107,783	–	(108,386)
Shareholders' (deficit)/funds	(30,269)	107,783	–	77,514
Non-controlling interests	22,000	–	–	22,000
Total equity	(8,269)	107,783	–	99,514

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.1 Basis of preparation (Continued)

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

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

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Business Investments Group HK$'000	Adjustments (Note) HK$'000	Consolidated HK$'000
LIABILITIES				
Non-current liabilities				
Borrowings	–	150,000	–	150,000
Lease liabilities	20,188	10	–	20,198
Long service payment liabilities	30,660	11,572	–	42,232
Deferred income tax liabilities	20,056	2,646	–	22,702
	70,904	164,228	–	235,132
Current liabilities				
Trade and other payables	1,857,019	194,522	(134,251)	1,917,290
Contract liabilities	423,839	42,206	–	466,045
Borrowings	233,812	–	–	233,812
Current portion of lease liabilities	22,584	93	–	22,677
Taxation payables	57,525	18,230	–	75,755
	2,594,779	255,051	(134,251)	2,715,579
Total liabilities	2,665,683	419,279	(134,251)	2,950,711
Total equity and liabilities	2,657,414	527,062	(134,251)	3,050,225
Net current (liabilities)/assets	(211,700)	235,102	–	23,402
Total assets less current liabilities	62,635	272,011	–	334,646

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

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

2.1 Basis of preparation (Continued)

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

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

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

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

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

2.1 Basis of preparation (Continued)

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

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

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

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

2.1 Basis of preparation (Continued)

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

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

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Business Investments Group HK$'000	Adjustments (Note) HK$'000	Consolidated HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	371,873	4,037	–	375,910
Investment property	10,850	–	–	10,850
Right-of-use assets	72,177	1,874	–	74,051
Other intangible assets	76,503	32,619	–	109,122
Interests in associates	45	152	–	197
Interests in joint ventures	1,049	–	–	1,049
Deferred income tax assets	11,083	1,074	–	12,157
Pension assets	3,146	–	–	3,146
	546,726	39,756	–	586,482
Current assets				
Trade and other receivables	1,502,962	312,044	(525)	1,814,481
Contract assets	388,390	2,911	–	391,301
Inventories	52,225	808	–	53,033
Cash and bank balances	700,946	193,869	–	894,815
	2,644,523	509,632	(525)	3,153,630
Total assets	3,191,249	549,388	(525)	3,740,112
EQUITY				
Ordinary shares	45,000	–	–	45,000
Convertible preference shares	140,900	–	–	140,900
Reserves	258,723	271,741	–	530,464
Shareholders' funds	444,623	271,741	–	716,364
Non-controlling interests	93	–	–	93
Total equity	444,716	271,741	–	716,457

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.1 Basis of preparation (Continued)

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

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

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the Business Investments Group HK$'000	Adjustments (Note) HK$'000	Consolidated HK$'000
LIABILITIES				
Non-current liabilities				
Borrowings	463,243	–	–	463,243
Lease liabilities	20,331	102	–	20,433
Long service payment liabilities	32,277	16,872	–	49,149
Deferred income tax liabilities	24,446	2,710	–	27,156
Pension liabilities	–	742	–	742
	540,297	20,426	–	560,723
Current liabilities				
Trade and other payables	1,639,326	183,015	(525)	1,821,816
Contract liabilities	454,801	48,683	–	503,484
Current portion of lease liabilities	41,060	1,805	–	42,865
Taxation payables	71,049	23,718	–	94,767
	2,206,236	257,221	(525)	2,462,932
Total liabilities	2,746,533	277,647	(525)	3,023,655
Total equity and liabilities	3,191,249	549,388	(525)	3,740,112
Net current assets	438,287	252,411	–	690,698
Total assets less current liabilities	985,013	292,167	–	1,277,180

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.2 Consolidation

(i) Subsidiaries

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

(ii) Business combinations under common control

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

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

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

(iii) Business combinations not under common control

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

Acquisition-related costs are expensed as incurred.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.2 Consolidation (Continued)

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

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

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

(iv) Disposal of subsidiaries

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

(v) Separate financial statements

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.3 Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

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

The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as described in Note 2.9 to the consolidated financial statements.

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.4 Investment property

Investment property is initially measured at cost, including related transaction costs and where applicable borrowings costs. After initial recognition, investment property is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the carrying amount of the assets or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are charged to the consolidated statement of comprehensive income during the financial year in which they are incurred. The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Buildings are depreciated over their estimated useful lives of 40 years or the relevant lease periods of the leasehold land, whichever is shorter, using the straight-line method. Leasehold land is depreciated over the lease periods using the straight-line method.

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

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

Buildings and leasehold land is depreciated over the lease periods using the straight-line method.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.5 Leases

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.5 Leases (Continued)

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

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

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

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

2.6 Intangible assets (other than right-of-use assets)

(i) Goodwill

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

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

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

(ii) Trademarks and brand names

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.6 Intangible assets (other than right-of-use assets) (Continued)

(iii) Internally generated environmental technology

(a) Environmental technology

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

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

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

(b) Research and development

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

(c) Amortisation method and period

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

Internally generated environmental technology	10 years

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.6 Intangible assets (other than right-of-use assets) (Continued)

(iv) Customer contracts and customer relationships

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

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

2.7 Associate

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

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

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

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

2.7 Associate (Continued)

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

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

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

2.8 Joint arrangements

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

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

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

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.9 Impairment of non-financial assets

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

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

2.10 Inventories

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

2.11 Contract assets and contract liabilities

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

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.12 Financial assets

(i) Classifications

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

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

(b) those to be measured subsequently at amortised cost after initial recognition.

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

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

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

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

(ii) Recognition and Measurement

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

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

2.12 Financial assets (Continued)

(ii) Recognition and Measurement (Continued)

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

(a) Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the profit or loss and presented in "Other (expenses)/income, net", together with foreign exchange gains and losses. Impairment losses are presented within "General and administrative expenses" in another line item in the consolidated income statement

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised directly in the profit or loss. When a financial asset is derecognised, its cumulative gain or loss previously recognised in OCI is reclassified from equity to the profit or loss and recognised in "Other (expenses)/income, net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other (expenses)/income, net" and impairment expenses are presented within "General and administrative expenses" in another as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the profit or loss and presented net within "Other (expenses)/income, net" in the period in which it arises.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.12 Financial assets (Continued)

(ii) Recognition and Measurement (Continued)

(b) Equity instruments

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

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

2.13 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, which is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivable. Significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the provision is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivable. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement. See Notes 2.15, 3.1(i)(b) and 22 to the consolidated financial statements for descriptions of the Group's impairment policies and methodology for trade and other receivables involving estimation of their expected credit losses.

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

2.14 Cash and cash equivalents

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.15 Impairment of financial assets

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

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

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

2.16 Trade and other payables

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

2.17 Borrowings

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.18 Provisions

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

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

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

2.19 Contingent liabilities and contingent assets

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

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

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

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

2.20 Current and deferred income tax

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

(i) Current income tax

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.20 Current and deferred income tax (Continued)

(ii) Deferred income tax

(a) Inside basis differences

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

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

(b) Outside basis differences

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

(iii) Offsetting

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

2.21 Dividend distribution

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.22 Revenue recognition

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

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

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

- provides all of the benefits received and consumed simultaneously by the customer;

- creates or enhances an asset that the customer controls as the Group performs; or

- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

- direct measurements of the value transferred by the Group to the customer; or

- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.22 Revenue recognition (Continued)

(i) Property management services

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

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

(ii) Value-added services

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

(iii) Service fee income

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

(iv) Engineering contracts

Revenue from engineering contracts is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. Thus, the Group satisfies a performance obligation over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. In determining the transaction price, the Group adjusts the amount of consideration for the effect of a financing component if it is significant.

(v) Security systems

Revenue from security systems installation is recognised at a point in time when services are rendered.

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

2.22 Revenue recognition (Continued)

(vi) Insurance brokerage services

Insurance brokerage services includes commission fee income and claims handling service income. Commission fee income is generated by brokers primarily through assessment of insurable risks and risk appetite of customers and sourcing relevant insurance products from insurers and underwriters which meets the needs of the customer. The Group recognised commission fee income at invoice date on the basis that the Group acts primarily as an agent of the customer when acting in the capacity as a broker, and as an agent of the insurer while acting in the capacity as an agent. Claims handling services refers to claims processing on behalf of insurers and the revenue is recognised over time throughout the insurance policy period.

(vii) Sales of goods

Revenue from sales of goods is recognised when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligations that could affect the customers' acceptance of the products. A delivery occurs when the products have been delivered to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that consideration is unconditional because only the passage of time is required before the payment is due.

(viii) Rental income of investment property

Rental income net of any incentives given to the lessee is recognised over the periods of the respective leases on a straight-line basis.

(ix) Dividend income

Dividend income is recognised when the right to receive payment is established.

(x) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.23 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of consolidated statement of financial position. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Bonus plan

Provisions for bonus plans are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Defined contribution schemes

Contributions to defined contribution schemes, including the Mandatory Provident Fund ("MPF") Scheme and employee pension schemes established by municipal government in Mainland China, are expensed as incurred. Except for the MPF Scheme, contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

(iv) Defined benefit retirement schemes

Defined benefit costs under defined benefit retirement schemes which are assessed using the projected unit credit method, are charged to the profit or loss. Under this method, plan assets are measured at fair value and defined benefit obligations are measured as the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the period end date based on Exchange Fund Notes, which have terms to maturity approximating the terms of the related liability. The current service cost of the defined benefit plan, recognised in the consolidated income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in the consolidated income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated income statement.

Remeasurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.23 Employee benefits (Continued)

(v) Long service payment liabilities

The Group's net obligation in respect of long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The long service payment liabilities are assessed by using the projected unit credit method. The cost of providing the long service payment liabilities is charged to the consolidated statement of comprehensive income so as to spread the costs over the service lives of employees.

The long service payment liabilities are discounted to determine the present value and reduced by entitlements accrued under the Group's MPF and Occupational Retirement Schemes Ordinance ("ORSO") scheme that is attributable to contributions made by the Group.

Changes in the present value of the long service payment liabilities resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

Remeasurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

2.24 Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.24 Foreign currencies (Continued)

(iii) Group companies

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over associates that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interests in joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to consolidated income statement.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.25 Government grants

Grants from governments are recognised at their fair values when there are reasonable assurance that the grants will be received and that the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate and offset with the related expenses. Grants related to income are recognised within "Other (expenses)/income, net" in the consolidated income statement.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in the consolidated income statement of the period in which the grants become receivable.

2.26 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.27 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The executive directors that make strategic decisions have been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and foreign exchange risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. It is the Group's policy not to enter into derivative transaction for speculative purposes.

The Group sets financial risk management policies in accordance with policies and procedures approved by the Board of Directors. The Group's treasury function serves as a centralised unit for providing cost efficient funding and managing major risks.

(i) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The credit risk of the Group's financial assets, which mainly comprise deposits with banks and financial institutions, trade and other receivables and contract assets, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

(a) Credit risk of deposits with banks and financial institutions

To manage this risk arising from cash and cash equivalents and restricted bank balances, they are mainly placed with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

(b) Credit risk of trade receivables, retention receivables, accrued contract revenue and contract assets

The Group applies the HKFRS 9 "Financial Instruments" simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables, retention receivables, accrued contract revenue and contract assets have been grouped based on shared credit risk characteristics and the days past due, except for amounts relating to accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities, which are assessed individually. The retention receivables, accrued contract revenue and contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the retention receivables, accrued contract revenue and contract assets.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Credit risk (Continued)

(b) Credit risk of trade receivables, retention receivables, accrued contract revenue and contract assets (Continued)

The expected loss rates are based on the payment profiles of revenue and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product ("GDP") and unemployment rate of the economies in which it provides its services and sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

As at 30 June 2021, the Group provides for loss allowance against trade receivables and accrued contract revenue based on their composition and ageing.

Trade receivables, retention receivables, accrued contract revenue and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a substantial period of time.

The maximum exposure to credit risk is represented by the carrying amount of each receivable in the statement of financial position after deducting any impairment allowance.

(ii) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. It is the policy of the Group to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities. The Group also maintains undrawn committed credit facilities to further reduce liquidity risk in meeting funding requirements.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(ii) Liquidity risk (Continued)

The tables below analyse the Group's financial liabilities into relevant maturity groups based on the remaining period at the end of the reporting periods to the contractual maturity date.

As at 30 June 2021	Less than 1 year HK$'000	After 1 year but less than 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Difference from carrying amounts HK$'000	Carrying amounts HK$'000
Borrowings	236,037	151,264	–	387,301	(3,489)	383,812
Leases liabilities	23,452	20,789	–	44,241	(1,366)	42,875
Trade and other payables, excluding accrued employee benefits	1,569,909	–	–	1,569,909	–	1,569,909

As at 30 June 2020, as restated	Less than 1 year HK$'000	After 1 year but less than 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Difference from carrying amounts HK$'000	Carrying amounts HK$'000
Borrowings	5,298	466,348	–	471,646	(8,403)	463,243
Leases liabilities	44,231	20,695	768	65,694	(2,396)	63,298
Trade and other payables, excluding accrued employee benefits	1,550,422	–	–	1,550,422	–	1,550,422

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(iii) Foreign exchange risk

The Group operates primarily in Hong Kong, Mainland China and Macau. Entities within the Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency. Entities in Macau and Mainland China are not exposed to significant exchange risk.

The Group currently does not have a foreign currency hedging policy. It manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and will consider to enter into forward foreign exchange contracts to reduce the exposure should the need arises.

As at 30 June 2021 and 2020, if Hong Kong dollars had strengthened/weakened by 5% against Renminbi with all other variables unchanged, there would have insignificant impact on the Group's profit for the year before income tax.

At 30 June 2021, the Group had net monetary assets denominated in United States dollar of HK$4.0 million (2020: HK$2.4 million (restated)). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar, management therefore considers that there is no significant foreign exchange risk with respect to the United States dollar.

(iv) Interest rate risk

The Group's exposure to changes in interest rate risk relates primarily to the bank borrowings, the terms of which are disclosed in Note 29.

At 30 June 2021, if interest rates on the bank borrowings had been 100 basis points higher/lower with all other variables held constant, profit before income tax for the years would have been HK$3.8 million (2020: HK$4.6 million) lower/higher respectively. Other components of equity would not be affected by the changes in interest rates.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Fair value estimation

At 30 June 2021 and 30 June 2020, the carrying amounts of Group's financial assets and liabilities approximate their fair values due to short-term maturities of these assets and liabilities.

3.3 Capital risk management

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital. The Group's strategy is to maintain sufficient capital with the funds generated from operations.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and enhance shareholder value in the long term. The capital structure consists of total equity as shown in the consolidated statement of financial position. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to shareholder, return capital to equity holder, or issue new shares.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1 Estimation of revenue, costs and foreseeable losses of contracting works

The Group recognises its contract revenue for contracting works according to the percentage of total estimated costs for each contract of contracting work. The management estimates the completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. In determining the transaction price, the Group adjusts the amount of consideration for the effect of a financing component if it is significant. Because of the nature of the activity undertaken in contracts, the date at which the contract activity entered into and the date when the activity is completed usually fall into different financial periods. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue. Any revision of these costs and revenue will impact the result for the subsequent financial periods.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Estimation of revenue, costs and foreseeable losses of contracting works (Continued)

Budgeted contracting income is determined in accordance with the terms set out in the relevant contracts. Budgeted contracting costs which mainly comprise staff costs, sub-contracting charges and costs of materials are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the Group's management conducts periodic review on the management budgets by comparing the budgeted amounts to the actual amounts incurred. When it is probable that total budgeted contracting costs will exceed total budgeted contracting income, the expected loss is recognised as an expense immediately.

