



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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 331

FSE Lifestyle Enriching Lifestyle

Interim Report 2023-2024



About FSE Lifestyle Services Limited

FSE Lifestyle Services Limited 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 our below major groups of companies which have all been the market leaders in their respective industries. They include:

Property & Facility Management Services

- Property & Facility Management - Urban Group (“Urban”)
- Property Management - International Property Management Limited (“International Property Management”)
- Property Management, and Sales & Leasing - Kiu Lok Service Management Group (“Kiu Lok”)

City Essential Services

- Cleaning & Pest Control - Waihong Services Group (“Waihong”)
- Technical Support & Maintenance - Far East Engineering Services Group (“Far East Engineering Services”) and Turning Technical Services Limited (“Turning Technical Services”)

- Security Guarding & Event Services - General Security Group (“General Security”) and Perfect Event Services Limited (“Perfect Event”)
- Insurance Solutions - Nova Insurance Group (“Nova”)
- Environmental Solutions - FSE Environmental Solutions Group

E&M Services

- Engineering and Consultancy on Installation - FSE Engineering Group

With their professionalism and expertise, together with the extensive synergies generated among the companies under FSE Lifestyle, we are able to build up a strong network and offer comprehensive “one-stop-shop” professional services to our clients who are engaged in a wide diversity of projects including property developments, public infrastructures, education and transportation facilities as well as entertainment and travel industries in Hong Kong, Macau and the Mainland China.

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



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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 customised 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

Integrity

Passion

Teamwork

Caring

Innovation



Property & Facility Management Services



City Essential Services



E&M Services



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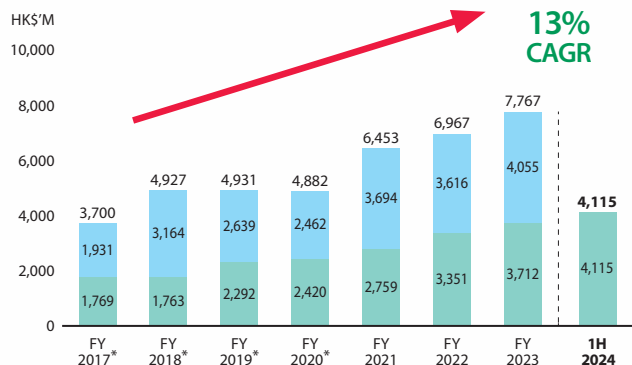
79 Corporate Information



8-Year Achievements Since Listing

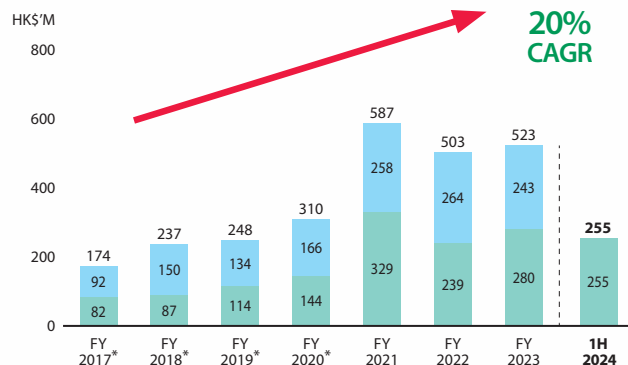
Growth Trend

Revenue



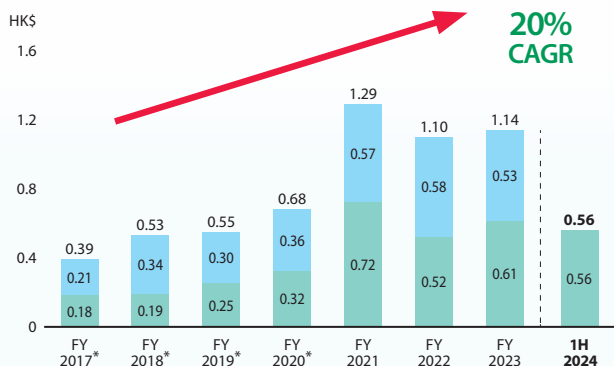
Through organic growth and acquisitions, consolidated revenue grew more than 100% from FY2017 to FY2023.

Profit Attributable to Shareholders



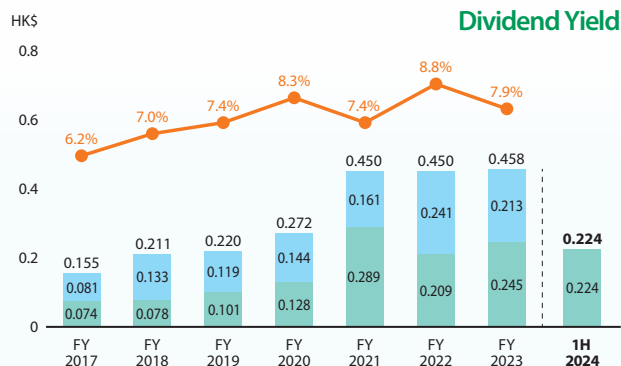
Compared with FY2017, consolidated profit attributable to shareholders for FY2023 tripled.

Earnings per Share



Earnings per share surged more than 190% from FY2017 to FY2023.

Dividend per Share



Compared with FY2016, dividends per share for FY2023 increased more than 200% and was maintained at a stable dividend payout ratio of about 40%.

■ First half ■ Second half

* Reported figures per respective year's published annual results without including subsequent restatements caused by business acquisitions.

8-Year Achievements Since Listing

Operational Performance



Property & Facility Management Services

New and Renewed Contracts in 1H2024*

12 Contracts
HK\$91 million

Remaining Works at 31 December 2023
HK\$872 million



City Essential Services

New and Renewed Contracts in 1H2024*

150 Contracts
HK\$1,943 million

Remaining Works at 31 December 2023
HK\$6,638 million



E&M Services

New and Renewed Contracts in 1H2024*

13 Contracts
HK\$1,034 million

Remaining Works at 31 December 2023
HK\$5,542 million

* With net contract sum not less than HK\$1 million for each contract.

Environmental, Social and Governance

Loyal and Sizeable Workforce

(As at 31 December 2023)

Number of Staff
24,881

(1,662 as at 30 June 2016)

Environmental Targets

(FY2024 vs FY2023)

Fuel Consumption

▼ **0.5%**

Electricity Consumption

▼ **1.5%**

Paper Procured

▼ **8%**

People Development and Corporate Social Responsibility

(Six months ended 31 December 2023)

Total Training Hours Attended by Staff

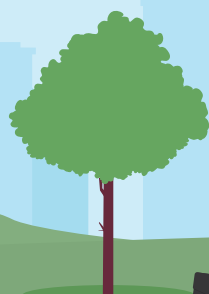
89,860

Total Volunteer Service Hours

5,168

Number of Volunteering Participants

1,375



Financial Highlights

	For the six months ended 31 December		% Change
	2023 HK\$'M	2022 HK\$'M	
Revenue	4,114.5	3,712.1	+10.8%
Gross profit	516.4	535.0	-3.5%
Profit attributable to shareholders of the Company ⁽ⁱ⁾	255.4	279.5	-8.6%
Basic earnings per share	HK\$0.56	HK\$0.61	-8.2%

The Board declared the payment of an interim dividend of HK22.4 cents (Six months ended 31 December 2022: HK24.5 cents) per ordinary share to the ordinary shareholders of the Company for the six months ended 31 December 2023⁽ⁱⁱ⁾.

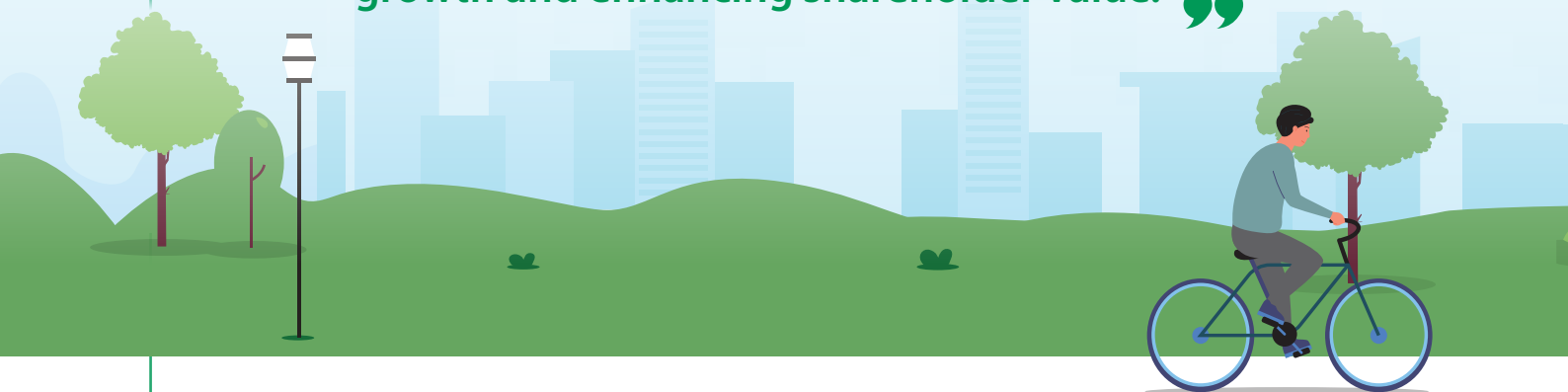
Notes:

- (i) If excluding the effects of government grants in the Group's results for both periods to better illustrate the Group's financial results without such effects, the Group recorded a decrease in adjusted net profit of 1.5% to HK\$231.0M (i.e. after excluding government grants of HK\$24.4M from profit attributable to shareholders of the Company of HK\$255.4M) for the six months ended 31 December 2023 as compared to its adjusted net profit of HK\$234.5M (i.e. after excluding government grants of HK\$45.0M from profit attributable to shareholders of the Company of HK\$279.5M) for the six months ended 31 December 2022. For details of the related government grants, please refer to the "Summary of government grants" table in the "Management Discussion and Analysis" section on page 12.
- (ii) For the six months ended 31 December 2023, the dividend payout ratio of the Company is 40.1%, calculated based on the Group's adjusted profit for the six months ended 31 December 2023 attributable to ordinary shareholders of the Company of HK\$251.1M (i.e. after deducting preferred distribution to the holder of convertible preference shares of HK\$4.3M for the six months ended 31 December 2023 from profit attributable to shareholders of the Company of HK\$255.4M).

For the six months ended 31 December 2022, the dividend payout ratio of the Company was 40.1%, calculated based on the Group's adjusted profit for the six months ended 31 December 2022 attributable to ordinary shareholders of the Company of HK\$275.2M (i.e. after deducting preferred distribution to the holder of convertible preference shares of HK\$4.3M for the six months ended 31 December 2022 from profit attributable to shareholders of the Company of HK\$279.5M).

Chairman's Statement

“ As a large and unique lifestyle services conglomerate, we shall implement a trio-interactive strategy of safety & health, customer engagement, and training & development, which are integral to our mission to deliver excellence in all aspects of our operations, and are fundamental to our long-term success, ensuring sustainable growth and enhancing shareholder value. ”



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 unaudited condensed consolidated interim results of the Company for the six months ended 31 December 2023 (the “Period”).