4.2 Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment according to their recoverable amounts determined by the CGUs based on value in use calculations. These calculations require the use of estimates which are subject to change of economic environment in future. Details are set out in Note 17 to the consolidated financial statements.

4.3 Long service payment liabilities

The present value of the long service payment liabilities depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for long service payment liabilities include the discount rate. Any changes in these assumptions will impact the carrying amount of long service payment liabilities.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the long service payment liabilities. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the liabilities will be paid, and that have terms to maturity approximating the terms of the related long service payment liabilities.

Other key assumptions for long service payment liabilities are based in part on current market conditions. Additional information is disclosed in Note 30 to the consolidated financial statements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.4 Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost or income for pensions include the expected long-term rate of return on the relevant plan assets and the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The expected return on plan assets assumption is determined based on historical return trends, asset allocation and future estimates of long-term investment returns.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group refers to market yields based on Exchange Fund Notes, which have terms to maturity approximating the terms of the related liability. Other key assumptions used are based on current market conditions.

4.5 Income taxes

The Group is subject to income tax in Hong Kong, Macau and Mainland China. Judgement is required in determining the provision for taxation in these jurisdictions. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income taxation in the financial period in which such determination is made.

4.6 Depreciation and impairment of property, plant and equipment

The expected useful lives and residual values of property, plant and equipment are determined by the management based on the internal accounting guidelines and industrial practices of similar property, plant and equipment. Management will revise the depreciation charges where useful lives and residual values are different to previously estimated.

Management also regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of a CGU is higher than its recoverable amount. The recoverable amount of a CGU is determined based on value in use calculations. In determining the CGU's value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the assets and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. Management estimate the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business. Details of such assumptions are set out in Note 14.

5 REVENUE AND SEGMENT INFORMATION

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

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

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

Notes:

(i) Up to 31 December 2020 when the Group disposed of its laundry business as described in Note 32(e)(i)

(ii) Included contracting revenue recognised based on percentage of actual costs incurred over total estimated costs of individual contracting work of HK$2,928.6 million (2020: HK$2,314.2 million) , comprising (a) HK$2,817.7 million (2020: HK$2,126.2 million) for E&M services, (b) HK$109.6 million (2020: HK$185.5 million) for technical support & maintenance services and (c) HK$1.3 million (2020: HK$2.5 million) for environmental solutions

5 REVENUE AND SEGMENT INFORMATION (Continued)

Following the acquisition of security guarding & event services, insurance solutions and landscaping services businesses as described in Note 2.1(iii)(a), the Group's CODM has reorganised the Group's businesses into three major business segments as described below to align more closely with the market dynamics and the Group's strategic direction. As a result of such changes occurred during the year ended 30 June 2021, the Group's prior year corresponding segment information that is presented for comparative purpose has been restated accordingly.

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

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

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

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

Note:

Up to 31 December 2020 when the Group disposed of its laundry business as described in Note 32(e)(i)

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

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

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

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

As at 30 June 2021 and 30 June 2020, unallocated assets and unallocated liabilities represented the assets and liabilities not arising from the operations of the operating segments.

Prior year's corresponding segment information that is presented for comparative purposes has been restated to conform with AG 5 issued by the HKICPA as a result of the acquisition of the Business Investments Group which is detailed in Note 2.1(iii)(a).

Capital expenditure comprises mainly additions to property, plant and equipment (Note 14), right-of-use assets (Note 16) and other intangible assets (Note 17).

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

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

	Property & facility management services HK$'000	City essential services HK$'000	E&M services HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Revenue — External	658,239	2,976,844	2,817,658	–	6,452,741
Revenue — Internal	3,021	105,762	–	(108,783)	–
Total revenue	661,260	3,082,606	2,817,658	(108,783)	6,452,741
Timing of revenue recognition					
Over time	661,260	2,951,457	2,817,658	(88,044)	6,342,331
At a point in time	–	131,149	–	(20,739)	110,410
Total revenue	661,260	3,082,606	2,817,658	(108,783)	6,452,741
Operating profit before unallocated corporate expenses	147,048	396,860	124,556	–	668,464
Unallocated corporate expenses					(20,048)
Operating profit					648,416
Finance income (Note 10)					2,266
Finance costs (Note 10)					(5,435)
Share of results of associates and joint ventures					1,072
Profit before income tax					646,319
Income tax expenses (Note 11)					(59,620)
Profit for the year					586,699
Other items					
Depreciation and amortisation	11,541	37,054	27,202	–	75,797
Losses related to disposal of subsidiaries (Note 32(e)(i))					
— Impairment losses					
— Property, plant and equipment (Note 14)	–	22,859	–	–	22,859
— Right-of-use assets (Note 16(b))	–	2,941	–	–	2,941
— Loss on disposal of subsidiaries	–	420	–	–	420
— Total	–	26,220	–	–	26,220
Other impairment losses/(reversal of other impairment losses), net					
— Property, plant and equipment (Note 14)	–	2,800	–	–	2,800
— Other intangible assets (Note 17)	–	845	–	–	845
— Trade and other receivables (Note 22)	1,277	(374)	1,050	–	1,953
Provision for inventories	–	6,406	–	–	6,406

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

The segment assets and liabilities as at 30 June 2021 and capital expenditure for the year then ended are as follows:

	Property & facility management services HK$'000	City essential services HK$'000	E&M services HK$'000	Total HK$'000
Segment assets	337,461	1,242,504	1,436,220	3,016,185
Unallocated assets				34,040
Total assets				3,050,225
Segment liabilities	185,922	679,365	1,650,025	2,515,312
Unallocated liabilities				435,399
Total liabilities				2,950,711
Total capital expenditure	2,482	39,276	5,381	47,139

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

The segment results for the year ended 30 June 2020, as restated, and other segment items included in the consolidated income statement are as follows:

	Property & facility management services HK$'000	City essential services HK$'000	E&M services HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Revenue — External, as restated	546,780	2,983,127	2,126,179	–	5,656,086
Revenue — Internal, as restated	–	88,925	–	(88,925)	–
Total revenue, as restated	546,780	3,072,052	2,126,179	(88,925)	5,656,086
Timing of revenue recognition					
Over time, as restated	546,780	2,946,528	2,126,179	(74,013)	5,545,474
At a point in time, as restated	–	125,524	–	(14,912)	110,612
Total revenue, as restated	546,780	3,072,052	2,126,179	(88,925)	5,656,086
Operating profit before unallocated corporate expenses, as restated	93,881	231,216	176,055	–	501,152
Unallocated corporate expenses					(17,749)
Operating profit, as restated					483,403
Finance income, as restated (Note 10)					6,164
Finance costs, as restated (Note 10)					(10,197)
Share of results of associates and joint ventures, as restated					1,193
Profit before income tax, as restated					480,563
Income tax expenses, as restated (Note 11)					(68,376)
Profit for the year, as restated					412,187
Other items, as restated					
Depreciation and amortisation, as restated	12,097	38,156	40,026	–	90,279
Impairment losses, net					
— Property, plant and equipment (Note 14)	–	11,394	–	–	11,394
— Right-of-use assets (Note 16)	–	2,502	–	–	2,502
— Trade and other receivables (Note 22)	–	2,121	–	–	2,121

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

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

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

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

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

For the year ended 30 June	**2021 HK$'000**	2020 (restated) HK$'000
Revenue		
Hong Kong	**5,780,739**	4,943,280
Mainland China	**436,315**	382,256
Macau	**235,687**	330,550
Total	**6,452,741**	5,656,086

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

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

Note:

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

6 OTHER EXPENSES, NET

For the year ended 30 June	Notes	2021 HK$'000	2020 (restated) HK$'000
Losses related to disposal of subsidiaries	32(e)(i)		
— Impairment losses			
— Property, plant and equipment	14	(22,859)	–
— Right-of-use assets	16(b)	(2,941)	–
— Loss on disposal of subsidiaries		(420)	–
— Total		(26,220)	–
Other impairment losses			
— Property, plant and equipment	14	(2,800)	(11,394)
— Right-of-use assets	16(b)	–	(2,502)
— Other intangible assets	17	(845)	–
(Loss)/gain on disposal of property, plant and equipment, net		(4,356)	8,769
Exchange gain/(loss), net		2,360	(1,555)
Rental income	16(e)	589	2,346
Government grants (Note i)		433	1,508
Ex-gratia payments from the government for retirement of motor vehicles		450	449
Sundries		1,773	1,719
Total		(28,616)	(660)

Note:

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

7 OPERATING PROFIT

For the year ended 30 June	Notes	2021 HK$'000	2020 (restated) HK$'000
Operating profit is stated after charging/(crediting):			
Staff costs (including Directors' emoluments)	8	**2,390,538**	2,353,643
Subcontracting fees		**1,877,085**	1,599,882
Raw materials and consumables used		**1,100,575**	775,830
Cost of inventories sold		**55,154**	56,359
Depreciation of property, plant and equipment	14	**34,716**	43,712
Depreciation of right-of-use assets	16(b)	**38,359**	43,546
Provision/(reversal of provision) for inventories		**6,406**	(50)
Operating lease rental for land and buildings	16(b)	**6,260**	8,790
Auditors' remuneration			
Audit services		**6,048**	6,103
Non-audit services		**2,911**	2,574
Amortisation of other intangible assets[i]	17	**2,413**	2,636
Impairment loss on trade and other receivables, net	22	**1,953**	2,121
Depreciation of investment property	15	**309**	385

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, utility expenses, motor vehicles expenses, etc.

8 STAFF COSTS INCLUDING DIRECTORS' EMOLUMENTS

For the year ended 30 June	2021	2020 (restated)
	HK$'000	HK$'000
Salaries, wages and bonuses[i]	2,278,085	2,271,145
Contributions to defined contribution schemes[ii]	110,169	98,386
Contributions to defined benefit retirement scheme (Note 21)	552	545
Add/(less): Staff costs released/(capitalised) under contract assets and contract liabilities	1,732	(16,433)
Total	2,390,538	2,353,643

Notes:

(i) Government grants have been received by the Group from (a) the Anti-epidemic Fund set up by the HKSAR Government under the Employment Support Scheme (the "ESS Scheme") and Support for Engineering, Architectural, Surveying, Town Planning and Landscape sectors (the "Support Measure Scheme") and (b) the Government of the Macau Special Administrative Region (the "Macau SAR Government") under its subsidy scheme (the "Macau Scheme") as financial support. The ESS Scheme is eligible for all employers who have been making Mandatory Provident Fund ("MPF") contribution. Eligible employers are required to provide an undertaking not to make redundancies during the subsidy period from June 2020 to November 2020. Otherwise, depending on the headcount reduction percentage, the employers will have to pay penalties to the HKSAR Government. The grants were disbursed to employers in two tranches during 2020. Under the Support Measure Scheme, employers of fresh graduates and new assistant professionals of the engineering, architectural, surveying, town planning and landscape sectors are eligible to apply for salary subsidies from the Anti-epidemic Fund. Under the Macau Scheme, one-off subsidies are provided to each eligible business depending on the number of employees they hired. During the year ended 30 June 2021, the Group has recognised HK$334.1 million (2020: HK$61.6 million (restated)) in relation to these grants as deductions in its staff costs in the consolidated income statement. In addition, for the purpose of easing the burden of enterprises in PRC during the period of prevention and containment of the spread of COVID-19, the Social Security Bureaus of the Government of China has reduced the obligations on social security contributions for the employers of enterprises in PRC during 2020. During the year ended 30 June 2021, the Group was granted reduction in such obligations totalling HK$7.3 million (2020: HK$5.2 million) which would otherwise be recorded as part of the Group's staff costs if no such reduction was granted.

(ii) Forfeited contributions of defined contribution schemes for employees who leave before the contributions are fully vested are not used to offset existing contributions but are refunded to the Group.

9 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

For the year ended 30 June	2021 HK$'000	2020 HK$'000
Fees	2,466	1,554
Salaries and other emoluments	68,442	17,784
Contributions to defined contribution schemes	1,591	1,088
Total	72,499	20,426

The directors of the Company represent key management personnel of the Group having authority and responsibility for planning, directing and controlling the activities of the Group.

(i) The remuneration of each Director for the year ended 30 June 2021 is set out below:

	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000	Other benefits HK$'000	Contributions to defined contribution schemes HK$'000	Total HK$'000
Lam Wai Hon, Patrick	122	3,276	35,500	–	328	39,226
Poon Lock Kee, Rocky[(a)]	122	3,857	1,421	–	386	5,786
Doo William Junior Guilherme	122	2,729	560	–	205	3,616
Lee Kwok Bong	122	2,112	10,000	–	208	12,442
Soon Kweong Wah	122	3,035	1,351	–	303	4,811
Wong Shu Hung	122	2,089	897	–	–	3,108
Cheng Chun Fai[(b)]	122	1,615	–	–	161	1,898
Cheng Kar Shun, Henry	359	–	–	–	–	359
Wong Kwok Kin, Andrew[(c)]	117	–	–	–	–	117
Kwong Che Keung, Gordon	329	–	–	–	–	329
Hui Chiu Chung, Stephen	269	–	–	–	–	269
Lee Kwan Hung, Eddie	269	–	–	–	–	269
Tong Yuk Lun, Paul	269	–	–	–	–	269
Total	2,466	18,713	49,729	–	1,591	72,499

9 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

(ii) The remuneration of each Director for the year ended 30 June 2020 is set out below:

	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000	Other benefits HK$'000	Contributions to defined contribution schemes HK$'000	Total HK$'000
Lam Wai Hon, Patrick	–	1,982	325	–	198	2,505
Poon Lock Kee, Rocky[(a)]	–	3,727	1,251	–	373	5,351
Doo William Junior Guilherme	–	1,651	270	–	124	2,045
Lee Kwok Bong	–	1,374	225	–	103	1,702
Soon Kweong Wah	–	2,900	1,336	–	290	4,526
Wong Shu Hung	–	1,883	860	–	–	2,743
Cheng Kar Shun, Henry	346	–	–	–	–	346
Wong Kwok Kin, Andrew	230	–	–	–	–	230
Kwong Che Keung, Gordon	288	–	–	–	–	288
Hui Chiu Chung, Stephen	230	–	–	–	–	230
Lee Kwan Hung, Eddie	230	–	–	–	–	230
Tong Yuk Lun, Paul	230	–	–	–	–	230
Total	1,554	13,517	4,267	–	1,088	20,426

Notes:

(a) Mr. Poon Lock Kee, Rocky is the Chief Executive Officer of the Company.

(b) Dr. Cheng Chun Fai was appointed as an Executive Director with effect from 1 January 2021.

(c) Mr. Wong Kwok Kin, Andrew resigned as a Non-executive Director with effect from 1 January 2021.

(d) During the year ended 30 June 2021, no directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil).

9 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Directors' material interests in transactions, arrangements or contracts

Details of the Group's material related party transactions are set out in Notes 2.1(iii)(a), 2.1(iii)(b) and 34 to the consolidated financial statements

Save for the above and contracts amongst group companies, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 30 June 2021 or at any time during the year ended 30 June 2021.