SUSTAINING THE PERFORMANCE SINCE THE COMPANY'S LISTING WITH DIVERSIFICATION AND TRIO-INTERACTIVE STRATEGY

The year 2024 marks the eighth anniversary of the Company's listing in Hong Kong. Since then, we have rapidly diversified our businesses through organic growth and acquisitions to reposition the Group as a large and unique lifestyle services conglomerate offering the following comprehensive range of services to clients:

Chairman's Statement



Property & Facility Management Services, including Property & Facility Management, Car Park Management and Sales & Leasing



City Essential Services, including Cleaning & Pest Control, Technical Support & Maintenance, Security Guarding & Event Services, Insurance Solutions and Environmental Solutions



E&M Services, including Engineering Works, Design & Consultancy

Compared with our financial performance for the year ended 30 June 2016, the Group's consolidated revenue more than doubled in FY2023, profit attributable to shareholders more than tripled, and earnings per share increased by more than 170%. The Property & Facility Management Services and City Essential Services segments also now account for more than half of the Group's revenue, gross profit and net profit. The Group continues to exercise prudent financial management. During the Period, its net gearing ratio was zero.

The Group's consolidated revenue more than doubled, profit attributable to shareholders more than tripled and earnings per share increased by more than 170% for FY2023 compared to FY2016.

At a strategic level, this year we will implement a trio-interactive strategy of safety & health, customer engagement, and training & development, which are integral to our mission to deliver excellence in all aspects of our operations, and are fundamental to our long-term success, ensuring sustainable growth and enhancing shareholder value.

First and foremost, as a service company with our employees as the biggest asset, safety & health remains our top priority. We actively promote occupational safety & health and have a well-established taskforce that reports directly to the Risk Management Committee. By fostering a safety-conscious culture through technology, we are committed to minimising risks and ensuring the highest standards of safety in line with the amended Occupational Safety and Health Ordinance (Cap. 509), which came into force in April 2023.

Secondly, in an increasingly competitive market, customer engagement is paramount to meet the changing needs of customers. Our commitment to upskill our employees to better understand our stakeholders' and customers' needs and expectations and to strengthen their relationships with clients is unwavering.

Finally, we have broadened our management bandwidth by optimising organisational structures within our various business units. As part of our people-focused approach, we will continue to invest in our people through diversified and targeted training to develop our colleagues, especially young talents.

In tandem with our trio-interactive strategy, our established business ecosystem provides high-quality and complementary integrated services, create cross-selling opportunities and leverage advanced technologies and smart solutions such as artificial intelligence ("AI") and the Internet of Things ("IoT") to enhance the satisfaction of our valued customers.

Our major groups of companies have all been the market leaders in their respective industries.

Chairman's Statement

As a result of the implementation of robust strategies and the dedication of our management team, the Group's profit attributable to shareholders reached HK\$255.4 million for the six months ended 31 December 2023, with a net cash position at the end of the period. The Board has declared an interim dividend of HK22.4 cents per ordinary share for its ordinary shareholders for the six months ended 31 December 2023, representing a payout ratio of 40.1%.

Established Market Positions

Through our years of efforts, our major groups of companies have all been the market leaders in their respective industries. I am pleased to tell that, according to a Frost & Sullivan's market research conducted in September 2023, our Property & Facility Management Group was ranked first for units of residential properties and car parks managed and second for non-residential properties, after excluding service companies owned by property developers; our Insurance Solutions business was ranked first among local insurance brokers; and our Cleaning & Pest Control Services, Security Guarding and E&M businesses were ranked second in their respective markets.

Our Property & Facility Management Group is one of the largest independent property and car park management service providers in Hong Kong.

Property & Facility Management Services

Our Property & Facility Management Group, which comprises Urban, International Property Management and Kiu Lok, is one of the largest independent property and car park management service providers in Hong Kong. With more than

50 years of experience, we are able to improve people's living conditions through property management services, building renovation and refurbishment, and leasing and tenancy management, some of which provide significant cross-selling opportunities for our City Essential Services segment. With one of the strongest technical and engineering teams in the industry and one of the most professionally qualified service teams with over 300 Tier 1 and Tier 2 property management professionals, the Group is well prepared to capitalise on business opportunities and is fully compliant with the Property Management Services Ordinance. We currently have more than 300 property management contracts covering no less than 140,000 residential units, 3.1 million square metres of commercial property and 40,000 car park spaces.

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

The property management industry is expected to grow steadily and present various opportunities. The increasing emphasis on outsourcing non-core operations in the property sector and the stable housing and land supply will help drive expansion in the property management market. Furthermore, urban renewal and the accelerated implementation of urgent repair works under the Mandatory Building Inspection Scheme will provide another growth driver in the coming years. Looking ahead, our Property & Facility Management Group is committed to the continuous application of new and modern management standards and information technology in its operations to meet the growing customer demand for smart, sustainable and green living.

Chairman's Statement

City Essential Services

Building on our recognisable brands, high service quality and strong cross-selling synergies created by our business ecosystem, the Group continued to successfully promote its City Essential Services during the year:

Waihong is one of the top two players in the environmental hygiene services market in Hong Kong.

Cleaning & Pest Control Services – Waihong is one of the top two players in the environmental hygiene services market in Hong Kong. With the current emphasis on hygiene and environmental control, the Hong Kong Government is currently awarding cleaning service contracts worth an estimated HK\$5 billion per year. Against this backdrop, Waihong has strategically allocated more resources to strengthen its competitiveness in this sector, thereby diversifying its revenue sources and increasing the proportion of revenue from the government and quasi-government sectors to more than 50%. In addition, the Group has introduced new information technology and robotic applications in its operations to improve efficiency and work safety.

With its extensive experience, high-quality customised services and distinctive brand, Waihong will continue to increase its participation in the green waste management business to better align with the Hong Kong Government's environmental policies. In addition, with the implementation of the Solid Waste Charging Scheme in 2024 and the government's promotion of

the Waste Blueprint 2035 and the Climate Action Plan 2050, we are exploring various recycling business opportunities. Given the increasing public awareness of environmental hygiene and demand for preventive disinfection services, we are optimistic about the future of the industry.

Technical Support & Maintenance Services – This division, which comprises Far East Engineering Services and Turning Technical Services, anticipates growing demand for term maintenance contracts, major alterations, additions and system upgrades for various commercial and residential buildings, hospitals, government properties and educational institutions as the economy recovers. According to a research by the Urban Renewal Authority, there are more than 10,000 buildings in Hong Kong that are over 50 years old, in addition to no less than 300 hotels and 50 shopping malls, providing ample opportunities for renovation and system upgrades. In view of Hong Kong's Climate Action 2050 Carbon Neutral Policy, there will also be increasing demand for promotion of energy-efficient buildings and retrofitting of existing structures to reduce their carbon footprints, including chiller plant upgrading or replacement projects. Furthermore, this division will continue to play a complementary role in supporting our Property & Facility Management Services business, particularly in providing practical assistance for building inspections in compliance with the requirements under the government's Mandatory Building Inspection Scheme.

Our technical support & maintenance services division anticipates growing demand for term maintenance contracts, major alterations, additions and system upgrades.

Chairman's Statement

Security Guarding & Event Services – General Security holds all three licences for security services companies in Hong Kong and is one of the top two service providers in the security guarding services sector. Given the stable housing supply, which is the main driver of demand for security services, it is likely to expand at a similar pace. We will widely adopt cloud technology and AI for patrol and manpower planning to improve operational efficiency and alleviate the industry-wide recruitment difficulties that still exist, albeit with improvement. As the exhibition and entertainment industries continue to recover, Perfect Event is actively responding to demand for services in the conference, convention, exhibition and leisure and culture sectors. It aims to win service contracts for large-scale events in the events and exhibitions sector. Technological advances have also created more demand for advanced electronic security equipment such as alarm systems and video surveillance cameras from property management companies for more effective facility management. To capture these business opportunities, the Group will expand the product range of its security systems business.

General Security is one of the top two service providers in security & guarding services, widely adopts cloud technology and AI for patrol and manpower planning.

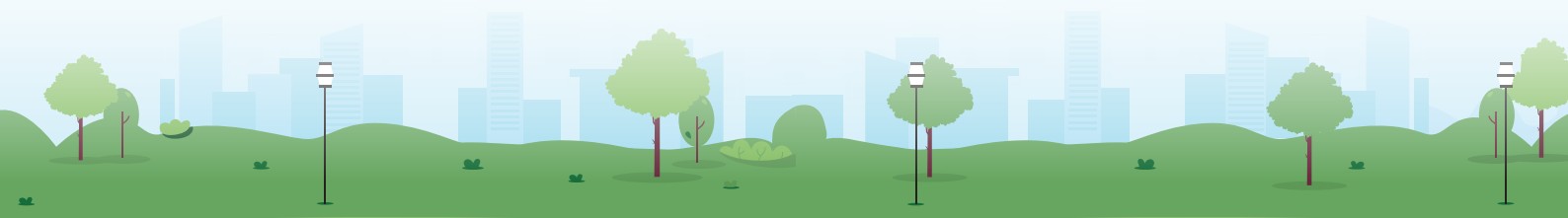
Insurance Solutions – Nova is the leading local insurance broker in Hong Kong, with a solid 35-year track record in terms of gross insurance brokerage revenue. It provides one-stop risk management and insurance solutions to

The large number of construction projects in the pipeline and the strong demand for specialty insurance strengthen Nova's growth.

corporate and individual clients, including but not limited to property, casualty, construction, and employee benefits. Last year, the government released a development roadmap for the insurance sector, outlining its vision and mission, as well as targeted policy initiatives to strengthen the city's status as a global risk management centre and sophisticated insurance hub. Given Nova's extensive experience, the large number of construction projects expected in the near future and the strong demand for specialty insurance, such as cyber and professional indemnity, will complement its growth. The employee benefits business is also expected to expand as the population ages. Overall, the Group expects to see further growth in its Insurance Solutions business.

Environmental Solutions – Environmental Solutions, which comprises three business lines: Environment Solutions, Smart Solutions and Green Solutions, aims to seize the numerous opportunities arising from the unprecedented focus on environmental sustainability and the growing public awareness of environmental issues.

Recognising the demand for high standards of living environment and hygiene, the Group will focus on real-time indoor air quality ("IAQ") monitoring and pest control, in addition to its well-known water treatment, environmental consultancy and assessment services.



Chairman's Statement

We will develop new and innovative businesses and strengthen building management and environmental monitoring systems that contribute to energy efficiency and carbon management.

The division's extra-low voltage team will apply digital solutions such as AI, IoT and various 5G mobile applications to develop new and innovative businesses and strengthen building management and environmental monitoring systems that contribute to energy efficiency and carbon management, in line with customers' sustainability goals. Electrification is also key to accelerating decarbonisation. Apart from our development of integrated facility management solutions, including smart offices, smart toilets, our EV charging business is in the pipeline as the government strives to expand the network of charging facilities with charging infrastructure to around 200,000 by mid-2027.

Furthermore, in view of the government's consistent greening policies, urban planning initiatives and various support schemes, as a landscape services provider, we are able and willing to contribute to the development of the industry by providing high-quality arboricultural and horticultural services to our prestigious clients, besides the eco-friendly tiles we supply.