(c) Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group during the year ended 30 June 2021 include four directors (2020: two (restated)) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2020: three (restated)) individual during the year are as follows:

For the year ended 30 June	2021 HK$'000	2020 (restated) HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	3,574	7,316
Contributions to defined contribution schemes	18	621
Performance-based bonuses	1,067	2,407
Total	4,659	10,344

The emoluments fell within the following bands:

	2021 Number of individuals	2020 (restated) Number of individuals
Emolument bands		
HK$2,500,001 – HK$3,000,000	–	2
HK$4,000,001 – HK$4,500,000	–	1
HK$4,500,001 – HK$5,000,000	1	–

During the year ended 30 June 2021, no emoluments were paid by the Group to any of the above highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil).

10 FINANCE INCOME AND COSTS

For the year ended 30 June	2021 HK$'000	2020 (restated) HK$'000
Finance income		
Interest from bank deposits	2,266	6,164
Finance costs		
Interest on lease liabilities	1,531	2,502
Interest on bank borrowings	3,904	7,695
Total	5,435	10,197

11 INCOME TAX EXPENSES

For the year ended 30 June	2021 HK$'000	2020 (restated) HK$'000
Current income tax		
Hong Kong profits tax	63,671	75,427
Mainland China income tax	867	245
Macau taxation	15	–
Over-provision in prior years	(160)	(95)
Deferred income tax expense (Note 20)		
Income tax	(5,537)	(7,092)
Withholding tax	764	(109)
Total	59,620	68,376

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profit for the year. Taxation on Mainland China and Macau profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates. These rates range from 12% to 25% for the year ended 30 June 2021 (2020: 12% to 25%). According to applicable the People's Republic of China ("PRC") tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong and meets the conditions or requirements under the double taxation arrangement entered into between the Mainland China and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. Hence, the Group used 5% to accrue the withholding tax for certain PRC subsidiaries which are expected to fulfill the aforesaid conditions.

11 INCOME TAX EXPENSES (Continued)

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

For the year ended 30 June	2021 HK$'000	2020 (restated) HK$'000
Profit before income tax	646,319	480,563
Less: Share of results of		
Associates (Note 18)	(1,053)	(1,078)
Joint ventures (Note 19)	(19)	(115)
	645,247	479,370
Calculated at a tax rate of 16.5% (2020: 16.5%)	106,466	79,096
Expenses not deductible for taxation purposes	9,894	5,071
Tax losses not recognised	4,646	973
Effect of different taxation rates in other regions	1,341	(824)
Withholding tax on undistributed earnings from subsidiaries in Mainland China	764	(109)
Income not subject to taxation	(56,426)	(12,905)
Recognition of previously unrecognised tax losses	(5,794)	–
Tax concessions	(1,072)	(868)
Temporary differences not recognised	138	10
Utilisation of previously unrecognised tax losses	(177)	(1,973)
Over-provision in prior years	(160)	(95)
Income tax expenses	59,620	68,376

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

(a) Basic

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

For the year ended 30 June	**2021**	2020
		(restated)
	HK$'000	HK$'000
Profit for the year attributable to shareholders of the Company	**586,911**	412,161
Less: Preferred distribution to the holder of convertible preference shares	**(8,454)**	(4,573)
Earnings used in the basic earnings per share calculation	**578,457**	407,588
Weighted average number of ordinary shares in issue (shares in thousands)	**450,000**	450,000
Basic earnings per share (HK$)	**1.29**	0.91

(b) Diluted

During the year ended 30 June 2020, the Company issued convertible preference shares, with details set out in Notes 26, which are treated as contingently issuable potential ordinary shares under HKAS 33 "Earnings per Share". Since the conditions for their conversion were not met as at 30 June 2021 and 30 June 2020, therefore, the effect of their conversion is not included in the calculation of the diluted earnings per share for years ended 30 June 2021 and 30 June 2020. As a result, the diluted earnings per share equals to the basic earnings per share for the years ended 30 June 2021 and 30 June 2020.

13 DIVIDENDS

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

Note:

At a meeting held on 27 September 2021, the Board recommended a final dividend of HK16.1 cents (2020: HK14.4 cents) per ordinary share to the ordinary shareholders of the Company. The final dividend will be paid in cash. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements but will be reflected as an appropriation of the retained earnings for the year ending 30 June 2022.

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment and others HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 30 June 2020							
Opening net book value							
As previously reported	24,935	281,516	29,927	41,045	20,900	8,634	406,957
Acquisition of the Business Investments Group	–	3,859	–	4	1,407	1,015	6,285
As restated	24,935	285,375	29,927	41,049	22,307	9,649	413,242
Currency translation differences	–	(67)	(13)	–	(63)	(32)	(175)
Additions, as restated	–	–	527	8,033	6,528	7,129	22,217
Disposals, as restated	–	(3,765)	(134)	(338)	(18)	(13)	(4,268)
Depreciation charge, as restated	–	(10,219)	(11,035)	(7,904)	(9,426)	(5,128)	(43,712)
Impairment losses	–	–	(1,116)	(9,465)	(433)	(380)	(11,394)
Closing net book value, as restated	24,935	271,324	18,156	31,375	18,895	11,225	375,910
At 30 June 2020							
Cost, as restated	24,935	316,755	87,311	149,481	119,131	62,370	759,983
Accumulated depreciation, as restated	–	(45,431)	(68,039)	(108,641)	(99,803)	(50,765)	(372,679)
Accumulated impairment	–	–	(1,116)	(9,465)	(433)	(380)	(11,394)
Net book value, as restated	24,935	271,324	18,156	31,375	18,895	11,225	375,910

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Freehold land HK$'000	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment and others HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 30 June 2021							
Opening net book value,							
As previously reported	24,935	271,324	18,156	31,375	16,749	9,334	371,873
Acquisition of the Business Investments Group	–	–	–	–	2,146	1,891	4,037
As restated	24,935	271,324	18,156	31,375	18,895	11,225	375,910
Currency translation differences	–	168	36	–	185	59	448
Additions	–	–	903	9,066	4,232	4,534	18,735
Acquisition of a subsidiary (Note 32 (c))	–	–	–	–	112	–	112
Disposals	–	–	(2,719)	(398)	(942)	(1,008)	(5,067)
Disposal of subsidiaries and a property as consideration for acquisition of businesses (Note 32 (d))	(24,935)	(259,446)	–	–	–	–	(284,381)
Losses related to disposal of subsidiaries (Note 32(e)(i))							
— Impairment losses	–	–	–	(22,318)	–	(541)	(22,859)
— Net book value after impairment losses	–	–	–	–	–	(225)	(225)
Depreciation charge	–	(8,157)	(7,992)	(6,483)	(7,540)	(4,544)	(34,716)
Other impairment losses	–	–	–	(2,800)	–	–	(2,800)
Closing net book value	–	3,889	8,384	8,442	14,942	9,500	45,157
At 30 June 2021							
Cost	–	5,118	80,122	51,947	96,644	54,672	288,503
Accumulated depreciation	–	(1,229)	(71,738)	(40,705)	(81,702)	(45,172)	(240,546)
Accumulated impairment	–	–	–	(2,800)	–	–	(2,800)
Net book value	–	3,889	8,384	8,442	14,942	9,500	45,157

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) Property, plant and equipment is allocated to the Group's CGUs identified according to Group's reportable segments. In assessing the impairment of property, plant and equipment, the Group compares the carrying amounts of the CGUs to which property, plant and equipment has been allocated against their recoverable amounts (i.e. the higher of the CGUs' fair value less costs of disposal and their value in use).

The Group's laundry business, New China Laundry ("NCL"), is a CGU under the Group's city essential services segment which offers laundry, dry cleaning and linen management services in Hong Kong. NCL was disposed of by the Group on 31 December 2020 (Note 32(e)(i)). Its recoverable amount has been determined based on fair value less costs of disposal (within level 3 of the fair value hierarchy) at 31 December 2020 (2020: based on value in use calculations using pre-tax cash flow projections at 30 June 2020 using financial budgets approved by management covering a period of five years). For its value in use calculations at 30 June 2020, cash flows beyond the five-year period are extrapolated using a 3% growth rate. The pre-tax discount rate applied to the value in use calculation of NCL's cash flow projection at 30 June 2020 is 14.0%. The key assumptions on NCL's annual revenue growth rates, gross margin ratios and discount rate used in the value in use calculations as at 30 June 2020 are based on management's best estimates and specific risks relating to its business. Changes to the assumptions used by management to determine the recoverable amounts, in particular the discount and growth rates, can have a significant impact on the results of the assessment.

During the year ended 30 June 2021, the Group recognised an impairment loss in respect of NCL's assets totalling HK$25.8 million (2020: HK$13.9 million, representing the difference between the net carrying amount of NCL's operating assets of HK$64.9 million and its estimated recoverable amount based on value in use calculations of HK$51.0 million), including HK$22.9 million (2020: HK$11.4 million) for its property, plant and equipment and HK$2.9 million (2020: HK$2.5 million) for its right-of-use assets. Such impairment loss has been recognised as "Other expenses" in the consolidated income statement and arose mainly as a result of the impact of plummeting tourist arrivals and low hotel room occupancy rates on NCL's business following the outbreak of COVID-19 in Hong Kong during the year.

In addition, the Group recognised an impairment loss of HK$2.8 million (2020: Nil) in respect of scissor lifts for its building material trading business under its city essential services segment classified as plant and machinery by reference to their fair value less costs of disposal (within level 3 of the fair value hierarchy) determined based on market information. Such impairment loss has been recognised as "Other expenses" in the consolidated income statement and arose mainly as a result of keen market competition for the related business of leasing these assets during the year.

(b) None of the above property, plant and equipment was pledged as security as at 30 June 2021 (2020: None).

15 INVESTMENT PROPERTY

	HK$'000
Year ended 30 June 2020	
Opening net book value	11,235
Depreciation charge	(385)
Closing net book value	10,850
At 30 June 2020	
Cost	14,700
Accumulated depreciation	(3,850)
Net book value	10,850
Year ended 30 June 2021	
Opening net book value	**10,850**
Depreciation charge	**(309)**
Disposal of subsidiaries (Note 32 (d))	**(10,541)**
Closing net book value	–
At 30 June 2021	
Cost	–
Accumulated depreciation	–
Net book value	–

Notes:

(a) For the year ended 30 June 2021, the Group's investment property generated rental income of HK$0.6 million (2020: HK$2.3 million) and incurred direct operating expenses of HK$99 thousand (2020: HK$129 thousand).

16 RIGHT-OF-USE ASSETS AND LEASES LIABILITIES

(a) Group as lessees — Amount recognised in the consolidated statement of financial position

	2021 HK$'000	2020 (restated) HK$'000
Right-of-use assets		
Properties	40,118	51,715
Leasehold lands	16,739	19,666
Equipment	1,963	2,670
Total	58,820	74,051
Leases liabilities		
Within one year	22,677	42,865
Within a period of more than one year but not exceeding two years	13,542	10,040
Within a period of more than two years but not exceeding five years	6,656	9,631
Within a period of more than five years	–	762
	42,875	63,298
Less: Current portion	(22,677)	(42,865)
Non-current portion	20,198	20,433

During the year ended 30 June 2021, the Group acquired right-of-use assets and recognised lease liabilities, including lease modifications, totalling HK$28.1 million (2020: HK$18.4 million).

(b) Group as lessees — Amount recognised in the consolidated income statement

	2021 HK$'000	2020 (restated) HK$'000
Depreciation of right-of-use assets		
Properties	37,089	42,251
Leasehold lands	563	575
Equipment	707	720
	38,359	43,546
Expense relating to short-term leases (Note 7)	6,260	8,790
Interest expenses (Note 10)	1,531	2,502
Losses related to disposal of subsidiaries (Note 32(e)(i))		
— Impairment losses (Note 14(a))	2,941	–
Other impairment loss (Note 14(a))	–	2,502
Total charges recognised in profit or loss for leases	49,091	57,340

16 RIGHT-OF-USE ASSETS AND LEASES LIABILITIES (Continued)

(c) Group as lessees — Amount recognised in the consolidated statement of cash flows

The total cash outflow for leases during the year ended 30 June 2021 was HK$56.6 million (2020: HK$47.9 million (restated)).

(d) Group as lessees — Other disclosures

(i) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses and equipment. Rental contracts are typically made for fixed periods of 6 months to 8 years (2020: 6 months to 8 years) but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(ii) Extension and termination options

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

(iii) Residual value guarantees

As at 30 June 2021, no residual value guarantee is expected to be payable (2020: None).

(iv) Leases not yet commenced to which the lessee is committed

The Group does not commit at 30 June 2021 to any leases that are not yet commenced (2020: None).

(v) Restriction or covenants imposed by leases

The lease agreements entered into by the Group do not impose any covenants other than the security interests in the leased assets under such lease agreements that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(e) Group as a lessor

	2021 HK$'000	2020 HK$'000
Rental income (Note 6)	589	2,346

17 OTHER INTANGIBLE ASSETS

	Goodwill HK$'000	Trademarks and brand names HK$'000	Internally generated environmental technology HK$'000	Customer contracts and customer relationship HK$'000	Total HK$'000
Year ended 30 June 2020					
Opening net book value					
As previously reported	61,238	13,437	2,139	1,323	78,137
Acquisition of the Business Investments Group	16,839	16,902	–	–	33,741
As restated	78,077	30,339	2,139	1,323	111,878
Additions	–	–	300	–	300
Cost adjustment	–	–	(420)	–	(420)
Amortisation	–	(2,229)	–	(407)	(2,636)
Closing net book value, as restated	78,077	28,110	2,019	916	109,122
At 30 June 2020					
Cost, as restated	82,748	62,300	2,019	74,936	222,003
Accumulated amortisation, as restated	–	(26,910)	–	(74,020)	(100,930)
Accumulated impairment, as restated	(4,671)	(7,280)	–	–	(11,951)
Closing net book value, as restated	78,077	28,110	2,019	916	109,122
Year ended 30 June 2021					
Opening net book value					
As previously reported	61,238	12,330	2,019	916	76,503
Acquisition of the Business Investments Group	16,839	15,780	–	–	32,619
As restated	78,077	28,110	2,019	916	109,122
Additions	–	–	297	–	297
Acquisition of a subsidiary (Note 32 (c))	47,418	–	–	31,500	78,918
Amortisation	–	(1,859)	(147)	(407)	(2,413)
Impairment losses	–	–	(845)	–	(845)
Closing net book value	125,495	26,251	1,324	32,009	185,079
At 30 June 2021					
Cost	130,166	59,740	2,316	106,436	298,658
Accumulated amortisation	–	(26,209)	(147)	(74,427)	(100,783)
Accumulated impairment	(4,671)	(7,280)	(845)	–	(12,796)
Net book value	125,495	26,251	1,324	32,009	185,079

17 OTHER INTANGIBLE ASSETS (Continued)

(a) Impairment tests for goodwill

Goodwill is monitored at the segment level and is allocated to the CGUs of the Group's segments. For the purpose of impairment test, the recoverable amount of the Group's CGUs is determined based on value in use calculations. The key assumptions adopted on growth rates and discount rates used in the value in use calculations are based on management's best estimates and past experience.

A summary of the goodwill allocation to business units is presented below:

As at 30 June	2021 HK$'000	2020 (restated) HK$'000
Property & facility management services	66,899	19,481
City essential services		
— Cleaning services	7,916	7,916
— Security guarding & event services	14,452	14,452
— Insurance solutions	2,387	2,387
E&M services	33,841	33,841
Total	125,495	78,077

The recoverable amount of a group of CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period which the growth rates are stated as below. Cash flows beyond the five-year period are extrapolated using 1% growth rate for the property & facility management services business unit, cleaning services, security guarding & event services and insurance solutions business units, and zero growth rate for the E&M services business unit. The growth rate does not exceed the long-term average growth rate for the businesses in which the group of CGUs operates.