E&M Services

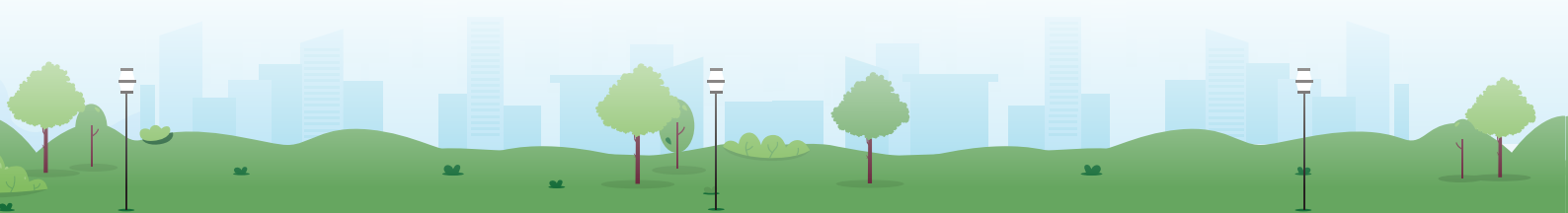
Hong Kong

With the Hong Kong Government's commitment to maintaining a stable supply of commercial and residential land, the average expenditure on E&M construction works is expected to exceed HK\$30 billion in the public sector and

HK\$25 billion in the private sector in the fiscal year 2024/25, according to data from the Construction Industry Council. The Group's E&M Services segment, which comprises Young's Engineering Group, Majestic Engineering Group and FSE Engineering Group, is currently one of the two dominant players in the Hong Kong market. Although the Group has large-scale projects in the pipeline, including the Kai Tak Sports Park, the District Court at Caroline Hill Road, expansion of the Legislative Council Complex and the New Public Market in Tin Shui Wai, it is well positioned to take on even larger infrastructure and construction projects. Some of our more notable major design and construction bids include the Tuen Mun South Extension MTRC Station, public housing and the dedicated rehousing estate at Kwu Tung North New Town, which are currently under negotiation.

Our E&M services is well positioned to take on large infrastructure and construction projects with its technological strengths on BIM and MiC.

Tender preparations are also underway for the New Central Harbourfront commercial development and AsiaWorld-Expo Phase 2. In addition, the Northern Metropolis Development Strategy, which provides opportunities to upgrade the city's urban space, is set to become the most important urban development initiative. The Group will continue to leverage its technological strengths and differentiated competencies, such as Building Information Modelling ("BIM") and Modular Integrated Construction ("MiC"), to expand its signature contracting business in the future.



Chairman's Statement

We will strengthen our business presence in Mainland China by our dual-core engine, supply/installation and project management expertise and well-established brand.

Mainland China

Mainland China will continue to pursue high-quality development through deepening reform and opening-up and maintain reasonable growth in the coming years as the urbanisation rate increases. As one of the few Hong Kong-based E&M general engineering contractors with Class I qualification in Mainland China, the Group is well positioned to optimise its project coverage and gain new growth momentum in this vast market. In addition, with more than 30 years of experience, extensive goodwill and reputable brands, the Group has a strong platform to win new contracts in this market. Over the past year, we secured sizeable mixed-use development projects in other major cities such as Shanghai, Hangzhou, Kunming and Ningbo. To this end, the Group will continue its efforts to strengthen its business presence in Mainland China, driven by its dual-core engine, supply/installation and project management expertise and well-established brand.

Macau

Macau's economy will continue to improve in the coming year with the recovery of the travel and tourism industry and, most importantly, the granting of new 10-year concessions to six casino companies and their subsequent commitment to collectively invest nearly US\$15 billion to help rebalance the local economy towards international tourism. We will monitor developments closely and expect this new investment and

associated E&M tenders to be underway soon. In addition, the increased use of the Hong Kong-Zhuhai-Macau Bridge will fuel economic recovery and related construction contracts in Macau. As one of the major players in Macau's E&M industry for more than 20 years, we are well positioned to capture business opportunities as they arise.

We are well positioned to capture business opportunities, such as the granting of new 10-year concessions to six casino companies and their subsequent commitment to invest.

CONCLUSION

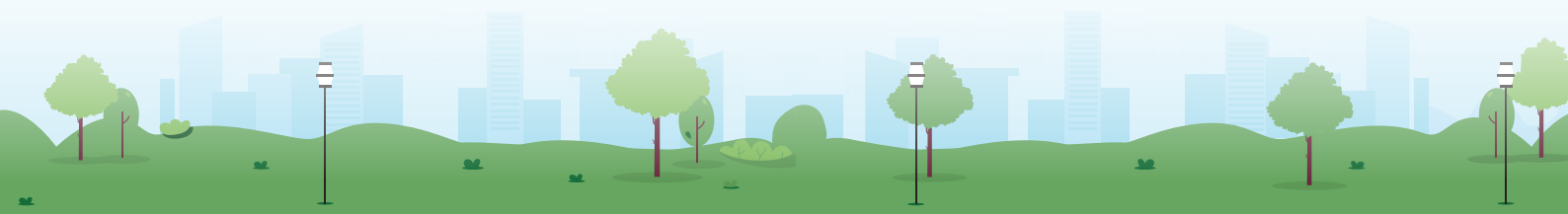
The Group will continue to grow in this new phase of development in the post-pandemic era. It will also continue to seek new business opportunities to expand its operations and maximise shareholder value.

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

Dr. Cheng Kar Shun, Henry

Chairman

Hong Kong, 27 February 2024



Management Discussion and Analysis

BUSINESS REVIEW

During the six months ended 31 December 2023 (the “Period”), the Group recorded revenue amounting to HK\$4,114.5 million, representing an increase of HK\$402.4 million or 10.8%, as compared with HK\$3,712.1 million for the six months ended 31 December 2022 (the “same period last year”). Profit attributable to shareholders for the Period was HK\$255.4 million, representing a decrease of HK\$24.1 million or 8.6% as compared with HK\$279.5 million for the same period last year, mainly resulted from (i) lower contributions from the security guarding & event services, insurance solutions and environmental solutions businesses; (ii) a decrease in government grants and (iii) higher corporate finance costs, partly offset by the effect of the strong performance of the E&M business. Details of the government grants recognised by the Group are set out in Note 6 to the condensed consolidated interim financial statements.

Summary of government grants

	For the six months ended 31 December	
	2023 HK\$'M	2022 HK\$'M
Recognised as deduction of staff costs included in “Cost of services and sales”	8.2	23.2
Recognised as deduction of staff costs included in “General and administrative expenses”	1.0	4.5
Recognised as “Other income”	15.2	17.4
Total	24.4	45.1
Non-controlling interests	-	(0.1)
Net	24.4	45.0

Results excluding government grants

If excluding the effects of government grants in the Group’s results for both periods to better illustrate the Group’s financial results without such effects, the Group would record a decrease in adjusted net profit for the Period of 1.5% to HK\$231.0 million (i.e. after excluding government grants of HK\$24.4 million from its profit attributable to shareholders of the Company of HK\$255.4 million) as compared to its adjusted net profit of HK\$234.5 million for the same period last year (i.e. after excluding government grants of HK\$45.0 million from its profit attributable to shareholders of the Company of HK\$279.5 million), despite the growth in its revenue mentioned above.

Gross value of contract sum and outstanding contract sum

	As at 31 December 2023	
	Gross value of contract sum HK\$'M	Outstanding contract sum HK\$'M
Property & facility management services	1,802	872
City essential services	10,667	6,638
E&M services	11,902	5,542
Total	24,371	13,052



Property & Facility Management Services

Number of staff
Over

5,100

Service contracts
Over

300

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

The Group’s property and facility management services business, comprising Urban, International Property Management and Kiu Lok (together, the “Property & Facility Management Group”), is one of 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. The companies provide comprehensive and recognised professional management services for their clients.

Our Property & Facility Management Group has expertise in six core property and facility management areas: (i) residential property asset management; (ii) facilities management and operations, including both public and private sectors; (iii) commercial, retail and industrial premises operations; (iv) project management; (v) leasing and tenancy management and (vi) car park operations and management. Its property asset and facility services cover all kinds of property and facility assets

Management Discussion and Analysis

including high end residential properties, government facilities, offices and quarters, academic campus and educational institutes, service apartments, Grade A intelligent buildings and commercial complexes, modern industrial premises, composite residential developments to regional car parks and various kinds of public and private facility assets.

Our Property & Facility Management Group's unique market differentiation lies in their integration of services, strong pool of professional talents and partnership approach with our clients. In addition, innovation keeps our Property & Facility Management Group at the forefront of the industry. It is a pioneer in the introduction of modern international standards and innovative service models in property and facility management in Hong Kong, including the industry first internet-based operations system Sm@rtUrban and drone applications which cover most of the operational functions in property and facility management, in addition to Urban's receipt of ISO 9001 in 1997 – the first private property and facility management company obtaining such certificate in Hong Kong.

During the Period, our Property & Facility Management Group submitted tenders for 29 service contracts (with a contract sum not less than HK\$1 million for each service contract) with a total tender sum of HK\$3,255 million and, combining the submitted tenders from previous months, was awarded 12 service contracts (with a net contract sum not less than



HK\$1 million for each service contract) with a total contract sum of HK\$91 million. Among these 12 service contracts, one of them was a major service contract (with net contract sum not less than HK\$20 million for each service contract) for a residential estate in Tuen Mun.

As at 31 December 2023, the property & facility management services segment has a total gross value of contract sum of HK\$1,802 million with total outstanding contract sum of HK\$872 million.



We would like to express our gratitude to Urban Group for providing excellent property management services to Fung Lai Court. Their staff members have shown dedicated attitude in serving the residents, and their efforts deserve commendation. Additionally, we appreciate their organisation of various activities that promote harmonious relationships among the residents.

The Incorporated Owners of Fung Lai Court



City Essential Services

Number of staff
Over

18,300

Service contracts
Over

8,700

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

Cleaning Services & Pest Control Services

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

Waihong’s unique market differentiation lies in its integration of services, enormous working teams comprising over 12,000 staff, a strong fleet management with over 80 municipal vehicles and full support towards customers. Waihong has applied advanced technology, including AI systems for smart toilets, electronic face recognition attendance system (Check-in Easy) and real-time

Management Discussion and Analysis

work monitoring system (ComEasy). High degree of service commitments keeps Waihong ranked among the top two players in the cleaning service industry in Hong Kong. It is a market leader and competent in always providing all of its clients with the best quality services.



During the Period, Waihong submitted tenders for 206 cleaning service contracts (with a contract sum not less than HK\$1 million for each service contract) with a total tender sum of HK\$4,298 million and, combining the submitted tenders from previous months, was awarded 55 service contracts (with a net contract sum not less than HK\$1 million for each service contract) with a total contract sum of HK\$842 million. Among these 55 service contracts, nine of them were major service contracts (with net contract sum not less than HK\$20 million for each service contract), which included cleaning contracts for a museum and a commercial complex in Tsim Sha Tsui, a shopping mall in Tsuen Wan, a school in Pokfulam, a tertiary institution in Wan Chai, a sports academy in Sai Kung, a hospital in Kowloon City and a theme park in the Lantau Island.

Technical Support & Maintenance Services

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

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

During the Period, the Group submitted tenders for 298 maintenance service contracts (with a contract sum not less than HK\$1 million for each contract) with a total tender sum of HK\$3,011 million and, combining the submitted tenders from previous months, was awarded 53 projects (with a net contract sum not less than HK\$1 million for each project) with a total net contract sum of HK\$626 million. Among these 53 projects, four of them were major projects (with net contract sum not less than HK\$20 million for each project), which included chiller replacement for a commercial building in Tsuen Wan, ventilation and air conditioning system installation for a hotel in Chek Lap Kok and renovation and system upgrading works for a hotel in Macau.