17 OTHER INTANGIBLE ASSETS (Continued)

(a) Impairment tests for goodwill (Continued)

The following assumptions have been used for the analysis of the group of CGUs within the operating segment.

	2021				
	Property & facility management services HK$'000	Cleaning services HK$'000	Security guarding & event services HK$'000	Insurance solutions HK$'000	E&M services HK$'000
Cash flows in the first five years					
Gross margin	30.0%-30.3%	9.0%-9.5%	12.2%	N/A[(i)]	6.4%-9.0%
Inflation rate on operation costs	N/A[(i)]	N/A[(i)]	N/A[(i)]	2.5%-9.0%	N/A[(i)]
Growth rate	2.5%-3.1%	3.0%	2.5%-4.7%	2.3%-6.8%	3.1%
Pre-tax discount rate	14.9%-15.8%	9.5%	13.7%	11.2%	14.0%
Cash flows beyond five-year period					
Terminal growth rate	1%	1%	1%	1%	0%
Pre-tax discount rate	14.9%-15.8%	9.5%	13.7%	11.2%	14.0%

	2020				
	Property & facility management services HK$'000	Cleaning services HK$'000	Security guarding & event services HK$'000	Insurance solutions HK$'000	E&M services HK$'000
Cash flows in the first five years					
Gross margin	28.4%-29.1%	8.5%-9.5%	10.5%	N/A[(i)]	6.0%-9.2%
Inflation rate on operation costs	N/A[(i)]	N/A[(i)]	N/A[(i)]	2.5%-8.0%	N/A[(i)]
Growth rate	2.5%-5.4%	3.1%	2.5%-4.6%	2.5%-6.0%	2.6%
Pre-tax discount rate	15.8%	9.5%	13.7%	11.2%	14.0%
Cash flows beyond five-year period					
Terminal growth rate	1%	1%	1%	1%	0%
Pre-tax discount rate	15.8%	9.5%	13.7%	11.2%	14.0%

Note:

(i) These are not the key assumptions used in value in use calculations of the Group's CGUs.

Management determined budgeted gross margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments and business life-cycle. On the basis of these reviews, management concluded that no impairment was required for goodwill as at 30 June 2021 (2020: Nil).

A reasonably possible change in a key assumption would not cause the recoverable amount to fall below the carrying value of the respective group of CGUs.

18 INTERESTS IN ASSOCIATES

	2021 HK$'000	2020 (restated) HK$'000
At beginning of year	197	231
Share of profit for the year	1,053	1,078
Dividends	(1,050)	(1,112)
At end of year	200	197

Particulars of associates are as follows:

Name	Place of incorporation	Principal activities	Particular of issued share capital	Effective percentage of equity interest held 2021	2020 (restated)
Harbour Place Management Services Limited	Hong Kong	Provision of property management services	1,000 ordinary shares paid up to HK$1,000	30%	30%
Landes Limited	Hong Kong	Landscape design	10 shares paid up to HK$10	20%	20%

The following represent the Group's share of its individually immaterial associates that are accounted for using the equity method of accounting:

	2021 HK$'000	2020 (restated) HK$'000
Carrying amount of interests in associates	200	197
Share of profit and total comprehensive income for the year	1,053	1,078

There are no commitments or contingent liabilities relating to the Group's interests in associates, and no commitments or contingent liabilities of the equity itself.

19 INTERESTS IN JOINT VENTURES

	2021 HK$'000	2020 HK$'000
At beginning of year	1,049	934
Share of profit for the year	19	115
Dividends	(118)	–
At end of year	950	1,049

Particulars of joint ventures are as follows:

Name	Place of incorporation	Principal activities	Particular of issued share capital	Effective percentage of equity interest held 2021	2020
廣州市富城物業管理有限公司	PRC	Provision of property management services	RMB800,000	50%	50%
Urban-Wellborn Property Management Limited	Hong Kong	Provision of property management services	10,000 ordinary shares paid up to HK$100,000	50%	50%

Set out below is, in aggregate, the carrying amounts of the Group's share of all its individually immaterial joint ventures that are accounted for using the equity method of accounting:

	2021 HK$'000	2020 HK$'000
Carrying amount of interests in joint ventures	950	1,049
Share of profit and total comprehensive income for the year	19	115

There are no commitments or contingent liabilities relating to the Group's interest in joint ventures, and no commitments or contingent liabilities of the entities themselves.

20 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

As at 30 June	2021 HK$'000	2020 (restated) HK$'000
Deferred income tax assets	15,006	12,157
Deferred income tax liabilities	(22,702)	(27,156)
Net	(7,696)	(14,999)

20 DEFERRED INCOME TAX ASSETS/(LIABILITIES) (Continued)

Deferred income tax assets and deferred income tax liabilities are expected to be recovered/settled after more than 12 months. Their movements in the Group's deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year and net balances after offsetting at the end of the reporting periods are as follows:

Deferred income tax assets

	Accelerated accounting depreciation HK$'000	Tax losses HK$'000	Remeasurement of long service payment liabilities HK$'000	Others HK$'000	Total HK$'000
At 1 July 2019					
As previously reported	2,078	4,278	–	4,175	10,531
Acquisition of the Business Investments Group	246	–	695	–	941
As restated	2,324	4,278	695	4,175	11,472
Currency translation differences	–	(10)	–	–	(10)
Credited/(charged) to consolidated income statement, as restated (Note 11)	2,106	5,845	–	(364)	7,587
Credit to other comprehensive loss, as restated	–	–	362	–	362
At 30 June 2020, as restated	4,430	10,113	1,057	3,811	19,411
At 1 July 2020					
As previously reported	**4,276**	**10,113**	**–**	**3,811**	**18,200**
Acquisition of the Business Investments Group	**154**	**–**	**1,057**	**–**	**1,211**
As restated	**4,430**	**10,113**	**1,057**	**3,811**	**19,411**
Currency translation differences	**–**	**69**	**–**	**–**	**69**
Credited/(charged) to consolidated income statement (Note 11)	**1,658**	**1,434**	**–**	**(1,051)**	**2,041**
Charged to other comprehensive income	**–**	**–**	**(890)**	**–**	**(890)**
Disposal of subsidiaries and a property as consideration for acquisition of business (Note 32(d))	**–**	**(172)**	**–**	**–**	**(172)**
Disposal of subsidiaries (Note 32(e)(i))	**(1,309)**	**(3,340)**	**–**	**–**	**(4,649)**
At 30 June 2021	**4,779**	**8,104**	**167**	**2,760**	**15,810**

	2021 HK$'000	2020 (restated) HK$'000
Total deferred income tax assets before offsetting	**15,810**	19,411
Less: Amount offset against deferred income tax liabilities	**(804)**	(7,254)
Net deferred income tax assets after offsetting	**15,006**	12,157

20 DEFERRED INCOME TAX ASSETS/(LIABILITIES) (Continued)

Deferred income tax liabilities

	Accelerated depreciation allowance HK$'000	Fair value adjustments on trademarks and brand names HK$'000	Fair value adjustments on property, plant and equipment arising from business combinations HK$'000	Fair value adjustments on customer contracts and customer relationship HK$'000	Remeasurement of long service payment liabilities HK$'000	Others HK$'000	Total HK$'000
At 1 July 2019							
As previously reported	(8,958)	(2,223)	(13,780)	(218)	(1,830)	(3,600)	(30,609)
Acquisition of the Business Investments Group	(302)	(2,790)	(368)	–	–	–	(3,460)
As restated	(9,260)	(5,013)	(14,148)	(218)	(1,830)	(3,600)	(34,069)
Credited/(charged) to consolidated income statement , as restated (Note 11)	1,450	368	786	67	–	(3,057)	(386)
Credited to other comprehensive loss	–	–	–	–	45	–	45
At 30 June 2020, as restated	(7,810)	(4,645)	(13,362)	(151)	(1,785)	(6,657)	(34,410)
At 1 July 2020							
As previously reported	(7,568)	(2,040)	(13,362)	(151)	(1,785)	(6,657)	(31,563)
Acquisition of the Business Investments Group	(242)	(2,605)	–	–	–	–	(2,847)
As restated	(7,810)	(4,645)	(13,362)	(151)	(1,785)	(6,657)	(34,410)
Credited to consolidated income statement (Note 11)	443	307	126	67	–	1,789	2,732
Charged to other comprehensive income	–	–	–	–	(761)	–	(761)
Acquisition of a subsidiary (Note 32(c))	(11)	–	–	(5,198)	–	–	(5,209)
Disposal of subsidiaries and a property as consideration for acquisition of business (Note 32(d))	2,773	–	8,038	–	–	–	10,811
Disposal of subsidiaries (Note 32(e)(i))	2,862	–	–	–	469	–	3,331
At 30 June 2021	(1,743)	(4,338)	(5,198)	(5,282)	(2,077)	(4,868)	(23,506)

	2021 HK$'000	2020 (restated) HK$'000
Total deferred income tax liabilities before offsetting	(23,506)	(34,410)
Less: Amount offset against deferred income tax assets	804	7,254
Net deferred income tax liabilities after offsetting	(22,702)	(27,156)

As at 30 June 2021, the Group did not recognise deferred income tax assets of HK$10 million (2020: HK$12 million), arising from unused tax losses of HK$64 million (2020: HK$76 million). Except for tax losses of HK$10.4 million (2020: HK$1.3 million) as at 30 June 2021 which will expire within three years after the reporting date, the remaining tax losses have no expiry date.

21 PENSION ASSETS/(LIABILITIES)

The Group operates a defined benefit retirement scheme (the "Scheme") registered under the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong) that provides lump sum benefits based on a multiple of a member's final salary and years of service or employee contribution balance, whichever is higher, upon the member's retirement, death, disability or leaving service. The Scheme has been closed to new employees since 1 December 2000.

The Group has an unconditional right to the surplus of the Scheme.

The Scheme is administered by an independent trustee with its assets held separately from those of the Group. The key responsibilities of the trustee are to ensure that the Scheme is administered in accordance with the trust deed and rules and to act on behalf of all members impartially, prudently and in good faith.

The costs of benefits are jointly funded by the Group and the employees. Employees' contributions are based on 5% of basic salary and the Group's contributions are determined with reference to the funding valuation carried out by the Scheme's actuary. The valuations of the Scheme as at 30 June 2020 and 2021 were prepared by independent qualified actuaries using the projected unit credit method.

The Scheme exposes the Group to actuarial risks, such as investment risk, interest rate risk and salary risk.

(i) The amounts recognised in the consolidated statement of financial position are as follows:

As at 30 June	**2021** **HK$'000**	2020 (restated) HK$'000
Present value of defined benefit obligations	**(24,274)**	(22,172)
Fair value of plan assets	**30,306**	24,576
Net retirement benefit assets	**6,032**	2,404
Representing:		
Pension assets	**6,032**	3,146
Pension liabilities	**–**	(742)
Net	**6,032**	2,404

Majority of the above liabilities are expected to be settled after more than one year.

However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions.

21 PENSION ASSETS/(LIABILITIES) (Continued)

(ii) Movements in net defined benefit assets and its components as follows:

	Present value of defined benefit obligations HK$'000	Fair value of plan assets HK$'000	Total HK$'000
At 1 July 2019			
As previously reported	(15,137)	17,986	2,849
Acquisition of the Business Investments Group	(6,917)	6,404	(513)
As restated	(22,054)	24,390	2,336
Net (charge)/credit to the consolidated income statement			
Current service costs, as restated	(582)	–	(582)
Interest (expenses)/income, as restated	(309)	346	37
	(891)	346	(545)
Net (charge)/credit to other comprehensive loss, as restated			
Remeasurement (loss)/gain:			
Actuarial loss arising from change in financial assumptions	(130)	–	(130)
Actuarial gain arising from experience adjustments	1,147	–	1,147
Loss on plan assets excluding interest income	–	(826)	(826)
	1,017	(826)	191
Contribution paid by the employees, as restated	(244)	244	–
Contribution paid by the employer, as restated	–	422	422
At 30 June 2020, as restated	(22,172)	24,576	2,404

21 PENSION ASSETS/(LIABILITIES) (Continued)

(ii) Movements in net defined benefit assets and its components as follows: (Continued)

	Present value of defined benefit obligations HK$'000	Fair value of plan assets HK$'000	Total HK$'000
At 1 July 2020			
As previously reported	(14,371)	17,517	3,146
Acquisition of the Business Investments Group	(7,801)	7,059	(742)
As restated	(22,172)	24,576	2,404
Net (charge)/credit to consolidated income statement			
Current service costs	(561)	–	(561)
Interest (expenses)/income	(65)	74	9
	(626)	74	(552)
Net (charge)/credit to other comprehensive gain:			
Remeasurement (loss)/gain:			
Actuarial loss arising from change in financial assumptions	(707)	–	(707)
Actuarial loss arising from experience adjustments	(1,401)	–	(1,401)
Gain on plan assets excluding interest income	–	5,808	5,808
	(2,108)	5,808	3,700
Actual benefit paid	879	(879)	–
Contribution paid by the employees	(247)	247	–
Contribution paid by the employer	–	480	480
At 30 June 2021	(24,274)	30,306	6,032

The weighted average duration of the defined benefit obligation is 4.7 years (2020: 4.9 years (restated)).

21 PENSION ASSETS/(LIABILITIES) (Continued)

(iii) Significant actuarial assumptions adopted for the purpose of the actuarial valuation are as follows:

	2021	2020
Discount rate	0.6% p.a.	0.3% p.a.
Salary growth rate	4.0% p.a.	3.0% p.a.

The below analysis shows how the defined benefit obligation as at each year end date would have increased/(decreased) as a result of 0.25% change in significant actuarial assumptions:

	2021		2020 (restated)	
	Increase in 0.25% HK$'000	Decrease in 0.25% HK$'000	Increase in 0.25% HK$'000	Decrease in 0.25% HK$'000
Discount rate	(268)	273	(260)	268
Salary growth rate	264	(261)	261	(254)

The above sensitivity analyses are based on change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same actuarial valuation method has been applied as when calculating the defined benefit obligation recognised in the consolidated statement of financial position.

(iv) Fair value of the plan assets is analysed as follows:

	2021	2020 (restated)
Equities	74.0%	70.4%
Bonds	21.2%	24.1%
Cash and others	4.8%	5.5%
	100.0%	100.0%

The Scheme has a benchmark asset allocation of 70% in equities and 30% in bonds and cash. The long term strategic asset allocations of the Scheme is set and reviewed from time to time by the Scheme's trustee taking into account the Scheme's membership, liability profile, liquidity requirements, and the risk appetite of the Group.

22 TRADE AND OTHER RECEIVABLES

As at 30 June	2021 HK$'000	2020 (restated) HK$'000
Trade receivables		
Third parties	567,493	542,851
Related companies (Note 34(c))	178,668	148,655
	746,161	691,506
Less: Provision for impairment		
Third parties	(10,047)	(9,451)
Related companies (Note 34(c))	(45)	–
	736,069	682,055
Retention receivables		
Third parties	163,825	154,704
Related companies (Note 34(c))	218,580	193,991
	382,405	348,695
Other receivables and prepayments		
Third parties	199,310	301,435
Related companies (Note 34(c))	20,258	36,899
	219,568	338,334
Less: Provision for impairment		
Third parties	(1,261)	–
	218,307	338,334
Accrued contract revenue	334,463	445,546
Less: Provision for impairment	(149)	(149)
	334,314	445,397
Total	1,671,095	1,814,481

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

Expected credit losses

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss for trade receivables as mentioned in Note 3.1(i)(b).