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Security Guarding & Event Services

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

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

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

During the Period, General Security and Perfect Event submitted tenders for 43 security guarding and event services contracts (with a contract sum not less than HK\$1 million for each contract) with a total tender sum of HK\$764 million and, combining the submitted tenders from previous months, was awarded 22 service contracts (with a net contract sum not less than HK\$1 million for each service contract) with a total contract sum of HK\$374 million. Among these 22 service contracts, four of them were major service contracts (with net contract sum not less than HK\$20 million for each service contract) including three residential estates in Shatin, Yuen Long and Tai Kok Tsui and a racing club in Shatin.

Insurance Solutions

The Group's insurance solutions business, Nova, comprises Nova Insurance Consultants and International Reinsurance Management, both of which hold an Insurance Broker Company License granted by the Insurance Authority. Nova Insurance Consultants is also a registered Mandatory Provident Fund ("MPF") Intermediary under the Mandatory Provident Fund Schemes Authority and the largest local broker in Hong Kong.

Nova offers five core risk and insurance services:

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

Management Discussion and Analysis



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

During the Period, Nova has secured placement for a number of sizeable construction projects. Nova also managed to arrange policy period extension for a huge project after its losses caused by the Black Rainstorm on 7 and 8 September 2023 in Hong Kong and get some new accounts, including a public transportation company, listed companies, schools and educational institutions and non-governmental organisations. The vast majority of Nova's business involved general insurance, construction and employee benefits-related insurance. Each year Nova has to submit renewal quotations for all these policies to its clients and will only be awarded the renewal contracts when its terms and conditions are competitive. Nova's retention ratio in securing renewed contracts has always been over 90%, reflecting its competitiveness and high level of services.

During the Period, Nova submitted tenders for 10 service contracts (with a contract sum not less than HK\$1 million for each service contract) with a total tender sum of HK\$23 million and was awarded nine service contracts (with a net contract sum not less than HK\$1 million for each service contract) with a total contract sum of HK\$20 million.

Environmental Solutions

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

This division is divided into three business lines:

(i) "Environment Solutions" in comprehensive HVAC water treatment services, environmental assessment in air and water quality, deodorisation system and electro-chlorination system to assist its customers in achieving their environmental protection and energy conservation objectives. Its HVAC water treatment service is well-known for the professionalism in the industry with over 40 years of history and it has a water treatment company which is under the list of approved specialist contractors for public works in fountain installation. As innovation is at the heart of this business, it has a patented application of using nanobubble ozonation to sterilize fresh water at cooling towers, swimming pools, public toilets, and water features. Its laboratory is accredited by Hong Kong Laboratory Accreditation Scheme ("HOKLAS") which is able to test a wide range of chemical and microbial parameters. For air quality related business, it is one of the eight accredited indoor air quality certificate issuing bodies in Hong Kong.

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

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

During the Period, the Group submitted tenders for 31 environmental and landscape service contracts (with a contract sum not less than HK\$1 million for each contract) with a total tender sum of HK\$94 million and, combining the submitted tenders from previous months, was awarded seven environmental and landscape service contracts (with a net contract sum not less than HK\$1 million for each contract) with a total contract sum of HK\$13 million and three ELV service contracts (with a net contract sum not less than HK\$1 million for each contract) with a total contract sum of HK\$67 million. In addition, the Group submitted six quotations for building material trading (with a quotation sum not less than HK\$1 million for each quotation) with a total quotation sum



of HK\$17 million and, combining the submitted quotations from previous months, was accepted one order (with a sum not less than HK\$1 million for each order) with a total sum of HK\$1 million.

As at 31 December 2023, the city essential services segment has a total gross value of contract sum of HK\$10,667 million with a total outstanding contract sum of HK\$6,638 million.



We would like to thank General Security for their excellent service provided to the Chubby Hearts Hong Kong project. In particular, the communication for the project are clear, timely and professional. We found the security personnel to be smart, friendly, efficient and helpful. Together, we made this event an unforgettable and secure experience for all visitors.

Orient Unlimited Limited



E&M Services

Number of staff
Over

1,300

Service contracts
Over

100

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

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

The Group's E&M services business' unique market differentiation lies in its integration of all E&M services, a strong pool of professional talents, a well-established network of suppliers and subcontractors, and a team-based partnership approach towards its clients. Innovation by using advanced technology keeps it at the forefront of the E&M industry. It is also recognised

Management Discussion and Analysis

as one of the industry pioneers in adoption of green building design, Modular Integrated Construction (“MiC”), Multi-trade Integrated Mechanical, Electrical and Plumbing (“MiMEP”), Design for Manufacture and Assembly (“DfMA”) in its projects. With such competitive edges over its competitors, the Group has strong confidence in securing and undertaking integrated E&M projects in Hong Kong, Mainland China and Macau.

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

During the Period, the Group’s E&M services business submitted tenders for 93 E&M engineering projects (with a contract sum not less than HK\$1 million for each project) with a total tender sum of HK\$9,881 million and, combining the submitted tenders from previous months, was awarded 13 contracts (with a net contract sum not less than HK\$1 million for each project) with a total net contract sum of HK\$1,034 million. Among these contracts, five of them were major



projects (with net contract sum not less than HK\$100 million for each project), which included four residential projects in Tuen Mun, Discovery Bay, Kai Tak and Southern District of Hong Kong and a new public market in Tin Shui Wai.

As at 31 December 2023, the E&M services segment has a total gross value of contract sum of HK\$11,902 million with a total outstanding contract sum of HK\$5,542 million.



Please accept our sincere compliments for delivering quality building services to the Victoria Dockside to satisfy NWD’s customer demands. We are very proud of your team because you have demonstrated New World Construction’s culture – Work seriously for quality. It is truly commendable and deserves appreciation.

New World Construction Company Limited

Management Discussion and Analysis

FINANCIAL REVIEW



Revenue

During the Period, the Group's revenue increased by HK\$402.4 million or 10.8% to HK\$4,114.5 million from HK\$3,712.1 million for the same period last year, reflecting higher revenue from the city essential services segment and the E&M services segment amounting to HK\$293.2 million and HK\$136.2 million respectively, partly offset by lower revenue from the property & facility management services segment amounting to HK\$27.0 million.

For the six months ended 31 December

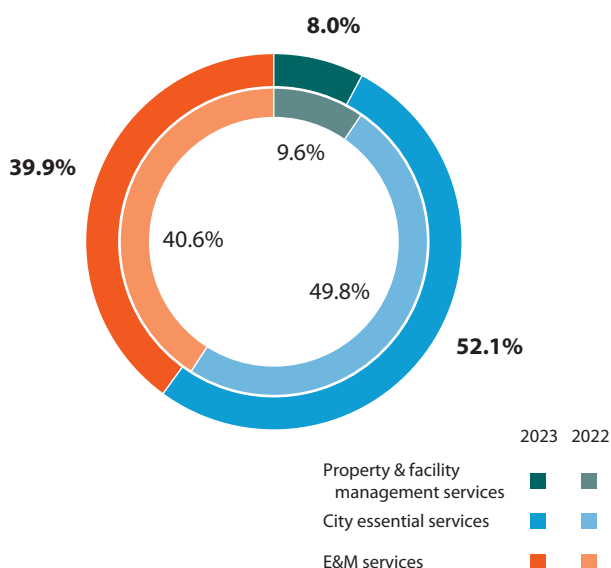
	2023 HK\$'M	2022 HK\$'M	% Change
Property & facility management services*	329.8	356.8	(7.6%)
City essential services*	2,142.6	1,849.4	15.9%
E&M services*	1,642.1	1,505.9	9.0%
Total	4,114.5	3,712.1	10.8%

* Segment revenue does not include inter-segment revenue.

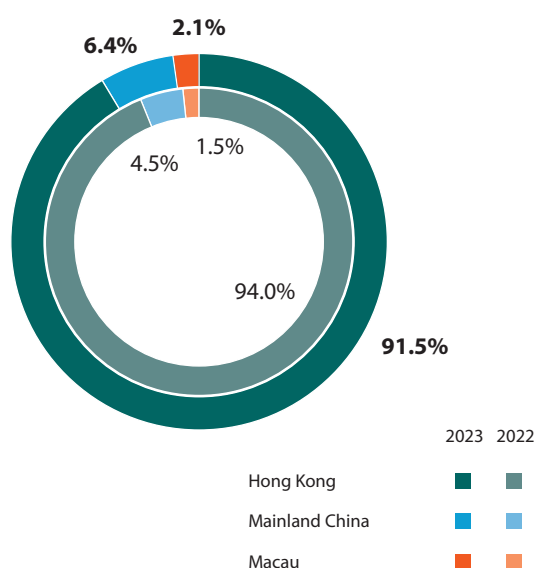
The Group's revenue from the property & facility management services segment and the city essential services segment in aggregate contributed 60.1% (2022: 59.4%), whereas the revenue from E&M services segment contributed 39.9% (2022: 40.6%).

During the Period, the Group's revenue contribution from Hong Kong, Mainland China and Macau was 91.5%, 6.4% and 2.1% (2022: 94.0%, 4.5% and 1.5%) respectively.

For the six months ended 31 December



For the six months ended 31 December



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- *Property & facility management services:* This segment contributed 8.0% (2022: 9.6%) of the Group's total revenue. The services were principally provided in Hong Kong.

Segment revenue decreased by 7.6% or HK\$27.0 million to HK\$329.8 million from HK\$356.8 million. It reflected a decrease in epidemic-induced ad hoc works for government buildings.

It should be noted that, under contract terms, about 20% of the property & facility management services segment's revenue is accounted for by only including management fee received. Should such revenue be recognised on the same basis as the rest of this segment's revenue derived from its lump sum contracts (i.e. with all direct operational costs for performing the related services borne by it) which are primarily facility management contracts, the property & facility management services segment's revenue for the Period would increase by HK\$1,600.0 million from its reported amount of HK\$329.8 million (2022: HK\$356.8 million) to about HK\$1,900.0 million (2022: HK\$1,900.0 million).

- *City essential services:* This segment contributed 52.1% (2022: 49.8%) of the Group's total revenue. The individual components of this services segment are as below:

	For the six months ended 31 December		% Change
	2023 HK\$'M	2022 HK\$'M	
Cleaning & pest control services	1,128.1	826.8	36.4%
Technical support & maintenance services	499.9	461.5	8.3%
Security guarding & event services	306.3	331.6	(7.6%)
Insurance solutions	58.1	61.3	(5.2%)
Environmental solutions	150.2	168.2	(10.7%)
Total	2,142.6	1,849.4	15.9%

Most of the revenue reflected an increase in contribution from Hong Kong (HK\$287.3 million) and Macau (HK\$6.0 million).

Segment revenue grew by 15.9% or HK\$293.2 million to HK\$2,142.6 million from HK\$1,849.4 million reflected (i) new general cleaning service contracts, including government buildings and facilities, shopping malls, clubhouse and residential and commercial properties (ii) higher revenue from its technical support and maintenance services for system replacement work for a

commercial building in Tsuen Wan, partly offset by reduced epidemic-induced ad hoc security guarding works.

- *E&M services:* This segment contributed 39.9% (2022: 40.6%) of the Group's total revenue and 82%, 15% and 3% (2022: 89%, 10% and 1%) of this segment's revenue were contributed from Hong Kong, Mainland China and Macau respectively. Higher revenue contribution was recorded in the Period from Mainland China (HK\$98.6 million), Macau (HK\$25.1 million) and Hong Kong (HK\$12.5 million).

Management Discussion and Analysis

	For the six months ended 31 December		
	2023 HK\$'M	2022 HK\$'M	% Change
Hong Kong	1,351.9	1,339.4	0.9%
Mainland China	251.7	153.1	64.4%
Macau	38.5	13.4	187.3%
Total	1,642.1	1,505.9	9.0%

Segment revenue increased by 9.0% or HK\$136.2 million to HK\$1,642.1 million from HK\$1,505.9 million and mainly reflected the substantial progress of a number of E&M engineering installation projects during the Period including the redevelopment works of an office building in Wan Chai, Ningbo New World Plaza Comprehensive Development in Mainland China and W Macau - Studio City.

It should be noted that, under contract terms, only the management fees and reimbursable costs of the Kai Tak Sports Park project management project were accounted as revenue. Should such revenue be recognised on the same basis as the rest of this segment's revenue derived from its E&M installation contracts (i.e. with all direct project costs for performing the related installation services borne by it), this segment's revenue in the Period would increase by HK\$1,100.0 million from its reported amount of HK\$1,642.1 million (2022: HK\$1,505.9 million) to about HK\$2,700.0 million (2022: HK\$2,600.0 million).

Gross profit

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

	For the six months ended 31 December			
	2023		2022	
	Gross profit HK\$'M	Gross profit margin %	Gross profit HK\$'M	Gross profit margin %
Gross profit and gross profit margin including government grants				
Property & facility management services	107.5	32.6%	116.5	32.7%
City essential services	227.2	10.6%	245.6	13.3%
E&M services	181.7	11.1%	172.9	11.5%
Total	516.4	12.6%	535.0	14.4%

During the Period, the Group's property & facility management services segment, city essential services segment and E&M services segment contributed 20.8% (2022: 21.8%), 44.0% (2022: 45.9%) and 35.2% (2022: 32.3%) of its gross profit respectively. The Group's gross profit decreased by HK\$18.6 million or 3.5% to HK\$516.4 million from HK\$535.0 million for the same period last year, with an overall gross profit margin decreased to 12.6% from 14.4%, mainly reflecting a decrease in epidemic-induced ad hoc security guarding, intensive cleaning and disinfection works, higher labour costs of the security guarding & event services business and a decrease in government grants.

Management Discussion and Analysis

	For the six months ended 31 December			
	2023		2022	
	Gross profit HK\$'M	Gross profit margin %	Gross profit HK\$'M	Gross profit margin %
Gross profit and gross profit margin excluding government grants				
Gross profit and gross profit margin as reported	516.4	12.6%	535.0	14.4%
Excluding government grants*	(8.2)	(0.2%)	(23.2)	(0.6%)
Gross profit and gross profit margin excluding government grants	508.2	12.4%	511.8	13.8%

* For details of the related government grants, please refer to the "Summary of government grants" table in the "Management Discussion and Analysis" section on page 12.

If excluding the effects of these grants in the Group's gross profit for both periods (i.e. HK\$8.2 million for the Period and HK\$23.2 million for the same period last year) to better illustrate the Group's performance without such effects, its adjusted gross profit margin decreased to 12.4% from 13.8% for the same period last year. This was mainly caused by a lower gross profit margin of the city essential services segment, principally driven by a decrease in epidemic-induced ad hoc security guarding, intensive cleaning and disinfection works and higher labour costs of the security guarding & event services business.

- **Property & facility management services:** This segment recorded a decrease in its gross profit of HK\$9.0 million to HK\$107.5 million from HK\$116.5 million, with a stable gross profit margin at 32.6%. This was caused by reduced epidemic-induced ad hoc works for government buildings and a decrease in government grants.

- **City essential services:** This segment recorded a decrease in its gross profit of HK\$18.4 million to HK\$227.2 million from HK\$245.6 million, with its gross profit margin decreased to 10.6% from 13.3%. This was caused by (i) reduced epidemic-induced ad hoc security guarding works and higher labour costs of the security guarding & event services business; (ii) a lower contribution from its environmental solutions business reflecting income from its ELV device installations for the Inland Revenue Tower project in Kai Tak with significant progress in the same period last year, (iii) a decrease in insurance brokerage fee income from construction projects and (iv) a decrease in government grants.
- **E&M services:** The gross profit of the E&M services segment increased by HK\$8.8 million to HK\$181.7 million from HK\$172.9 million with its stable gross profit margin at 11.1%, principally reflected higher revenue from its projects in Hong Kong, Mainland China and Macau, partly offset by a decrease in government grants.

General and administrative expenses

General and administrative expenses of the Group for the Period increased by HK\$11.6 million or 5.1% to HK\$237.0 million from HK\$225.4 million for same period last year, reflected an increase in staff costs following an increase in the number of staff and a decrease in government grants.

	For the six months ended 31 December			
	2023	2022	Change	% Change
	HK\$'M	HK\$'M	HK\$'M	
General and administrative expenses excluding government grants				
General and administrative expenses as reported	237.0	225.4	11.6	5.1%
Excluding government grants	1.0	4.5	(3.5)	(77.8%)
General and administrative expenses excluding government grants	238.0	229.9	8.1	3.5%

Management Discussion and Analysis

If excluding the effects of government grants in the Group's general and administrative expenses for both periods (i.e. HK\$1.0 million for the Period and HK\$4.5 million same period last year) to better compare their amounts without such effects, its adjusted general and administrative expenses increased 3.5% to HK\$238.0 million compared to HK\$229.9 million for the same period last year.

Other income, net

Other net income of HK\$21.6 million was recorded by the Group during the Period compared to HK\$19.2 million recorded in same period last year.

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

Finance income

The Group recorded finance income of HK\$10.9 million (2022: HK\$3.4 million). The increase mainly reflected higher average market interest rates and the principal sum of the Group's bank deposits placed during the Period.

Finance costs

The Group's finance costs of HK\$10.6 million (2022: HK\$7.5 million) for the Period included interest expenses of (i) HK\$7.8 million (2022: HK\$4.3 million) for the Group's bank loan financing its acquisition of property & facility management services business in December 2019, (ii) HK\$1.9 million (2022: HK\$2.3 million) for other bank borrowings and (iii) HK\$0.9 million (2022: HK\$0.9 million) for lease liabilities. The increase in interest expenses mainly reflected higher average market borrowing rates.

Income tax expenses

The effective tax rate of the Group increased by 1.5% to 15.5% (2022: 14.0%), mainly attributable to a decrease in the non-taxable government grants.

Profit for the period attributable to shareholders of the Company

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

	For the six months ended 31 December			
	2023 HK\$'M	2022 HK\$'M	Change HK\$'M	% Change
Profit attributable to shareholders including government grants				
Property & facility management services	65.8	68.9	(3.1)	(4.5%)
City essential services	101.0	121.5	(20.5)	(16.9%)
E&M services	99.9	96.6	3.3	3.4%
Unallocated corporate expenses and finance costs*	(11.3)	(7.5)	(3.8)	50.7%
Total	255.4	279.5	(24.1)	(8.6%)

* Unallocated corporate expenses and finance costs comprise the Company's corporate expenses of HK\$3.5 million (2022: HK\$3.2 million) and interest expenses of HK\$7.8 million (2022: HK\$4.3 million).

The Group's profit for the Period decreased by 8.6% or HK\$24.1 million to HK\$255.4 million compared to HK\$279.5 million for the same period last year. The decrease mainly resulted from (i) lower contributions from the security guarding & event services, insurance solutions and environmental solutions businesses; (ii) a decrease in government grants and (iii) higher corporate

Management Discussion and Analysis

finance costs, partly offset by the strong performance of the E&M business. Details of the government grants recognised by the Group are set out in Notes 6 to the condensed consolidated interim financial statements. The net profit margin of the Group decreased to 6.2% for the Period from 7.5% for the same period last year.

	For the six months ended			
	31 December		Change HK\$'M	% Change
	2023 HK\$'M	2022 HK\$'M		
Profit attributable to shareholders excluding government grants				
Profit attributable to shareholders as reported	255.4	279.5	(24.1)	(8.6%)
Excluding government grants	(24.4)	(45.0)	20.6	(45.8%)
Profit attributable to shareholders excluding government grants	231.0	234.5	(3.5)	(1.5%)

If excluding the effects of government grants in the Group's result for both periods to better illustrate the Group's financial results without such effects, the Group would record a decrease in adjusted net profit for the Period of 1.5% to HK\$231.0 million (i.e. after excluding government grants of HK\$24.4 million from its profit attributable to shareholders of the Company of HK\$255.4 million) as compared to its adjusted net profit of HK\$234.5 million for the same period last year (i.e. after excluding government grants of HK\$45.0 million from its profit attributable to shareholders of the Company of HK\$279.5 million).

Other comprehensive income/(loss)

The Group recorded other comprehensive income for the Period of HK\$2.0 million (2022: other comprehensive loss of HK\$1.6 million), reflected a favourable exchange reserve movement of HK\$2.4 million (2022: unfavourable exchange movement of HK\$4.7 million) recorded during the Period following an appreciation of the Renminbi ("RMB") for conversion of the Group's net investments in Mainland China and the remeasurement gains on long service payment liabilities of HK\$0.2 million (2022: HK\$3.0 million), partly offset by the remeasurement losses on defined benefit retirement scheme of HK\$0.6 million (2022: gains of HK\$0.1 million).

Capital structure

	As at		As at		Increase/ (decrease) HK\$'M
	31 December 2023 HK\$'M	% to total equity	30 June 2023 HK\$'M	% to total equity	
Non-current assets	316.0	37.1%	338.0	48.3%	(22.0)
Cash and bank balances	512.6	60.1%	751.9	107.5%	(239.3)
Borrowings ⁽ⁱ⁾	277.3	32.5%	282.0	40.3%	(4.7)
Net cash ⁽ⁱⁱ⁾	235.3	27.6%	469.9	67.2%	(234.6)
Working capital ⁽ⁱⁱⁱ⁾	622.8	73.0%	723.4	103.4%	(100.6)
Total equity	852.6	100.0%	699.4	100.0%	153.2

Notes:

(i) All borrowings are bank loans.

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

(iii) Being net current assets.

Management Discussion and Analysis

Liquidity and financial resources

The Group's finance and treasury functions are centrally managed and controlled at its headquarters in Hong Kong. As at 31 December 2023, the Group had total cash and bank balances of HK\$512.6 million (30 June 2023: HK\$751.9 million), of which 91%, 5% and 4% (30 June 2023: 96%, 2% and 2%) were denominated in Hong Kong dollars, RMB and other currencies respectively, and total borrowings of HK\$277.3 million (30 June 2023: HK\$282.0 million), of which HK\$271.8 million (30 June 2023: HK\$263.6 million) were denominated in Hong Kong dollars and HK\$5.5 million (30 June 2023: HK\$18.4 million) were denominated in RMB. The Group's net cash balance decreased by HK\$234.6 million to HK\$235.3 million as at 31 December 2023 as compared to HK\$469.9 million as at 30 June 2023 mainly reflecting the net cash outflow from operating activities, the distribution of the Company's final dividend for its financial year ended 30 June 2023 of HK\$95.9 million and preferred distribution on the convertible preference shares of HK\$8.5 million and the Group's payments for principal portions of lease liabilities of HK\$24.5 million. The Group's net gearing ratio was maintained at zero as at 31 December 2023 (30 June 2023: 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.

Revenue increased by 10.8% to HK\$4,114.5 million. Net gearing ratio was remained at zero.