22 TRADE AND OTHER RECEIVABLES (Continued)

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

As at 30 June	2021 HK$'000	2020 (restated) HK$'000
Current to 90 days	673,882	629,312
91 – 180 days	24,178	41,969
Over 180 days	38,009	10,774
Total	736,069	682,055

The carrying amounts of the trade and other receivables of the Group approximate their fair values and are denominated in the following currencies:

As at 30 June	2021 HK$'000	2020 (restated) HK$'000
Hong Kong dollars	1,260,652	1,416,959
Renminbi	328,910	288,036
Macau patacas	76,334	102,746
United States dollars	3,269	5,995
Others	1,930	745
Total	1,671,095	1,814,481

At 30 June 2021, the Group's trade receivables, other receivable and accrued contract revenue of HK$11.5 million (2020: HK$9.6 million) were impaired.

Movements in provision for impairment of the Group's trade receivables, other receivables and accrued contract revenue are as follows:

As at 30 June	2021 HK$'000	2020 (restated) HK$'000
At the beginning of year	9,600	7,538
Provision for the year, net	1,953	2,121
Receivables written off during the year	(51)	(59)
At the end of year	11,502	9,600

Retention receivables in respect of contracting services are settled in accordance with the terms of respective contracts. Other classes within trade and other receivables do not contain material impaired assets.

23 CONTRACT ASSETS AND CONTRACT LIABILITIES

As at 30 June	2021 HK$'000	2020 (restated) HK$'000
Contract costs incurred plus attributable profits less foreseeable losses	**4,144,796**	2,643,747
Progress payments received and receivable	**(4,111,839)**	(2,755,930)
Net	**32,957**	(112,183)
Representing:		
Contract assets	**499,002**	391,301
Contract liabilities	**(466,045)**	(503,484)
Net	**32,957**	(112,183)

Notes:

(a) All of the Group's contract assets and contract liabilities at 30 June 2021 and 30 June 2020 relate to its engineering and insurance solutions contracts with customers and no loss allowances have been included therein.

(b) During the year ended 30 June 2021, the Group recognised (i) HK$462.9 million (2020: HK$240.8 million (restated)) of revenue for its engineering and insurance solutions contracts relating to its carried-forward contract liabilities and (ii) HK$34.3 million (2020: HK$154.7 million) of revenue from its performance obligations satisfied in previous reporting years.

(c) As at 30 June 2021, the aggregate amount of transaction price allocated to the Group's remaining performance obligations in respect of property & facility management, cleaning, technical support & maintenance, security guarding & event services, insurance solutions, environment solutions and E&M services contracts is HK$10,668 million (2020: HK$11,537 million (restated)). The Group will recognise this revenue during the completion of the related works, which is expected to occur over the next 77 months (2020: 74 months (restated)) after the reporting date.

(d) The increase in the Group's contract assets and decrease in its contract liabilities during the year ended 30 June 2021 principally reflects a more significant progress of projects.

24 INVENTORIES

As at 30 June	2021 HK$'000	2020 (restated) HK$'000
Raw materials	684	750
Finished goods	17,689	49,171
Spare parts and consumables	621	3,112
Total	18,994	53,033

25 CASH AND BANK BALANCES

As at 30 June	2021 HK$'000	2020 (restated) HK$'000
Time deposits — original maturities within three months	12,007	194,353
Trust cash (i)	32,616	38,910
Other cash at banks and in hand	505,267	661,552
Total	549,890	894,815

Note

(i) Trust cash relates to cash held for insurance premiums received from policy holders which will ultimately be paid to insurers. Trust cash cannot be used to meet business obligations/operating expenses other than payments to insurers and/or refunds to policyholders.

At 30 June 2021, the effective interest rate on bank deposits is 2.0% per annum (2020: 0.9% per annum).

The carrying amounts of cash and bank balances of the Group approximate their fair values and are denominated in the following currencies:

As at 30 June	2021 HK$'000	2020 (restated) HK$'000
Hong Kong dollars	499,141	833,922
Renminbi	39,141	43,521
Macau patacas	5,137	8,474
United States dollars	5,476	5,753
Euros	756	2,775
Others	239	370
Total	549,890	894,815

26 SHARE CAPITAL

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

	2021		2020	
	Number of shares	HK$'000	Number of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.10 each				
At the beginning of the year	**900,000,000**	**90,000**	1,000,000,000	100,000
Re-designation	**–**	**–**	(100,000,000)	(10,000)
At the end of the year	**900,000,000**	**90,000**	900,000,000	90,000
Convertible preference shares of HK$0.10 each (Note a)				
At the beginning of the year	**100,000,000**	**10,000**	–	–
Re-designation	**–**	**–**	100,000,000	10,000
At the end of the year	**100,000,000**	**10,000**	100,000,000	10,000
	1,000,000,000	**100,000**	1,000,000,000	100,000

	2021		2020	
	Number of shares	HK$'000	Number of shares	HK$'000
Issued and fully paid:				
Ordinary shares of HK$0.10 each				
At the beginning and the end of the year	**450,000,000**	**45,000**	450,000,000	45,000
Convertible preference shares of HK$0.10 issued at HK$3.2260 each (Note a)				
At the beginning of the year	**43,676,379**	**140,900**	–	–
Issued for the acquisition of the Legend Success Group (Note a)	**–**	**–**	43,676,379	140,900
At the end of the year	**43,676,379**	**140,900**	43,676,379	140,900
Total	**493,676,379**	**185,900**	493,676,379	185,900

As at 30 June 2021, the total nominal amount of the Company issued shares was HK$49,367,638 (30 June 2020: HK$49,367,638), comprising HK$45,000,000 (30 June 2020: HK$45,000,000) for ordinary shares and HK$4,367,638 (30 June 2020: HK$4,367,638) for convertible preference shares

26 SHARE CAPITAL (Continued)

Note (a):

On 16 December 2019 (the "Issue Date"), the Company issued and allotted a total of 43,676,379 non-voting redeemable convertible preference shares of HK$0.1 each to FMC at an issue price of HK$3.2260 per share (the "Issue Price"), credited as fully paid. The major terms of the convertible preference shares are set out below:

- Each convertible preference share shall entitle the holder to convert within a period of 10 years after the Issue Date, provided that any conversion shall not result in the Company failing to comply with any public float requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

- Each convertible preference share is convertible into such number of ordinary share(s) being one multiplied by the conversion rate. The conversion rate is determined by dividing the Issue Price of convertible preference shares by the conversion price.

- The conversion price is the Issue Price, subject to adjustment upon the occurrence of certain prescribed events.

- Each convertible preference share shall confer on the holder the right to receive preferred distributions from the Issue Date at a rate of 6.0% per annum on the Issue Price, payable annually in arrears. Each preferred distribution is cumulative. The Board may, in its sole discretion, elect to defer or not to pay a preferred distribution. No interest accrues on any unpaid preferred distribution. If the Board elects to defer or not to pay a preferred distribution, the Company shall not (a) pay any dividends, distributions or make any other payment on any ordinary shares or (b) redeem, cancel, repurchase or acquire for any consideration any ordinary shares, unless at the same time it pays to the holder of the convertible preference shares any deferred or unpaid preferred distribution which was scheduled to be paid on a day falling in the same financial year in respect of which payment of such dividends, distributions or other payments is made or during which such redemption, cancellation, repurchase or acquisition occurs.

- The holder of the convertible preference shares shall not have the right to attend or vote at any general meeting of the Company (except a general meeting for winding up of the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of such holder).

- The holder of the convertible preference shares will have priority over the holders of ordinary shares of the Company on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding up or dissolution of the Company.

- At any time after 10 years following the Issue Date, the Company may at its sole discretion serve at least ten days' prior written notice to the holder of the convertible preference shares to redeem either in whole or in part of the convertible preference shares for the time being outstanding, at a redemption price equals to the Issue Price together with all outstanding preferred distributions accrued to the date fixed for redemption.

27 RESERVES

	Share premium HK$'000	Merger reserve (Note a) HK$'000	Exchange reserve HK$'000	Statutory reserves (Note b) HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2019						
As previously reported	743,204	(345,502)	(29,053)	21,610	419,008	809,267
Acquisition of the Business Investments Group	–	181,656	–	–	38,000	219,656
As restated	743,204	(163,846)	(29,053)	21,610	457,008	1,028,923
Profit for the year, as restated	–	–	–	–	412,161	412,161
Currency translation differences	–	–	(5,885)	–	–	(5,885)
Remeasurement gains on defined benefit retirement scheme, as restated	–	–	–	–	191	191
Remeasurement losses on long service payment liabilities, as restated	–	–	–	–	(2,605)	(2,605)
Deferred tax on remeasurement losses on long service payment liabilities, as restated	–	–	–	–	407	407
Acquisition of the Business Investments Group, as restated	–	800	–	–	–	800
Acquisition of the Legend Success Group (Note 2.1(iii)(b))	–	(743,378)	–	–	–	(743,378)
Dividends to ordinary shareholders	–	–	–	–	(111,150)	(111,150)
Dividends to the original shareholder of the Business Investments Group, as restated	–	–	–	–	(49,000)	(49,000)
At 30 June 2020, as restated	743,204	(906,424)	(34,938)	21,610	707,012	530,464
At 1 July 2020						
As previously reported	743,204	(1,088,880)	(34,938)	21,610	617,727	258,723
Acquisition of the Business Investments Group	–	182,456	–	–	89,285	271,741
As restated	743,204	(906,424)	(34,938)	21,610	707,012	530,464
Profit for the year	–	–	–	–	586,911	586,911
Currency translation differences	–	–	15,440	–	–	15,440
Remeasurement gains on defined benefit retirement scheme	–	–	–	–	3,700	3,700
Remeasurement gain on long service payment liabilities	–	–	–	–	10,128	10,128
Deferred tax on remeasurement gain on long service payment liabilities	–	–	–	–	(1,651)	(1,651)
Acquisition of the Business Investments Group (Note 2.1(iii)(a))	–	(709,894)	–	–	–	(709,894)
Dividends to ordinary shareholders	–	–	–	–	(194,850)	(194,850)
Dividends to the original shareholder of the Business Investments Group	–	–	–	–	(340,180)	(340,180)
Distribution to convertible preference shareholder	–	–	–	–	(8,454)	(8,454)
Appropriation to statutory reserves (Note c)	–	–	–	175	(175)	–
At 30 June 2021	743,204	(1,616,318)	(19,498)	21,785	762,441	(108,386)

27 RESERVES (Continued)

Notes:

(a) Merger reserve arises from (i) the difference between the consideration for the acquisition of the FSE Engineering Group Limited, FSE Environmental Technologies Limited and Building Materials Supplies Limited by the Company and their issued share capital upon the completion of the reorganisation on 30 June 2015; (ii) the difference between the consideration for the acquisition of Crystal Brilliant Limited and its subsidiaries by the Company's wholly-owned subsidiary, FSE Facility Services Group Limited, and their net asset value at the date when they first came under common control upon the completion of the acquisition on 11 April 2018; (iii) the difference between the consideration for the acquisition of Legend Success Investments Limited and its subsidiaries by the Company's wholly-owned subsidiary, FSE Property Management Group Limited, and their net asset value at the date when they first came under common control upon the completion of the acquisition on 16 December 2019 and (iv) the difference between the cash consideration plus net book value of certain properties used for the acquisition of Business Investments Limited and its subsidiaries by the Company's wholly-owned subsidiary, FSE City Essential Services Limited, and their net asset value at the date when they first came under common control upon the completion of the acquisition on 19 April 2021.

(b) PRC companies are required to allocate 10% of the companies' net profits to the statutory reserves fund until such fund reaches 50% of the companies' registered capitals. The statutory reserves fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses, if any, or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capitals.

(c) During the year ended 30 June 2021, the board of directors of the Group's PRC companies resolved to appropriate HK$175 thousand (2020: Nil) from retained earnings to statutory reserves.

28 NON-CONTROLLING INTERESTS

The table below shows details of the Group's subsidiaries that have material non-controlling interests:

		Percentage of ownership interest and voting right held by non-controlling shareholders		(Loss)/profit for the year attributable to non-controlling shareholders		Accumulated non-controlling interests	
Name	Place of incorporation	2021 HK$000	2020 HK$000	2021 HK$000	2020 HK$000	2021 HK$000	2020 HK$000
Wise Plaza Limited	Hong Kong	30%	N/A[i]	(248)	N/A[i]	21,871	N/A[i]
Individually immaterial subsidiary with non-controlling interests				36	26	129	93
				(212)	26	22,000	93

Note:

(i) Wise Plaza Limited was incorporated during the year ended 30 June 2021.

28 NON-CONTROLLING INTERESTS (Continued)

Set out below is the summarised financial information of Wise Plaza Limited based on amounts before intragroup eliminations. Wise Plaza Limited has became a 70%-owned subsidiary of the Group since 30 June 2021 right before the Group's acquisition of Kiu Lok (International) Properties Limited as described in Note 32(c) to the consolidated financial statements. During the year ended 30 June 2021, Wise Plaza Limited reported HK$0.8 million of loss for the year, HK$72.3 million of cash outflow from investing activities and HK$73.7 million of cash inflow from financing activities.

As at 30 June	2021 HK$'000
Non-current assets	79,030
Current assets	3,263
Non-current liabilities	(5,209)
Current liabilities	(4,181)
Net assets	72,903
Attributable to:	
Shareholders of the Company	51,032
Non-controlling interests	21,871
	72,903

29 BORROWINGS

As at 30 June	2021 HK$'000	2020 HK$'000
Non-current liabilities		
Bank borrowings — secured	150,000	463,243
Current liabilities		
Bank borrowings — secured	233,812	–

At 30 June 2021, the Group's borrowings classified under non-current liabilities and current liabilities are repayable, after the reporting date, in the second year (2020: the second year) and in the first year respectively. The borrowings are interest bearing at an effective interest rate of 1.1% (2020: 2.5%). The carrying amounts of the borrowings approximate their fair values and are denominated in Hong Kong dollar.

The Group's borrowings are secured by corporate guarantees provided by FSE Engineering Group Limited and FSE Facility Services Group Limited (wholly-owned subsidiaries of the Company) as at 30 June 2021 and 30 June 2020.

30 LONG SERVICE PAYMENT LIABILITIES

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employee's final salary and years of service, and is reduced by entitlements accrued under the Group's MPF and ORSO schemes that are attributable to contributions made by the Group. The Group has not set aside any assets to fund any remaining obligations.

The liability recognised in the consolidated statement of financial position is the present value of unfunded obligations and its movements are as follows:

As at 30 June	**2021** **HK$'000**	2020 (restated) HK$'000
At the beginning of the year	**49,149**	46,395
Expenses recognised in the consolidated income statement	**6,776**	5,022
Remeasurement (gains)/losses recognised in other comprehensive income/(loss)	**(10,128)**	2,605
Benefits paid	**(3,565)**	(4,873)
At the end of the year	**42,232**	49,149

Significant actuarial assumptions adopted for the purpose of the actuarial valuation are as follows:

As at 30 June	**2021**	2020 (restated)
Discount rate	**0.7%**	0.4%
Long term rate of salary increases	**3.00-4.35%**	3.00-4.50%
Long term rate of increase of maximum salary and amount of long service payment and MPF Relevant Income limit	**2.5%**	2.5%
Long term average expected return on MPF and ORSO balances	**2.50-3.75%**	3.00-4.25%

The below analysis shows how the long service payment liability as at each year end date would have increased/(decreased) as a result of 0.25% change in significant actuarial assumptions:

As at 30 June	**2021**		2020 (restated)	
Assumptions	**Increase in 0.25%** **HK$'000**	**Decrease in 0.25%** **HK$'000**	Increase in 0.25% HK$'000	Decrease in 0.25% HK$'000
Long term rate of salary increases	**2,162**	**(2,183)**	2,510	(2,259)
Long term average expected return on MPF and ORSO balances	**(1,796)**	**1,875**	(2,414)	2,546

The above sensitivity analyses are based on change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the long service payment liability to significant actuarial assumptions, the same actuarial valuation method has been applied as when calculating the long service payment liability recognised within the consolidated statement of financial position.

31 TRADE AND OTHER PAYABLES

As at 30 June	2021 HK$'000	2020 (restated) HK$'000
Trade payables		
Third parties	321,029	198,577
Other payables		
Third parties	379,333	364,134
Related companies (Note 34(c))	4,416	14,116
	383,749	378,250
Bills payable		
Third parties	3,565	2,000
Retention payables		
Third parties	260,699	242,469
Accrued expenses	399,394	305,840
Provision for contracting costs	548,854	694,680
Total	1,917,290	1,821,816

The carrying amounts of the above balances approximate their fair values.

The carrying amounts of the trade and other payables of the Group are denominated in the following currencies:

As at 30 June	2021 HK$'000	2020 (restated) HK$'000
Hong Kong dollars	1,465,913	1,403,403
Renminbi	385,567	303,669
Macau patacas	60,284	102,951
United States dollars	4,704	9,175
Others	822	2,618
Total	1,917,290	1,821,816

The ageing analysis of the Group's trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

As at 30 June	2021 HK$'000	2020 (restated) HK$'000
1 – 90 days	294,591	178,771
91 – 180 days	9,668	9,713
Over 180 days	16,770	10,093
Total	321,029	198,577

32 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

For the year ended 30 June	Notes	2021 HK$'000	2020 (restated) HK$'000
Profit before income tax		**646,319**	480,563
Depreciation of right-of-use assets	16	**38,359**	43,546
Depreciation of property, plant and equipment	14	**34,716**	43,712
Losses related to disposal of subsidiaries	32(e)(i)	**26,220**	–
Provision/(reversal of provision) for inventories	7	**6,406**	(50)
Finance costs	10	**5,435**	10,197
Losses/(gains) on disposal of property, plant and equipment, net	6	**4,356**	(8,769)
Impairment loss on property, plant and equipment	14	**2,800**	11,394
Long service payment liabilities			
Expenses recognised in the consolidated income statement	30	**6,776**	5,022
Benefit paid	30	**(3,565)**	(4,873)
Impairment loss on right-of-use assets	16	**–**	2,502
Amortisation of other intangible assets	17	**2,413**	2,636
Impairment loss on trade and other receivables, net	22	**1,953**	2,121
Impairment loss on other intangible assets	17	**845**	–
Pension costs on defined benefits scheme	21	**552**	545
Depreciation of investment property	15	**309**	385
Finance income		**(2,266)**	(6,164)
Unrealised exchange differences		**(2,242)**	1,451
Share of results of associates and joint ventures		**(1,072)**	(1,193)
Write-off on other payables		**–**	(90)
Operating cash flows before changes in working capital		**768,314**	582,935
Changes in working capital:			
Net contract assets/liabilities		**(131,984)**	130,340
Trade and other receivables		**171,452**	(35,159)
Trade and other payables		**(203,446)**	(157,089)
Inventories		**24,783**	(11,949)
Pension assets		**(480)**	(422)
Cash generated from operations		**628,639**	508,656

32 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Cash consideration for acquisition of businesses

On 19 April 2021, the Group acquired the Business Investments Group at a total consideration of HK$860.9 million upon which the initial sum of consideration of HK$840.6 million was satisfied by the Company through (i) a non-cash consideration of HK$442.6 million settled through a disposal of its entire issued share capital in the Property Holdcos and the Disposal Property to FMC and (ii) the payment of HK$398.0 million in cash. A final cash payment of the consideration of HK$20.3 million was made on 20 May 2021 and thus resulted in a total cash consideration for the acquisition amounting to HK$418.3 million. Details of the transaction are set out in Note 2.1(iii)(a) to the consolidated financial statements.

On 16 December 2019, the Group acquired the Legend Success Group 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 non-voting redeemable convertible preference shares. A final cash payment of the consideration of HK$38.5 million was made on 13 February 2020 and thus resulted in a total cash consideration for the acquisition amounting to HK$602.5 million. Details of the transaction are set out in Note 2.1(iii)(b) to the consolidated financial statements.

(c) Acquisition of a subsidiary

On 30 June 2021, the Group acquired the entire issued capital of Kiu Lok Properties (International) Limited (formerly known as Marriott Properties (International) Limited) ("Kiu Lok Properties") through a 70%-owned subsidiary, Wise Plaza Limited, at a total cash consideration of HK$74.9 million, which includes HK$73.7 million of initial sum of consideration paid on 30 June 2021 and HK$1.2 million of final cash payment of consideration paid on 2 September 2021. The total consideration for this acquisition of HK$74.9 million is 70% financed by the Group's internal resources, which amounts to HK$52.4 million, and 30% financed by equity contributions from Wise Plaza's 30% shareholder, which amounts to HK$22.5 million. Kiu Lok Properties is principally engaged in the provision of property agency and management, and housekeeping services in Hong Kong and was acquired to expand by the Group its property & facility management business.

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

32 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Acquisition of a subsidiary (Continued)

	HK$'000
Property, plant and equipment (Note 14)	112
Other intangible assets (Note 17)	31,500
Inventories	27
Trade and other receivables	1,796
Cash and bank balances	1,433
Trade and other payables	(2,127)
Taxation payable	(59)
Deferred income tax liabilities (Note 20)	(5,209)
Fair values of net identifiable assets acquired	27,473
Goodwill (Note 17)	47,418
Cash consideration	74,891
Less: Cash and bank balances acquired	(1,433)
Less: Consideration payable	(1,171)
Net cash outflow	72,287

The amount of goodwill recognised by the Group was determined based on management's estimates of the fair values of the identifiable assets acquired and liabilities assumed, and subject to revision upon their further assessment. The valuation and assessment had not been completed by the date the Group's consolidated financial statements for the year ended 30 June 2021 were approved for issue by the Board of Directors. If new information obtained within one year of the acquisition date about facts and circumstances that existed at the acquisition dates identifies adjustments to the above provisional amounts, or any provisions that existed at the acquisition date, then the accounting for the acquisition will be revised.

The goodwill arising on the acquisition of Kiu Lok Properties pertains to, but is not limited to, the expected economic benefit from the housekeeping and agency services it provides and synergies in the Group arising from the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes. The fair value and gross contractual amount of trade and other receivables at the date of acquisition amounted to HK$1.8 million. The transaction costs of HK$0.8 million incurred for this business combination have been recognised as general and administrative expenses in the consolidated income statement.

Since the date of acquisition, no amounts of revenue and profit of Kiu Lok Properties are included in the consolidated income statement of the Group for the year ended 30 June 2021. If the acquisition had taken place on 1 July 2020, the revenue and profit for the year ended 30 June 2021 of the Group would have been HK$6,463.3 million and HK$589.3 million, respectively.

32 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(d) Disposal of subsidiaries and a property as consideration for acquisition of businesses

On 19 April 2021, the Group disposed of certain properties through the sales of its entire issued share capital in the Property Holdcos and the Disposal Property at a non-cash consideration of HK$442.6 million, which was used for settling a part of the consideration of the Business Investments Acquisition. Each of the Property Holdcos is principally engaged in investment holding, owning certain properties in Hong Kong and Macau for uses by the Group and for rental purpose. The amounts for such companies were included in the Group's E&M services segment and unallocated assets and liabilities before its disposal. Details of the transaction are set out in Note 2.1(iii)(a) to the consolidated financial statements.

The following tables summarise the book value of net assets of the Property Holdcos and Disposal Property being disposed of by the Group and the differences between their fair values and net book values recognised by the Group in its merger reserve during the year ended 30 June 2021:

	Property Holdcos HK$'000	Disposal Property HK$'000	Total HK$'000
Net assets disposed			
Property, plant and equipment (Note 14)	280,693	3,688	284,381
Investment property (Note 15)	10,541	–	10,541
Right-of-use assets	2,817	–	2,817
Trade and other receivables	332	–	332
Cash and bank balances	4,920	–	4,920
Deferred income tax liabilities (Note 20)	(10,031)	(608)	(10,639)
Trade and other payables	(596)	–	(596)
Taxation payable	(145)	–	(145)
Book value of net assets disposed (Note 2.1(iii)(a))	288,531	3,080	291,611

	Property Holdcos HK$'000	Disposal Property HK$'000	Total HK$'000
Amount recognised in merger reserve relating to the disposal of subsidiaries and a property (Note 2.1(iii)(a))			
Non-cash consideration	426,150	16,500	442,650
Less: Net assets disposed	(288,531)	(3,080)	(291,611)
Amount recognised in merger reserve[(i)]	137,619	13,420	151,039

Note:

(i) The difference between the fair value and the book value of net assets of the Property Holdcos and Disposal Property were recognised in merger reserve as their disposal is linked to the Business Investments Acquisition, which was considered as a business combination under common control and accounted for using merger accounting in accordance with AG5. Details of the transaction are set out in Note 2.1(iii)(a) to the consolidated financial statements.

32 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(e) Other disposal of subsidiaries

	2021 HK$'000	2020 (restated) HK$'000
Cash inflow from other disposal of subsidiaries		
NCL	4,000	–
Shenzhen Landes	508	475
Total	4,508	475

(i) Disposal of NCL

On 31 December 2020, the Group disposed of its laundry business, through the sale of its entire interest in New China Steam Laundry Limited and its subsidiaries ("NCL"), at a cash consideration of HK$4.0 million. NCL is principally engaged in the provision of laundry services which offers laundry, dry cleaning and linen management services to customers in Hong Kong and was included in the Group's integrated property & facilities segment before its disposal.

The following tables summarise the book value of net assets of NCL being disposed of by the Group and the losses it recognised during the year ended 30 June 2021 related to its disposal of NCL:

	Before impairment losses HK$'000	Impairment losses HK$'000	After impairment losses HK$'000
Net assets disposed			
Property, plant and equipment	23,084	(22,859)	225
Right-of-use assets	2,941	(2,941)	–
Deferred income tax assets	1,318	–	1,318
Inventories	2,877	–	2,877
Book value of net assets disposed	30,220	(25,800)	4,420

	HK$'000
Analysis of losses related to disposal of subsidiaries	
Cash consideration	4,000
Less: Net assets disposed	(4,420)
Loss on disposal of subsidiaries	(420)
Impairment losses	(25,800)
Total losses related to disposal of subsidiaries	(26,220)

32 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(e) Other disposal of subsidiaries (Continued)

(ii) Disposal of Landes Landscape (Shenzhen) Co., Ltd. ("Shenzhen Landes")

On 1 July 2016, Shenzhen Landes, a wholly-owned subsidiary of FSE C & L Limited, was disposed to an external party at the consideration of RMB15.4 million (equivalent to HK$17.9 million). Amounts of RMB0.4 million (equivalent to HK$0.5 million) have been received during the years ended 30 June 2021 (2020: RMB0.4 million (equivalent to HK$0.5 million)).

(f) Reconciliation of liabilities arising from financing activities

The movements of the Group's liabilities arising from financing activities during the years ended 30 June 2021 and 2020 are as follows.

	Borrowings	Dividends payable to shareholders	Dividends payable to the original shareholder of the Business Investments Group	Dividends payable to convertible preference shareholders	Lease liabilities	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 July 2019						
As previously reported	30,000	–	–	–	78,913	108,913
Acquisition of the Business Investments Group	–	–	–	–	3,889	3,889
As restated	30,000	–	–	–	82,802	112,802
Dividends, as restated	–	111,150	49,000	–	–	160,150
New leases	–	–	–	–	18,422	18,422
Interest portion of lease liabilities, as restated	–	–	–	–	2,502	2,502
Financing cash flows, as restated	432,792	(111,150)	(19,000)	–	(36,560)	266,082
Settlement through current accounts, as restated	–	–	(30,000)	–	–	(30,000)
Payments for interest portion of lease liabilities, as restated	–	–	–	–	(2,502)	(2,502)
Currency translation differences	–	–	–	–	(106)	(106)
Lease modifications, as restated	–	–	–	–	(1,260)	(1,260)
Other changes, as restated	451	–	–	–	–	451
At 30 June 2020, as restated	**463,243**	**–**	**–**	**–**	**63,298**	**526,541**
Dividends and preferred distribution	–	194,850	340,180	8,454	–	543,484
New leases	–	–	–	–	19,934	19,934
Interest portion of lease liabilities	–	–	–	–	1,531	1,531
Financing cash flows	(80,000)	(194,850)	(73,000)	(8,454)	(48,857)	(405,161)
Settlement through current accounts	–	–	(267,180)	–	–	(267,180)
Payments for interest portion of lease liabilities	–	–	–	–	(1,531)	(1,531)
Currency translation differences	–	–	–	–	326	326
Lease modifications	–	–	–	–	8,174	8,174
Other changes	569	–	–	–	–	569
At 30 June 2021	**383,812**	**–**	**–**	**–**	**42,875**	**426,687**

32 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(g) Equity contribution from a non-controlling shareholder

The cash inflow for 2021 represents equity contribution from the non-controlling shareholder to Wise Plaza Limited, a 70%-owned subsidiary of the Group.

(h) Exchange differences

The exchange differences of cash and cash equivalents during the year are mainly arising from the remeasurement of the Group's foreign currency denominated cash and bank balances at the year end exchange rate.

(i) Major non-cash transactions

On 19 April 2021, the Group disposed of its entire issued share capital in the Property Holdcos and the Disposal Property at a consideration of HK$442.6 million as part of its consideration of the Business Investments Acquisition. Details of the transaction are set out in Note 2.1(iii)(a) to the consolidated financial statements.

During the year ended 30 June 2021, the Group acquired right-of-use assets and recognised lease liabilities, including lease modifications, totalling HK$28.1 million (2020: HK$18.4 million).

During the year ended 30 June 2021, the Group settled dividends of the Business Investments Group of HK$267.2 million (2020: HK$30.0 million) to its previous shareholder, FMC, through current account with it.

On 16 December 2019, the Company issued HK$140.9 million of convertible preference shares as part of its consideration of the Legend Success Acquisition. Details of the transaction are set out in Note 2.1(iii)(b) to the consolidated financial statements.

During the year ended 30 June 2020, the proceeds from disposal of property, plant and equipment of HK$12 million was settled through current account with a fellow subsidiary.

During the year ended 30 June 2020, amount due from fellow subsidiaries amounting HK$73.3 million has been settled though current account with FMC.

(j) Funds held on behalf of third parties

As at 30 June 2021, the Group held cash and bank balances totalling HK$1,093.7 million (2020: HK$995.1 million) in trust for owners of certain buildings which were under its management. These funds have not been included in the consolidated financial statements of the Group.