Adopting a prudent financial management approach in implementing its treasury policies, the Group maintained a healthy liquidity position throughout the reporting period. As at 31 December 2023, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank

guarantees and/or trade financing of HK\$2,908.8 million (30 June 2023: HK\$2,649.7 million). As at 31 December 2023, HK\$1,040.1 million (30 June 2023: HK\$1,052.3 million) of the Group's banking facilities had been utilised for bank borrowings, bank guarantees and trade finance. The Group believes it has sufficient committed and unutilised banking facilities to meet current business operation and capital expenditure requirements.

Debt profile and maturity

As at 31 December 2023, the Group's total debts amounted to HK\$277.3 million (30 June 2023: HK\$282.0 million), of which HK\$58.5 million is renewed on a monthly basis and HK\$218.8 million matures in December 2024. The Group has managed its debt maturity profile to minimise its refinancing risks. All of these debts, including HK\$271.8 million denominated in Hong Kong Dollar and HK\$5.5 million denominated in RMB, bear interest at floating rates.

Foreign currency exposure

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

As part of the Group's business is carried out in Mainland China, some of its assets and liabilities are denominated in RMB. The majority of these assets and liabilities had arisen from the net investments in Mainland China operations with net assets of HK\$131.9 million as at 31 December 2023 (30 June 2023: HK\$128.7 million). The foreign currency translation arising from translation of these Mainland China operations' financial statements from RMB (functional currency of these Mainland China operations) into Hong Kong dollars (the Group's presentation currency) does not affect the Group's profit before and after tax and will be recognised in its other comprehensive income.

Management Discussion and Analysis

Maintained a healthy liquidity position by adopting a prudent financial management approach in implementing our treasury policies.

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

As at 31 December 2023, if the Hong Kong dollars had strengthened/weakened by another 4% against the RMB with all other variables unchanged, the Group's other comprehensive income would have been HK\$5.3 million lower/higher.

Capital commitments

As at 31 December 2023, the Group had capital commitments of HK\$1.0 million (30 June 2023: HK\$1.4 million) in relation to purchase of plant and equipment.

Contingent liabilities

In carrying out the ordinary course of business, the Group is subject to the risk of being named as defendant in legal actions, claims and disputes in connection with its business activities. The nature of the legal proceedings initiated against the Group mainly includes claims for compensation by the Group's existing or former employees for work-related injuries. The Group maintains insurance cover and, in the opinion of the Directors, based on current available evidence, any such existing claims and legal proceedings against the Group are not expected to have significant adverse financial impact to the Group as at 31 December 2023.

Convertible preference shares

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

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

Management Discussion and Analysis

not included in the calculation of the diluted earnings per share for six months ended 31 December 2023 and 2022 pursuant to HKAS 33's requirements as described in Note 9 to the condensed consolidated interim financial statements. Assuming that all of the outstanding convertible preference shares were converted as at the end of the Period of 31 December 2023 and assuming their conditions for conversion were met, the Company's earnings per share after taking into account of the dilutive impact of such conversion for the six months ended 31 December 2023 would be HK\$0.52 per share, calculated as the Group's profit attributable to shareholders of the Company of HK\$255.4 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.

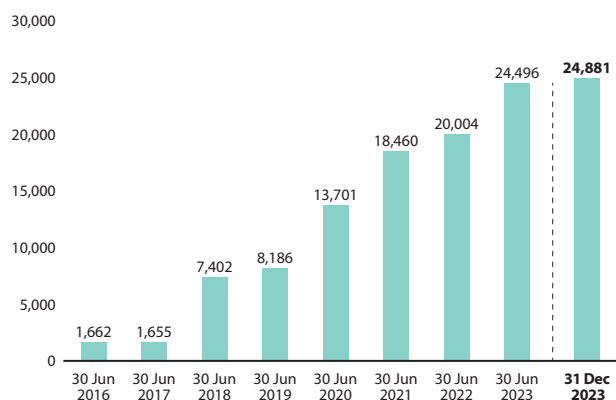
EMPLOYEES AND REMUNERATION POLICY



As at 31 December 2023, the Group had a total of 24,881 employees (31 December 2022: 20,873) including 9,683 (31 December 2022: 8,605) casual workers and employees whose relevant costs are directly reimbursed by or charged to our customers or charged by sub-contractors. Staff costs for the Period, including salaries and benefits, were HK\$1,756.6 million (2022: HK\$1,516.6 million). The increase mainly reflects an increase in the number of staff.

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

Number of Staff



Management Discussion and Analysis

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

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



OUTLOOK

Property & Facility Management Services Segment

With over 50 years of experience, our Property & Facility Management Group provides quality management services to maintain clients' properties and facilities, improving quality, reputation and asset value. As corporate clients' and investors' expectations grow, so does the demand for enhanced and one-stop professional property and facility management solutions, it transforms into opportunities for our Group's business growth. We foresee a robust outlook in our Property & Facility Management Group's business, propelled by rising market demands and our strengths in this industry:

- There is an increasing demand for professional property management services in Hong Kong due to the government's policy to boost the supply of residential units over the next 10 years. The increased supply of both private and public housing has created promising market opportunities, leading to strong prospective demand for professional property management services in Hong Kong.
- As societal demand increases to protect property owners' rights, there is a growing demand for independent property and facility management companies that are not subsidiaries of property developers.

Increasing demand for professional property management services due to the government's policy to boost the supply of residential units over the next 10 years.

- The ongoing growth in Hong Kong's residential properties supply offers increased opportunities for the Group in the firsthand property sales market. The property sales and leasing market also benefitted from the government's new admission schemes, particularly the Top Talent Pass Scheme ("TTPS"), which attracts skilled individuals to Hong Kong. This influx of talent is expected to drive housing demand and provide opportunities for the Group to offer sales and leasing services targeting this talent market.
- Leveraging over 5,000 staff, our Property & Facility Management Group has embarked on new operating methodologies, combining skilled manpower strengths with innovative technologies and IoT applications to enhance overall service efficiency and effectiveness. As societal demand grows for technological solutions, our Property & Facility Management Group clearly acknowledges the importance of the use of advanced technologies to the sustainability of its business and is well-positioned to capitalise on opportunities arising from

Management Discussion and Analysis



this increasing digitalisation trend. Our Property & Facility Management Group's technology applications, including Sm@rtUrban, ComEasy and drones, have been deployed in over 120 sites to enhance its operational efficiency and service excellence to our customers.

- Our Property & Facility Management Group comprises one of the strongest professionally qualified teams to serve our diverse clientele. While Urban, International Property Management and Kiu Lok are licensed as property management companies under the Property Management Services Ordinance "PMSO" (Cap. 626 of the Laws of Hong Kong), they together also maintain a strong team of over 300 Tier 1 and Tier 2 property management practitioners, is one of the largest licensed service teams in the industry, to ensure the smooth operation of the managed property and facility assets and the fulfillment of statutory requirements. As a result, our Group is well-positioned to capitalise on the market openings and demand generated by the full enactment of PMSO and maintains good competitive advantages over its peers in new tenders and business development activities in the coming years.
- Our Property & Facility Management Group has a strong technical and engineering team with extensive experience and expertise in various building repairs, maintenance, renovations and refurbishment projects. It has participated in and coordinated different renovation and improvement projects for large private housing estates, commercial premises and modern intelligent buildings, enhancing facilities and ultimately increasing their asset value. With

over 500 highly trained technical personnel, it currently maintains a strong engineering team to serve its clients.

- Leveraging synergies across business units, our Property & Facility Management Group has also cultivated partnerships with professional service providers and contractors. By creating economies of scale and strong bargaining power, it maximises its competitive advantages for its clients to deliver the most cost-effective services at competitive pricing and operational efficiency. This enables the Group to consistently achieve cost efficiency and operational excellence for its clients.

Sm@rtUrban, ComEasy and Drones have been deployed in over 120 sites to enhance our operational efficiency and service effectiveness.

- Beyond statutory requirements, our Property & Facility Management Group implements stringent governance practices covering environmental protection and care, corporate social responsibility, and risk and crisis control. Moreover, within our Property & Facility Management Group, Urban has become a household name as "Hong Kong's Premier Community Manager" with over 100 annual corporate social responsibility activities. Additionally, Urban maintains an extensive risk and crisis management system addressing issues from building service disruptions to pandemics - providing comprehensive coverage across scenarios.
- As a reputable property manager business, the Group has established a strong customer network and gained the trust of its clients, which allows it to leverage its existing relationships in providing property sales and leasing services. Through digital platforms such as webpages, social media channels and instant messaging platforms, the Group can effectively engage its clients and provide them with convenient access to property information and then promote its property sales and leasing services business accordingly.

Management Discussion and Analysis

City Essential Services Segment

1. Cleaning Services & Pest Control Services

While global economic headwinds persist, Waihong remains confident in Hong Kong's cleaning and hygiene industry outlook. Waihong continues growing rapidly with record revenue since its establishment. Furthermore, numerous new government and private developments launching in the coming years guarantee massive hygienic and environmental service demand. Waihong is well-positioned for further growth with the following impetuses:

Completion of new government and private developments projects in the coming years guarantee massive hygienic and environmental service demands.

- Many new private properties and public facilities will launch in the Kai Tak Development Area and Northern Metropolis in coming years. Additionally, Waihong has already obtained some sizable service contracts for residential, commercial, and public facilities in the Kai Tak Development Area, and is in the process of negotiating some additional ones. Alongside growing public hygiene awareness, demand for specialist cleaning and hygiene services across different properties and facilities will increase. Waihong will leverage its competitive advantages to explore additional opportunities in both private and public market segments.
- As the tourism exhibition industry recovers, Waihong benefits from increasing demands for cleaning and support services from exhibitions, conferences, concerts, and international sport events. These event services provide ad-hoc business opportunities, generate higher revenue and profits to offset the effects of decreasing demands for disinfection services.
- As smart city development pushes innovation globally, technology is transforming the cleaning and pest control industry's landscape. Growing demand for



sustainability and workforce shifts accelerate industry changes. Innovative technology is rapidly being applied to the cleaning and pest control industry. Advancements in software and hardware have improved automatic cleaning processes such as scheduling and inventory management. Adopting IoT sensors and robotic machines is improving the cleaning process. Waihong has actively introduced AI systems, including smart toilets, electronic face recognition attendance system (Check-in Easy) and real-time work monitoring system (ComEasy). These strategic investments strengthen the company's competitive advantage and long-term profitability by enhancing its ability to meet evolving client needs.

- Environmental sustainability concerns are growing globally. To address this pressing issue, Waihong is implementing green cleaning practices through providing disposal of municipal solid waste, medical waste, liquid waste, construction waste, wastepaper, food waste and aged battery. This aligns with clients' increasing demand for eco-friendly cleaning solutions and fulfills Waihong's ESG responsibilities. Green cleaning products and methods have become a mandatory norm for most of the industries like healthcare, hospitality, academy, or government. Waihong will prioritise sustainability to mitigate the environmental impacts while demonstrating social commitment. With Hong Kong's municipal waste charging scheme commencing Q2 2024, Waihong has upscaled its fleet and recycling capacities to address higher than expected demands.

Management Discussion and Analysis

- As always, Waihong is actively exploring different market opportunities. It strives to provide excellent and value-added services to satisfy clients' needs and retain existing clients, renewing service contracts to attain higher contract retention rates. On the other hand, Waihong has invested more resources to strengthen its competitiveness in tendering service contracts from different government agencies to widen its market share.

2. Technical Support & Maintenance Services

In coming years, our technical support & maintenance services division aims to further develop and diversify its government term contracts to include fire services and electrical systems.