33 COMMITMENTS

(a) Capital commitments

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

As at 30 June	2021 HK$'000	2020 HK$'000
Property, plant and equipment	1,681	501

(b) Operating lease commitments

(i) The Group as lessees

The Group has future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

As at 30 June	2021 HK$'000	2020 HK$'000
No later than one year	11,906	1,049

(ii) The Group as a lessor

During the year ended 30 June 2020, the Group's investment property is leased to a tenant under a long-term operating lease with rentals payable monthly. Minimum lease payments receivable on the lease of the Group's investment property are as follows:

As at 30 June	2021 HK$'000	2020 HK$'000
No later than one year	–	2,034
Between one and two year	–	2,005
Between two and three year	–	2,005
Between three and four year	–	2,104
Between four and five year	–	2,406
Later than five years	–	4,210
Total	–	14,764

34 RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group undertook the following transactions with related parties, which in the opinion of the Directors of the Company, were carried out in the normal course of business during the year ended 30 June 2021.

(a) The Directors of the Company are of the view that the related parties that had transactions with the Group are listed below:

Name	Relationship
Beamland Limited	Note i
Convention Plaza Apartments Limited	Note i
Corporate Ally Limited	Note i
Fast Solution Limited	Note i
FSE Enterprises Limited	Note i
FSE Management Company Limited	Note i
FSE Property (Hong Kong) Limited	Note i
Great City Developments Limited	Note i
Nova Risk Services Holdings Limited	Note i
Ocean Front Investments Limited	Note i
Perfect Modern Limited	Note i
Power Estate Investments Limited	Note i
Prime Star Investment Limited	Note i
Prosperity Property Investment Limited	Note i
Silver Asia Investments Limited	Note i
Success Ocean Limited	Note i
Top Line Investment Limited	Note i
上海華美達廣場有限公司	Note i
上海豐昌物業管理有限公司	Note i
ACE Island Limited	Note ii
Anway Limited	Note ii
AOS Management Limited	Note ii
ATL Logistics Centre Hong Kong Limited	Note ii
Atrend Fashion Limited	Note ii
B. S.C. Shinwa Kogyo Co. Limited	Note ii
Belstar Limited	Note ii
Bright Link Engineering Limited	Note ii
Bright Moon Company Limited	Note ii
Broadway-Nassau Investments Limited	Note ii
Build King Construction Limited	Note ii
Calpella Limited	Note ii
Cheer Best Enterprises Limited	Note ii
Cheer Globe Limited	Note ii
CHI Studio Company Limited	Note ii
Chow Tai Fook Art Foundation Limited	Note ii
Chow Tai Fook Enterprises Limited	Note ii

(a) The Directors of the Company are of the view that the related parties that had transactions with the Group are listed below: (Continued)

Name	Relationship
Chow Tai Fook Jewellery and Watch (Macau) Limited	Note ii
Chow Tai Fook Jewellery Company Limited	Note ii
Chow Tai Fook Jewellery Group Limited	Note ii
CiF Solutions Limited	Note ii
Cititop Limited	Note ii
Daily Land Limited	Note ii
Diamond International Limited	Note ii
Discovery Park Commercial Services Limited	Note ii
Donut Cafe Company Limited	Note ii
Donut Village Company Limited	Note ii
Earning Yield Limited	Note ii
Ever Light Limited	Note ii
Ever Right Limited	Note ii
Foregain Co Limited	Note ii
Full Asset Enterprise Limited	Note ii
GH Hotel Company Limited	Note ii
GHK Hospital Limited	Note ii
Global Winner Limited	Note ii
Good Sense Development Limited	Note ii
Great TST Limited	Note ii
Head Step Limited T/A Pentahotel HK Kowloon	Note ii
Hip Hing Builders Company Limited	Note ii
Hip Hing Construction Company Limited	Note ii
Hip Hing Engineering Company Limited	Note ii
Hip Hing Joint Venture	Note ii
Hip Hing Joint Venture (VEC)	Note ii
Hip Seng Builders Limited	Note ii
Hip Seng Construction Company Limited	Note ii
Hip Seng Construction Management Company Limited	Note ii
Hip Seng Quality Advancement Centre Co Limited	Note ii
Hong Kong Convention and Exhibition Centre (Management) Limited	Note ii
Hong Kong Golf & Tennis Academy Management Co., Limited	Note ii
Hong Kong Island Development Limited	Note ii
Hong Kong Multiple Intelligence Education Company Limited	Note ii
Hyatt Regency Hong Kong	Note ii
Joy Century Limited	Note ii
K11 Art Mall Properties Company Limited	Note ii
K11 Artus Limited	Note ii
K11 Concepts Limited	Note ii
K11 IP Licence & Creation Company Limited	Note ii
K11 Property Management Company Limited	Note ii
K11 Retail & Corporate Sales Company Limited	Note ii

34 RELATED PARTY TRANSACTIONS (Continued)

(a) The Directors of the Company are of the view that the related parties that had transactions with the Group are listed below: (Continued)

Name	Relationship
Kai Tak Sports Park Limited	Note ii
Kid World Services Limited	Note ii
Kiu Lok Properties Services (China) Limited	Note ii
Loyalton Limited	Note ii
Luxba Limited	Note ii
Markson Limited	Note ii
Maronne Limited	Note ii
Nature Discovery Park Limited	Note ii
New Gain Limited	Note ii
New Town Project Management Limited	Note ii
New World China Construction Limited	Note ii
New World China Land Limited	Note ii
New World Construction Company Limited	Note ii
New World Corporate Services Limited	Note ii
New World Department Stores Limited	Note ii
New World Development (China) Limited	Note ii
New World Development Company Limited	Note ii
New World Facilities Management Company Limited	Note ii
New World Harbourview Hotel Co Limited	Note ii
New World Hotel Management Limited	Note ii
New World Project Management (China) Limited	Note ii
New World Property Management Company Limited	Note ii
New World TMT Limited	Note ii
New World Tower Company Limited	Note ii
NW Project Management Limited	Note ii
NWS Holdings Limited	Note ii
Park New Astor Hotel Limited	Note ii
Paterson Plaza Properties Limited	Note ii
Polytown Company Limited	Note ii
Pride Success Fashion Trading Limited	Note ii
Pridemax Limited	Note ii
Renaissance Harbour View Hotel HK	Note ii
Rosewood Hotels (HK) Limited	Note ii
Roxy Limited	Note ii
Sky Connection Limited	Note ii
Space Enterprises Limited	Note ii
Sunfield Investments Limited	Note ii
Sunny Goal Limited	Note ii
Techni Development Investment Limited	Note ii
The Artizen Management Co Limited	Note ii
The Dynasty Club Limited	Note ii

34 RELATED PARTY TRANSACTIONS (Continued)

(a) The Directors of the Company are of the view that the related parties that had transactions with the Group are listed below: (Continued)

Name	Relationship
Treasure High Limited	Note ii
Treasure Tower Holdings Limited	Note ii
Urban Parking Limited	Note ii
Vibro (H.K.) Limited	Note ii
Vibro Construction Company Limited	Note ii
Victoria Educational Group Limited	Note ii
Victoria Educational Organisation Limited	Note ii
Wallmax Limited	Note ii
Wan Fau Sin Koon Service & Dev Co Limited	Note ii
Wealth Master Corporation Limited	Note ii
Win Win Way Construction Co., Limited	Note ii
Wise City Investment Limited	Note ii
北京崇文•新世界房地產發展有限公司	Note ii
周大福創地置業(武漢)有限公司	Note ii
天津新世界環渤海房地產開發有限公司	Note ii
天津新世界百貨有限公司	Note ii
寧波公泰置業有限公司	Note ii
寧波新立房地產開發有限公司	Note ii
廊坊新世界房地產開發有限公司	Note ii
廣州市新禦運營管理有限公司	Note ii
廣州永沛房地產開發有限公司	Note ii
新世界(瀋陽)房地產開發有限公司	Note ii
新世界協中建築有限公司	Note ii
新世界嘉業(武漢)有限公司	Note ii
新世界房地產發展有限公司新世界酒店分公司	Note ii
新世界發展(武漢)有限公司	Note ii
新亮勵貿易(深圳)有限公司	Note ii
深圳天得房地產開發有限公司	Note ii
清遠新世界旅遊發展有限公司	Note ii
湖南成功新世紀投資有限公司	Note ii
鄭州新世界百貨有限公司	Note ii

Notes:

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

(ii) These related companies include companies of which the key management personnel are close member of the family of the Ultimate Controlling Shareholder.

34 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related companies during the year ended 30 June 2021.

For the year ended 30 June	2021 HK$'000	2020 (restated) HK$'000
Contract revenue (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	2,670	1,430
Other related companies (Note ii)	1,851,363	1,191,697
Total	1,854,033	1,193,127
Cleaning and laundry service income (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	–	171
Other related companies (Note ii)	136,684	139,624
Total	136,684	139,795
Premises management service fee and building manager remuneration (Note iii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	1,460	898
Other related companies (Note ii)	21,367	17,855
Total	22,827	18,753
Security service income (Note iv)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	2,096	2,943
Other related companies (Note ii)	222,654	249,544
Total	224,750	252,487
Insurance solutions consultancy fee income from related companies (Note v)	1,716	6,242
Landscaping services income from related companies (Note vi)	7,939	5,741

34 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

For the year ended 30 June	2021 HK$'000	2020 (restated) HK$'000
Disposal of property and equipment (Note vii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	80	8,235
Other related companies (Note ii)	400	–
Total	480	8,235
Rental expenses/addition of rights-of-use assets (Note viii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	10,616	119
Other related companies (Note ii)	229	4,595
Total	10,845	4,714
Management fee expenses to a related company commonly controlled by the Ultimate Controlling Shareholder (Note ix)	4,270	17,730
Appointment fees to related companies (Note x)	2,575	2,512
Contracting service expenses to related companies (Note xi)	5,634	–
Miscellaneous service fees expenses to related companies (Note xii)	152	159

34 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

Notes:

(i) Revenue from provision of contracting work and cleaning and laundry service income is principally charged in accordance with respective contracts.

(ii) These related companies are companies of which the key management personnel are close members of the family of the ultimate controlling shareholder (Mr. Doo Wai Hoi, William).

(iii) Premises management service fee and building manager remuneration was charged based on certain percentages of total expenditures of the properties in accordance with the management contracts.

(iv) Security service fee income was charged at prices and terms as agreed by both parties.

(v) Insurance solutions consultancy fee income was charged at terms mutually agreed between the parties.

(vi) Landscaping service fee income was charged at prices and terms as agreed by both parties.

(vii) Disposal of properties and equipment is at consideration mutually agreed between the parties.

(viii) Rental expenses/additions of rights-of-use assets were principally calculated in accordance with the terms of the respective rental agreements.

(ix) Management fee expenses were charged at prices and terms as agreed by both parties involved.

(x) Appointment fees were charged at prices and terms as agreed by both parties.

(xi) Contracting service expenses were charged in accordance with the terms of the respective contracts.

(xii) Miscellaneous service fees were charged based on fixed amounts mutually agreed by the parties.

(xiii) The above transactions with related parties are based upon mutually agreed terms and conditions.

34 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

As at 30 June	2021 HK$'000	2020 (restated) HK$'000
Trade receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	1,239	246
Other related companies (Note i)	177,384	148,409
Total	178,623	148,655
Retention receivables due from related companies (Note i)	218,580	193,991
Other receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	80	88
Other related companies (Note i)	20,178	36,811
Total	20,258	36,899
Contract assets due from related companies (Note i)	237,034	147,138
Contract liabilities		
Related companies commonly controlled by the Ultimate Controlling Shareholder	232	–
Other related companies (Note i)	172,127	113,440
Total	172,359	113,440
Other payables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	912	7,726
Other related companies (Note i)	3,504	6,390
Total	4,416	14,116
Lease liabilities		
Related companies commonly controlled by the Ultimate Controlling Shareholder	16,015	36,405
Other related companies (Note i)	–	2,985
Total	16,015	39,390

Note:

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

34 RELATED PARTY TRANSACTIONS (Continued)

(d) Key management compensation

Key management includes directors and senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

For the year ended 30 June	2021 HK$'000	2020 (restated) HK$'000
Fees	2,466	1,554
Salaries and other emoluments	94,253	40,340
Contributions to defined contribution schemes	3,188	2,280
Total	99,907	44,174

The emoluments to directors and members of the senior management of the Group fell within the following bands:

For the year ended 30 June	2021 Number of individuals	2020 (restated) Number of individuals
Emolument bands		
Nil – HK$1,000,000	6	8
HK$1,000,001 – HK$1,500,000	1	–
HK$1,500,001 – HK$2,000,000	2	3
HK$2,000,001 – HK$2,500,000	1	4
HK$2,500,001 – HK$3,000,000	3	5
HK$3,000,001 – HK$3,500,000	3	–
HK$3,500,001 – HK$4,000,000	2	–
HK$4,000,001 – HK$4,500,000	–	1
HK$4,500,001 – HK$5,000,000	2	1
HK$5,000,001 – HK$5,500,000	–	1
HK$5,500,001 – HK$6,000,000	1	–
HK$6,000,001 – HK$6,500,000	–	–
HK$6,500,001 – HK$7,000,000	–	–
HK$7,000,001 – HK$7,500,000	–	–
HK$7,500,001 – HK$10,000,000	–	–
HK$10,000,001 – HK$40,000,000	2	–
Total	23	23

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

As at 30 June	2021 HK$'000	2020 HK$'000
ASSETS		
Non-current assets		
Subsidiaries	412,132	501,697
Current assets		
Trade and other receivables	302	273
Amounts due from subsidiaries	1,888,482	1,218,148
Cash and bank balances	31,986	3,333
	1,920,770	1,221,754
Total assets	2,332,902	1,723,451
EQUITY		
Ordinary shares	45,000	45,000
Convertible preference shares	140,900	140,900
Reserves (Note (a))	395,844	292,859
Total equity	581,744	478,759
LIABILITIES		
Current liabilities		
Trade and other payables	8,637	6,606
Amounts due to subsidiaries	1,742,521	1,238,086
Total liabilities	1,751,158	1,244,692
Total equity and liabilities	2,332,902	1,723,451
Net current assets/(liabilities)	169,612	(22,938)
Total assets less current liabilities	581,744	478,759

The statement of financial position of the Company was approved by the Board of Directors on 27 September 2021 and was signed on its behalf.