As a complementary business within our Group's portfolio, this division has strong growth prospects. Abundant opportunities exist both publicly and privately to increase revenue and profit:

- In the private sector, steady and stable income generated from maintenance and system retrofit works support the underlying operating business of the Group's technical support & maintenance services division. Furthermore, it is expected that there will be growing demand for large-scale renovation works for existing commercial premises in the coming years. According to the Hong Kong Tourism Board, there are more than 300 hotels and 50 major shopping malls in Hong Kong, a market that offers tremendous opportunities for further private sector business development in the next few years.
- As Hong Kong targets to achieve carbon neutrality before 2050 and continuous enhancement of energy performance of buildings is expected, large developers will make strenuous efforts to enhance the energy efficiency of the

Growing demand for large-scale renovation works for existing commercial premises in the coming years.

new projects as well as the existing buildings to reduce their carbon emissions through retrofitting works. It offers immense and sustainable markets for our technical support & maintenance services division to expand its business in this field. In 2023, our technical support & maintenance services division has successfully undertaken a contract with CLPe Solutions, a wholly-owned subsidiary of CLP Holdings, on chiller replacement work – the first zero-carbon chiller system in Hong Kong. By accomplishing this great challenge - converting the air-cooled to water-cooled chiller system having a capacity of 9,300 refrigerant tons, it will be our significant milestone and foster the forthcoming collaboration with power companies and other commercial parties. Furthermore, retro-commissioning is another effective way to optimise buildings' operational performance and it is highly recommended and promoted by the Electrical and Mechanical Services Department of the Hong Kong government. Our technical support & maintenance services division has thoroughly prepared for itself, including relevant talent developments and acquisition of professional certifications, to effectively address the forthcoming marketing demands.

- The Group's technical support & maintenance services division advocates the implementation of innovative technologies to increase the efficiency and effectiveness of works. Combining Building Information Modeling ("BIM") with our well-developed mobile application for maintenance services can enable our customers to experience an innovative management system in existing buildings. Moreover, enhancing occupational safety is our utmost priority. By leveraging technology to aid in the design of our mobile applications, it facilitates our employees managing safety issues effectively and promotes a safety culture in our workplace, which in turn can help reduce work-related accidents and enhance our work efficiency.



Management Discussion and Analysis

3. Security Guarding & Event Services

Demand for security services is expected to grow in the coming years. Coupled with the expected recovery of the event service industry, the outlook of our Group's security guarding and event services is optimistic:



- A major contributing factor is the demand for 440,000 units of public and private housing over the next ten years. In addition, several government projects are in the pipeline, including AsiaWorld-Expo Phase 2, the Hong Kong Airport third runway and the Lok Ma Chau development. Once these projects are operational, there will be a huge demand for security services. Coupled with upcoming debut of the Kai Tak Sports Park and full operation of 11 SKIES, a mega signature office and entertainment project near the Airport, the demand for security services are expected to be further enhanced, which will have a positive impact on the future performance of General Security.
- With the opening of Hong Kong in early 2023 after the peak of the pandemic, the exhibition and convention industry

General Security will diversify its business by AI and new technology in security system business.

is expected to undergo a recovery phase. Perfect Event is proactively positioning itself in the event services industry. Since Perfect Event's establishment about two years ago, it has performed well in engaging customers' needs and expectations and achieved remarkable profit growth.

- The manpower shortage poses challenges for the current operation and business growth of the security industry. General Security and Perfect Event will take advantage of their experiences in event security and customer services in the market together with good strategic partnerships with major event operators and managers. They will focus on allocation of resources in event and ad hoc business which can contribute to higher financial return. In addition, General Security will diversify its business by AI and new technology in security system business instead of traditional systems.

Nova's flexibility of services and strong customer-focused approach helps it win more accounts from its competitors.

4. Insurance Solutions

As the largest local insurance broker with a 35-year history and a strong team of professionals, Nova has the comparative advantage to benefit from this initiative and has well positioned itself for further growth in the coming years:

- As the needs of corporate insurance buyers are becoming more complex and they are extremely price conscious, they need a professional broker to help them get a better deal. The flexibility of Nova's services and its strong customer-focused approach helps it win more accounts from its competitors. Despite the advancements in technologies, such as online insurance services, there are still robust demands for the insurance brokers' services due to the complex needs of the insurance buyers. Nova, which possesses ample knowledge of local culture and needs and strong international connections, coupled with excellent relationships with underwriters, is well-

Management Discussion and Analysis



positioned to create win-win situations between clients and insurance companies.

- Nova continues to do what it does best, such as insurance related to construction projects. There are a lot of new commercial and residential developments and infrastructure projects in the pipeline that present additional business opportunities for Nova.
- Due to mergers and acquisitions in the global brokerage space over the past few years, the number of sizable international insurance brokers has been reduced. However, Nova is perfectly positioned to fill this gap, as it has experience and a proven track record with local flair.
- In the coming year, Nova will further leverage its market niche and expertise to win more clients in the industries it is well experienced in, such as construction, property management, hospitality, educational institutions, non-government organisations and employee benefits such as group medical and MPF schemes. Nova will also focus on specialty products with higher yields such as cyber insurance, professional indemnity insurance, directors & officers liability insurance and trade credit insurance.

5. Environmental Solutions

In tandem with the escalating public demands for various solutions to our living environments, our Group's Environmental Solutions, which provides Environment Solutions, Smart Solutions and Green Solutions to its clients, foresees considerable amount of business opportunities to emerge in the coming years:

Environment Solutions

- Increasing public awareness of the importance of a sustainable environment is driving demand for environmentally friendly services and products. The enactment of the Building Energy Efficiency Ordinance (Cap. 610 of the Laws of Hong Kong) in 2012 and the Hong Kong Government's pledge to achieve carbon neutrality by 2050 in the "Hong Kong Climate Action Plan 2050" published in 2021 continue to support the business development of the Group's environmental assessment services.
- The Group's environment solutions business has experienced steady growth in its environmental engineering segment, driven by its seawater and freshwater treatment products, such as electrochlorination systems, and odor removal products like biotech deodorisation systems. Despite the fierce competition in HVAC water treatment services, its patented nanobubble ozonation and the use of real-time monitoring systems offers good opportunities to enlarge its market share.

Increasing public awareness of the importance of a sustainable environment is driving demand for environmentally friendly services and products.

Management Discussion and Analysis



Smart Solutions

- Regarding the ELV business, with more property developers adopting IT infrastructure and advanced technologies in their projects to enhance building sustainability and energy control, good opportunities to generate business revenues and profit in the ELV business are emerging.
- The announcement of the Hong Kong Roadmap on Popularisation of Electric Vehicle (“EV”) by the Government in 2021, which aims to achieve zero vehicular emissions by 2050, presents a significant business opportunity for the Group. There is a growing demand for electricity installation of the supporting facilities in the car park to support the adaption of EVs.
- The Group’s smart solutions business is committed to staying abreast of the market trends and facilitating the identification of new products. It will continue to work with vendors to customise systems according to specific customer needs and smart city blueprints, using advanced technologies and smart solutions such as AI and IoT, intelligent intellectual property/information technology-based systems and various 5G mobile applications to strengthen the building management and environmental monitoring system to enhance building sustainability and environmental quality, thereby increasing customer satisfaction.

Green Solutions

- The growing market demand for green elements in both indoor and outdoor spaces, coupled with customers’ needs to enhance the visual and ecological environment, have provided more opportunities for green solutions offered by the Group’s landscape services business. The greening policies, urban planning initiatives and various support provided by the government will be highly beneficial to the development of the industry and our landscape services business.
- With technological advancement and focus on green concepts, our building materials trading business is presented with new opportunities to promote new products with new features in these areas, including anti-bacterial tiles. By strategically collaborating with the Group’s environment solutions team, the Group’s environment solutions team will help its building material trading business keep up with market trends and facilitate the identification of new products.

E&M Services Segment

The Group’s E&M services business is well-equipped to seize the significant business opportunities on sizeable infrastructure and building projects that are expected to arise in Hong Kong, Mainland China and Macau in the coming years:

- Capital and Construction Expenditure – According to the construction expenditure forecast provided by the Construction Industry Council in July 2023, it is projected that each year, expenditure in E&M construction works will exceed HK\$30 billion for the public sector and over HK\$25 billion for the private sector over the next five years. With such increasing demand for professional construction services, the Group will focus on the public and private housing development and infrastructure projects.
- Public Housing – In the 2023 Policy Address, the Hong Kong Government announced the identification of sufficient land to construct 410,000 public housing units and 132,000 private housing units to meet the demand in the coming 10 years. In addition, the Hong Kong Government has proposed to develop the northern part of Hong Kong which encompasses Yuen Long District

Management Discussion and Analysis

It is projected that the yearly expenditure in E&M construction works will exceed HK\$30 billion for the public sector and exceed HK\$25 billion for the private sector over the next five years.

and North District into a metropolitan area (“Northern Metropolis”), providing over 500,000 housing units in the next 20 years.

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

With the introduction of the new Light Public Housing (“LPH”) using the MiC approach, the overall public housing production will reach 172,000 units (including 30,000 LPH units at eight sites) and 80,000 private housing units in the next five years (from 2024-2025 to 2028-2029). In addition, three sites have been identified to build subsidised sales flats under a new pilot scheme on public-private partnership, with the first two sites providing at least 2,000 units.

- Private Housing – The redevelopment of private residential and commercial developments is driven by the Urban Renewal Authority (“URA”) and the Hong Kong Housing Society, along with the developments in the Kai Tak Development Area, Yau Tong and Ap Lei Chau, together with the railway property developments. The Hong Kong Government will put forward the development of Tseung Kwan O Area 137 for residential and commercial development and other relevant purposes. Over the next five years, the URA will commence the redevelopment project of the “Nullah Road Urban Waterway” in Mong Kok East and the “Street Consolidation Areas” in Yau Ma Tei South.

- Railway Development – The Hong Kong Government strives proactively implement new and extension of railway projects. The MTR has undergone the construction or tendering processes on two-line extensions (Tuen Mun South Extension and Tung Chung Line Extension), Hung Shui Kiu Station and Oyster Bay Station. In addition, the Government has completed public consultation on the enhanced Three Railways, which include the Hong Kong-Shenzhen Western Rail Link (Hung Shui Kiu-Qianhai), the Central Rail Link and the Tseung Kwan O Line Southern Extension. To address the development of new towns in the Northern Metropolis, the MTR has conducted studies on the proposal of building two new railways – Northern Link Eastern Extension and Northeast New Territories Line.
- Airport Development – The Hong Kong Government also worked with the Airport Authority Hong Kong to fully realise the “Airport City” vision and to create at Lantau an Aerotropolis connecting the Greater Bay Area and the world.
- District Cooling System – Use of the District Cooling Systems (“DCS”) is also one of the Hong Kong Government’s initiatives and commitment to low-carbon development. Apart from the additional DCS in the West Kowloon Cultural District, providing DCS in new development areas – Tung Chung East and Kwu Tung North have also been under tendering or construction process. Other new development areas including the Northern Metropolis will also incorporate the DCS to further reduce energy consumption.
- Convention and Exhibition – To support Hong Kong as a premier venue for large-scale international convention and exhibition activities, the Government will proceed with the AsiaWorld-Expo Phase 2 project in 2024 and the Wan Chai North redevelopment project near the Hong Kong Convention and Exhibition Centre a few years later.
- Sports and Recreation Facilities - The Culture, Sports and Tourism Bureau will map out a 10-year development blueprint for 30 sports and recreation facilities, including Hong Kong’s second sports park to be developed in Whitehead, Ma On Shan, and large-scale sports and recreation facilities in the Northern Metropolis.