Lam Wai Hon, Patrick
Director

Poon Lock Kee, Rocky
Director

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note (a) Reserve movement of the Company

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2019	743,204	(321,460)	421,744
Loss for the year	–	(17,735)	(17,735)
Dividends	–	(111,150)	(111,150)
At 30 June 2020	743,204	(450,345)	292,859
At 1 July 2020	**743,204**	**(450,345)**	**292,859**
Profit for the year	**–**	**306,289**	**306,289**
Dividends	**–**	**(194,850)**	**(194,850)**
Preferred distribution	**–**	**(8,454)**	**(8,454)**
At 30 June 2021	**743,204**	**(347,360)**	**395,844**

36 PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries as at 30 June 2021:

Company name	Place of incorporation or establishment/ place of operation	Issued/Registered and paid-up capital	Attributable equity interest of the Group As at 30 June 2021	2020	Principal activities
Directly-owned subsidiaries:					
FSE City Essential Services Limited	British Virgin Islands	1 share of US$1 paid up to US$1	100	–	Investment holding
FSE Engineering Group Limited	British Virgin Islands/ Hong Kong	50,000,000 shares of HK$1 each paid up to HK$50,000,000	100	100	Investment holding
FSE Environmental Solutions Limited (Formerly Fortunate House Limited)	British Virgin Islands	1 share of US$1 paid up to US$1	100	100	Investment holding
FSE Facility Services Group Limited	British Virgin Islands	1 share of US$1 paid up to US$1	100	100	Investment holding
FSE Property Management Group Limited	British Virgin Islands	1 share of US$1 paid up to US$1	100	100	Investment holding
Lucky Bridge Investments Limited	British Virgin Islands/ Hong Kong	1 share of US$1 paid up to US$1	100	100	Investment in trading securities

36 PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation or establishment/ place of operation	Issued/Registered and paid-up capital	Attributable equity interest of the Group As at 30 June 2021	2020	Principal activities
Indirectly owned subsidiaries:					
Bright Team Enterprises Limited[3]	Hong Kong	1 share paid up to HK$1	–	100	Provision of transportation services to fellow subsidiaries
Business Investments Limited	British Virgin Islands	1 share of US$1 paid up to US$1	100	–	Investment holding
Building Material Supplies Limited	British Virgin Islands	1 share of HK$1 paid up to HK$1	100	100	Investment holding
Companion Building Material Supplies (H.K.) Limited	Hong Kong	100 shares paid up to HK$100	100	100	Trading of ceramic tiles and building materials and provision of maintenance and fitting out services
Crystal Brilliant Limited	British Virgin Islands	1 share of US$1 paid up to US$1	100	100	Investment holding
Espora Company Limited	Hong Kong	2 shares paid up to HK$2	100	100	Provision of property management services
Environmental Pioneers & Solutions Limited	Hong Kong	1,000 shares paid up to HK$100,000	100	100	Trading of environmental products and the provision of related engineering and consultancy services
Extensive Trading Company Limited	Hong Kong	8,500,000 ordinary shares and 1,500,000 non-voting deferred shares[1] paid up to HK$10,100,000	100	100	Trading of equipment and materials
EPS Environmental Technologies (Macao) Limited	Macau	MOP25,000	100	100	Trading of environmental products and the provision of related engineering and consultancy services
Far East Engineering Services Limited	Hong Kong	766,714 ordinary shares and 233,288 non-voting deferred shares[1] paid up to HK$10,000,020	100	100	Mechanical and electrical engineering, trading and project management consultancy
Far East Technical Services (Macao) Limited	Macau	MOP25,000	100	100	Mechanical and electrical engineering
FSE C & L Limited	British Virgin Islands	1 share of US$1 paid up to US$1	100	–	Investment holding

36 PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation or establishment/ place of operation	Issued/Registered and paid-up capital	Attributable equity interest of the Group As at 30 June 2021	2020	Principal activities
FSE Engineering (China) Limited	Hong Kong	100,000 shares paid up to HK$100,000	100	–	Investment holding
FSE Environmental Laboratory Services Limited	Hong Kong	10,000 shares paid up to HK$10,000	100	100	Provision of testing and calibration services
FSE Environmental Technologies Limited	British Virgin Islands	1 share of US$1 paid up to US$1	100	100	Investment holding
FSE Facility Management Limited	Hong Kong	2 shares paid up to HK$2	100	100	Provision of referral services to a fellow subsidiary engaged in insurance brokerage business
FSE Ins Limited	British Virgin Islands	1 share of US$1 paid up to US$1	100	–	Investment holding
FSE S & G Limited	British Virgin Islands	1 share of HK$1 paid up to HK$1	100	–	Investment holding
General Security & Guarding Limited	British Virgin Islands	1 share of HK$1 paid up to HK$1	100	–	Investment holding
General Security (H.K.) Limited	Hong Kong	8,402 ordinary shares and 11,600 non-voting deferred shares[1] paid up to HK$2,000,200	100	–	Security services, sales and maintenance of alarm systems
General Security Limited	Hong Kong	2 ordinary shares and 2,500 non-voting deferred shares[1] paid up to HK$250,200	100	–	Security services
Hong Kong Island Landscape Company Limited	Hong Kong	1,980,000 ordinary shares and 20,000 non-voting deferred shares[1] paid up to HK$20,000,000	100	–	Trading, landscaping project contracting
i-Urban Limited	Hong Kong	2 shares paid up to HK$2	100	100	Inactive
International Property Management Limited	Hong Kong	450,000 ordinary shares and 95,500 non-voting deferred shares[1] paid up to HK$545,500	99	99	Investment holding and provision of property management services for buildings
International Reinsurance Management Limited	Hong Kong	500,000 shares paid up to HK$500,000	100	–	Reinsurance brokerage

36 PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation or establishment/ place of operation	Issued/Registered and paid-up capital	Attributable equity interest of the Group As at 30 June 2021	2020	Principal activities
Joneson Environmental Technologies Limited	Hong Kong	535,000 ordinary shares and 35,000 non-voting deferred shares[1] paid up to HK$570,000	100	100	Trading, building maintenance, chemical engineering
Kleaners Limited[3]	Hong Kong	5,000,000 shares paid up to HK$5,000,000	–	100	Laundry services
Kiu Lok International Realty Limited	Hong Kong	2 shares paid up to HK$2	100	100	Provision of property agency and related services for buildings in Hong Kong
Kiu Lok Properties (International) Limited	Hong Kong	2 shares paid up to HK$2	70	–	Provision of property agency and related services for buildings in Hong Kong
Kiu Lok Service Management Company Limited	Hong Kong	2 ordinary shares and 1,002 non-voting deferred shares[1] paid up to HK$100,400	100	100	Provision of property management, property agency and related services for buildings in Hong Kong
KL Property Management Limited	Hong Kong	1 share paid up to HK$1	100	100	Provision of property management and related services for buildings in Hong Kong
KLPS Group Limited	Hong Kong	20,000,000 shares paid up to HK$20,000,000	100	100	Investment holding
KOHO Facility Management Limited	Hong Kong	1 share paid up to HK$1	100	100	Provision of property management services for buildings
Legend Success Investments Limited	British Virgin Islands	1 share of US$1 paid up to US$1	100	100	Investment holding
Majestic Engineering Company Limited	Hong Kong	30,000 shares paid up to HK$30,000,000	100	100	Mechanical and electrical engineering
Majestic Engineering (Macao) Company Limited	Macau	MOP25,000	100	100	Mechanical and electrical engineering
Majestic Plumbing Engineers Limited	Hong Kong	2,000,000 shares paid up to HK$2,000,000	100	100	Plumbing engineering services
New China Laundry Limited[3]	Hong Kong	40,000,002 ordinary shares and 704,000 non-voting deferred shares[1] paid up to HK$40,704,002	–	100	Laundry services

36 PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation or establishment/ place of operation	Issued/Registered and paid-up capital	Attributable equity interest of the Group As at 30 June 2021	2020	Principal activities
New China Steam Laundry Limited[3]	British Virgin Islands	1 share of HK$1 paid up to HK$1	–	100	Investment holding
Nova Insurance Consultants Limited	Hong Kong	500,000 shares paid up to HK$500,000	100	–	Insurance brokerage
Ocean Front Investments Limited[3]	Hong Kong	1 share paid up to HK$1	–	100	Property holding
Paramatta Estate Management Limited	Hong Kong	10,000 shares paid up to HK$10,000	100	100	Estate Manager of City One, Shatin
Park Vale (Management) Limited	Hong Kong	2 shares paid up to HK$2	100	100	Provision of property management services for buildings
Perfect Event Services Limited	Hong Kong	10,000 shares paid up to HKS$10,000	100	–	Provision of one-stop solution and support services to event activities
Plantgrove Developments Limited	British Virgin Islands	2 shares of US$1 each paid up to US$2	100	–	Investment holding
Smart and Safe Fleet Management Limited	Hong Kong	1 share paid up to HK$1	100	100	Provision of fleet management services in Hong Kong
Sunningdale (Management) Limited	Hong Kong	2 shares paid up to HK$20	100	100	Provision of property management services for buildings
Turning Technical Services Limited	Hong Kong	200,000 shares paid up to HK$200,000	99	99	Provision of cleaning, repairs and maintenance services for properties
Uniformity Security Limited	British Virgin Islands	1 share of HK$1 paid up to HK$1	100	–	Investment holding
Urban Focus Limited	British Virgin Islands	1 share of US$1 paid up to US$1	100	–	Investment holding
Urban Management Services Limited	Hong Kong	10,000 shares paid up to HK$10,000	100	100	Provision of property management services
Urban Property Management Limited	Hong Kong	49,995,498 ordinary shares and 4,502 non-voting deferred shares[1] paid up to HK$50,000,000	100	100	Provision of property management services for buildings and investment holding
Urban Technical Services Limited	Hong Kong	2 shares paid up to HK$2	100	100	Provision of repairs and maintenance services

36 PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation or establishment/ place of operation	Issued/Registered and paid-up capital	Attributable equity interest of the Group As at 30 June 2021	2020	Principal activities
Tridant Engineering Company Limited	Hong Kong	34,400,000 ordinary shares and 15,600,000 non-voting deferred shares[1] paid up to HK$50,000,000	100	100	Provision of mechanical and electrical engineering services
Waihong Cleaning Limited	British Virgin Islands	1 share of HK$1 paid up to HK$1	100	100	Investment holding
Waihong Environmental Services Limited	Hong Kong	400,000 shares paid up to HK$40,000,000	100	100	Provision and management of cleaning and waste disposal services and provision of recycling and environmental disposal services
Waihong Integrated Green Services Limited	Hong Kong	400,000 shares paid up to HK$400,000	100	100	Provision of pest control services
Waihong Medicare Services Limited	Hong Kong	1 share paid up to HK$1	100	100	Provision of cleaning services in hospitals
Wise Plaza Limited	Hong Kong	10,000 ordinary shares paid up to HK$10,000	70	–	Investment holding
Young's Engineering Company Limited	Hong Kong	4,000,000 shares paid up to HK$40,000,000	100	100	Mechanical and electrical engineering
Young's Engineering (Macao) Company Limited	Macau	MOP100,000	100	100	Mechanical and electrical engineering
豐盛機電工程有限公司[2]	Mainland China	RMB50,000,000	100	100	Mechanical and electrical engineering
北京遠東景福機電設備維修有限公司[2]	Mainland China	US$150,000	100	100	Mechanical, electrical engineering and maintenance
景福機電安裝工程(上海)有限公司[2]	Mainland China	RMB15,000,000	100	100	Mechanical and electrical engineering
廣州凱康園林服務有限公司[2]	Mainland China	RMB1,000,000	100	–	Provision of landscaping services

36 PRINCIPAL SUBSIDIARIES (Continued)

Notes:

1. The non-voting deferred shares do not carry any voting rights and are not entitled to any profits distribution by the subsidiary. On a return of assets on winding up or otherwise, the assets of the subsidiary to be returned shall be distributed firstly in paying HK$1 billion per share to the holders of the ordinary shares and secondly in repaying to the holders of non-voting deferred shares the nominal amount paid up or credited as paid upon such shares. The balance of the assets of the subsidiary shall be distributed among the holders of the ordinary shares.

2. These subsidiaries are registered as wholly foreign owned enterprises under the law of Mainland China.

3. These subsidiaries were disposed of during the year ended 30 June 2021.

37 COMPARATIVE AMOUNTS

As explained in Notes 2.1(iii)(a) and 5 to the consolidated financial statements, due to the Group's application of merger accounting for business combinations under common control and change in operating segments determined by the Group's CODM during the year ended 30 June 2021, certain comparative amounts have been restated to conform with the current year's accounting treatments and presentation.

Five-Year Financial Summary

FSE LIFESTYLE — CONSOLIDATED[(i)]

RESULTS	For the year ended 30 June				
	2017 (restated) HK$'000	2018 (restated) HK$'000	2019 (restated) HK$'000	2020 (restated) HK$'000	**2021** **HK$'000**
Revenue	5,879,459	6,039,136	6,159,736	5,656,086	**6,452,741**
Profit for the year attributable to shareholders of the Company	341,968	361,015	385,380	412,161	**586,911**

ASSETS, LIABILITIES AND EQUITY	As at 30 June				
	2017 (restated) HK$'000	2018 (restated) HK$'000	2019 (restated) HK$'000	2020 (restated) HK$'000	**2021** **HK$'000**
Total assets	3,761,913	3,255,922	3,512,205	3,740,112	**3,050,225**
Total liabilities	2,373,899	2,278,618	2,438,215	3,023,655	**2,950,711**
Total equity	1,388,014	977,304	1,073,990	716,457	**99,514**

FINANCIAL INFORMATION PER SHARE	For the year ended 30 June/As at 30 June				
	2017 (restated)	2018 (restated)	2019 (restated)	2020 (restated)	**2021**
Earnings (HK$)	0.76	0.80	0.86	0.91	**1.29**

KEY RATIOS	For the year ended 30 June/As at 30 June				
	2017 (restated)	2018 (restated)	2019 (restated)	2020 (restated)	**2021**
Return on assets	9.1%	11.1%	11.0%	11.0%	**19.2%**
Return on equity	24.6%	36.9%	35.9%	57.5%	**589.6%**
Current ratio (times)	1.3	1.2	1.2	1.3	**1.0**
Net gearing ratio	0%	0%	0%	0%	**0%**

Note:

(i) Consolidated figures after intra-group eliminations. For presentation purpose, the financial information for 2017 to 2020 have been restated for the Group's application of merger accounting for its acquisition of the Business Investments Group completed on 19 April 2021 which have been accounted for as a business combination under common control. Details of the acquisition are set out in Note 2.1(iii)(a) to the consolidated financial statements.

Corporate Information

BOARD OF DIRECTORS

Non-executive Director

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

Executive Directors

Mr. Lam Wai Hon, Patrick *(Vice-Chairman)*
Mr. Poon Lock Kee, Rocky *(Chief Executive Officer)*
Mr. Doo William Junior Guilherme *JP*
Mr. Lee Kwok Bong
Mr. Soon Kweong Wah
Mr. Wong Shu Hung
Dr. Cheng Chun Fai

Independent Non-executive Directors

Mr. Kwong Che Keung, Gordon
Mr. Hui Chiu Chung, Stephen *JP*
Mr. Lee Kwan Hung, Eddie
Dr. Tong Yuk Lun, Paul

AUDIT COMMITTEE

Mr. Kwong Che Keung, Gordon *(Chairman)*
Mr. Hui Chiu Chung, Stephen *JP*
Mr. Lee Kwan Hung, Eddie
Dr. Tong Yuk Lun, Paul

REMUNERATION COMMITTEE

Mr. Hui Chiu Chung, Stephen *JP (Chairman)*
Mr. Lee Kwan Hung, Eddie
Dr. Tong Yuk Lun, Paul
Mr. Lam Wai Hon, Patrick
Mr. Poon Lock Kee, Rocky

NOMINATION COMMITTEE

Mr. Lee Kwan Hung, Eddie *(Chairman)*
Mr. Hui Chiu Chung, Stephen *JP*
Dr. Tong Yuk Lun, Paul
Mr. Poon Lock Kee, Rocky
Mr. Doo William Junior Guilherme *JP*

COMPANY SECRETARY

Mr. Chan Ju Wai

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered PIE Auditor
22/F Prince's Building
Central
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
BNP Paribas Hong Kong Branch
Chong Hing Bank Limited
Crédit Agricole Corporate and Investment Bank, Hong Kong Branch
Fubon Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
JPMorgan Chase Bank NA, Singapore
Nanyang Commercial Bank, Limited
Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 801–810
8th Floor, Chevalier Commercial Centre
8 Wang Hoi Road, Kowloon Bay
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

331

INVESTOR RELATIONS

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

WEBSITE

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

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