Management Discussion and Analysis



- Technology Park and Manufacturing Centre - To encourage and enhance Innovation and Technology (“I&T”), the Hong Kong Government will collaborate with Shenzhen in the development of the Shenzhen-Hong Kong I&T Co-operation Zone under the “one zone, two parks” model. The Hong Kong Government will expedite the development of San Tin Technopole in the Northern Metropolis, and the expansion works of the Science Park and Cyberport will be completed in phases from 2025 onwards.
- Technology and Operational Efficiency – 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

Our E&M services invested in innovative construction technologies to boost operational efficiency and project management capabilities.

endeavoring to support the “Construction 2.0” initiative (Innovation, Professionalisation and Revitalisation) as launched by the Development Bureau in 2019 to capitalise on future development opportunities and scale new heights. In 2023, the Development Bureau has reviewed the labour shortage situation and introduced the Labour Importation Scheme for the Construction Sector, with a quota ceiling of 12,000.

- Macau – In Macau, there is a constant demand for renovation and improvement works for hotels and casinos. In addition, there is a robust demand for public and private residential housing, the development of Galaxy Macau Phase 4, the renovation work of existing casinos and hotel areas, and the renewal of gaming licences of its six major casino operators for the next 10 years in November 2022. These factors are expected to create emerging business opportunities for the Group in the coming few years.
- Mainland China - 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

Management Discussion and Analysis

presence in other first- and second-tier cities in Mainland China such as Tianjin, Shenyang, Wuhan, Kunming and Hangzhou. The development of the Greater Bay Area will certainly enhance the economic and social growth in the 11 cities of that Area. In addition, the 3 rapidly developing Guangdong Pilot Free Trade Zones – Hengqin, Qianhai and Nansha – will bring new business opportunities to the Group.

- In recent years, the Group has been providing project management services across Mainland China to an international exhibition centre development in Shenyang, 2 high-rise building complexes in Tianjin and Guangzhou, and 2 commercial buildings in Beijing. The Group firmly believes that due to its high market recognition and strong value-added E&M project management expertise, it will be a preferred partner of foreign and Hong Kong-based developers for high-end projects in Mainland China.
- With our brand's long history and substantial experience, the Group has maintained its position as one of the leading E&M companies in Hong Kong, capable of providing a comprehensive range of E&M services, ranging from design, installation and testing and commissioning services, and has continued to run its E&M operations in Mainland China and Macau.
- On top of its full range of licences and qualifications and effectiveness in managing tendering risks, the Group's E&M services business has integrated operating and control procedures, a robust network of well-established customers and suppliers, and an experienced and well-trained workforce to support all its operations. Equipped with such high service standards and modern management models, it enables the Group's E&M services business to continuously improve its operational efficiency and provide the most cost-effective service deliveries to its clients at optimum price levels.
- With the growing demand for sustainability and environmental, social, and governance from corporate clients and property investors, the Group's E&M services business remains committed to building a greener future. It continuously optimizes design and explore innovative methods to enhance sustainability. At the project level, green building principles are applied to building services equipment to reduce energy usage, carbon footprint and construction waste through green building design, MiC, MiMEP, DfMA.
- To boost operational efficiency and project management capabilities, the Group invests in innovative construction technologies such as BIM, Digital Works Supervision System ("DWSS"), modularisation and prefabrication, Robotic Total Solution and Sky Drilling Machine, 3D laser scanning and mobile Apps solutions etc.
- In addition, senior executives of the Group's E&M services business actively participated in key roles within leading industry organisations, including the Construction Industry Council as well as in different professional institutions such as The Hong Kong Institution of Engineers and trade/industry associations such as The Hong Kong Federation of Electrical and Mechanical Contractors Limited. Beyond strengthening the Group's brand visibility, these leadership positions reinforce its commitment to professionalism and keeping apace of modern construction advances.

CONCLUSION

Despite the challenges and operational difficulties we faced during this financial year, the Group's operations remained stable during the Period. Going forward, the Group will endeavor to maintain a strong financial position in order to remain ready for new investment opportunities as they arise. We are confident that the Group will continue to grow.

Report on Review of Interim Financial Information



羅兵咸永道

To the Board of Directors of FSE Lifestyle Services Limited

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 42 to 73, which comprises the interim condensed consolidated statement of financial position of FSE Lifestyle Services Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 31 December 2023 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 February 2024

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Condensed Consolidated Income Statement — Unaudited

		For the six months ended 31 December	
		2023	2022
		HK\$'000	HK\$'000
	Notes		
Revenue	5	4,114,523	3,712,118
Cost of services and sales		(3,598,168)	(3,177,082)
Gross profit		516,355	535,036
General and administrative expenses		(236,965)	(225,395)
Other income, net	6	21,599	19,170
Operating profit	7	300,989	328,811
Finance income		10,938	3,380
Finance costs		(10,640)	(7,464)
Share of results of associates		802	656
Share of results of joint ventures		131	–
Profit before income tax		302,220	325,383
Income tax expenses	8	(46,765)	(45,303)
Profit for the period		255,455	280,080
Attributable to:			
Shareholders of the Company		255,430	279,537
Non-controlling interests		25	543
		255,455	280,080
Earnings per share for profit attributable to ordinary shareholders of the Company (expressed in HK\$)			
Basic and diluted	9	0.56	0.61

The notes on pages 48 to 73 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Comprehensive Income — Unaudited

	For the six months ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
Profit for the period	255,455	280,080
Other comprehensive income/(loss):		
<i>Item that may be subsequently reclassified to condensed consolidated income statement:</i>		
Currency translation differences	2,392	(4,743)
<i>Items that will not be subsequently reclassified to condensed consolidated income statement:</i>		
Remeasurement (losses)/gains on defined benefit retirement scheme, net of tax	(550)	74
Remeasurement gains on long service payment liabilities, net of tax	161	3,037
Other comprehensive income/(loss) for the period, net of tax	2,003	(1,632)
Total comprehensive income for the period	257,458	278,448
Attributable to:		
Shareholders of the Company	257,433	277,905
Non-controlling interests	25	543
	257,458	278,448

The notes on pages 48 to 73 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position — Unaudited

	Notes	As at 31 December 2023 HK\$'000 (Unaudited)	As at 30 June 2023 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	53,923	57,415
Right-of-use assets	11	71,950	87,696
Other intangible assets	11	174,944	176,870
Interests in associates		226	234
Interests in joint ventures		1,087	956
Deferred income tax assets		10,861	11,292
Pension assets		2,985	3,554
		315,976	338,017
Current assets			
Trade and other receivables	12	2,435,203	2,318,986
Contract assets		577,280	560,239
Inventories		18,675	21,291
Cash and bank balances	13	512,567	751,901
		3,543,725	3,652,417
Total assets		3,859,701	3,990,434
EQUITY			
Ordinary shares	14	45,000	45,000
Convertible preference shares	14	140,900	140,900
Reserves		666,381	513,252
Shareholders' funds		852,281	699,152
Non-controlling interests		294	269
Total equity		852,575	699,421

The notes on pages 48 to 73 are an integral part of these condensed consolidated interim financial statements.

	Note	As at 31 December 2023 HK\$'000 (Unaudited)	As at 30 June 2023 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		17,470	28,174
Long service payment liabilities		46,367	46,794
Deferred income tax liabilities		20,898	22,173
Pension liabilities		1,456	1,229
Borrowings		–	263,658
		86,191	362,028
Current liabilities			
Trade and other payables	15	1,973,273	2,042,773
Contract liabilities		565,000	716,295
Borrowings		277,254	18,377
Current portion of lease liabilities		43,239	45,784
Taxation payable		62,169	105,756
		2,920,935	2,928,985
Total liabilities		3,007,126	3,291,013
Total equity and liabilities		3,859,701	3,990,434
Net current assets		622,790	723,432
Total assets less current liabilities		938,766	1,061,449

The notes on pages 48 to 73 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity — Unaudited

	Ordinary shares (Note 14) HK\$'000	Convertible preference shares (Note 14) HK\$'000	Reserves HK\$'000	Equity attributable to shareholders of the Company HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
As at 1 July 2022	45,000	140,900	227,554	413,454	23,320	436,774
Profit for the period	–	–	279,537	279,537	543	280,080
Other comprehensive (loss)/income:						
Currency translation differences	–	–	(4,743)	(4,743)	–	(4,743)
Remeasurement gains on defined benefit retirement scheme, net of tax	–	–	74	74	–	74
Remeasurement gains on long service payment liabilities, net of tax	–	–	3,037	3,037	–	3,037
Total comprehensive income for the period	–	–	277,905	277,905	543	278,448
Transactions with shareholders:						
Dividend to ordinary shareholders	–	–	(108,450)	(108,450)	–	(108,450)
Distribution to convertible preference shareholder (Note 10)	–	–	(8,454)	(8,454)	–	(8,454)
As at 31 December 2022	45,000	140,900	388,555	574,455	23,863	598,318
As at 1 July 2023	45,000	140,900	513,252	699,152	269	699,421
Profit for the period	–	–	255,430	255,430	25	255,455
Other comprehensive income/(loss):						
Currency translation differences	–	–	2,392	2,392	–	2,392
Remeasurement losses on defined benefit retirement scheme, net of tax	–	–	(550)	(550)	–	(550)
Remeasurement gains on long service payment liabilities, net of tax	–	–	161	161	–	161
Total comprehensive income for the period	–	–	257,433	257,433	25	257,458
Transactions with shareholders:						
Dividend to ordinary shareholders	–	–	(95,850)	(95,850)	–	(95,850)
Distribution to convertible preference shareholder (Note 10)	–	–	(8,454)	(8,454)	–	(8,454)
As at 31 December 2023	45,000	140,900	666,381	852,281	294	852,575

The notes on pages 48 to 73 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows — Unaudited

		For the six months ended	
		31 December	
		2023	2022
		HK\$'000	HK\$'000
Cash flows from operating activities			
	Notes		
Cash (used in)/generated from operations	16(a)	(15,061)	184,371
Hong Kong profits tax paid		(90,677)	(61,592)
Mainland China and Macau income tax paid		(1,289)	(3,069)
(Increase)/decrease in trust cash		(38,084)	7,713
Interest paid		(10,539)	(7,374)
Net cash (used in)/generated from operating activities		(155,650)	120,049
Cash flows from investing activities			
Interest received		10,938	3,380
Proceeds from disposal of right-of-use assets		6,703	–
Proceeds from disposal of property, plant and equipment		1,773	207
Dividend received from associates		810	720
Purchase of property, plant and equipment		(7,861)	(16,344)
Net cash generated from/(used in) investing activities		12,363	(12,037)
Cash flows from financing activities			
Repayments of bank borrowings		(96,476)	(20,000)
Dividend paid to ordinary shareholders		(95,850)	(108,450)
Payments of principal portion of lease liabilities		(24,523)	(24,622)
Distribution paid to convertible preference shareholder		(8,454)	(8,454)
Acquisition of non-controlling interests	16(b)	(457)	–
Proceeds from bank borrowings		91,434	9,055
Net cash used in financing activities		(134,326)	(152,471)
Net decrease in cash and cash equivalents during the period		(277,613)	(44,459)
Cash and cash equivalents at the beginning of the period		715,949	727,303
Exchange differences	16(c)	195	(2,253)
Cash and cash equivalents at the end of the period		438,531	680,591
Representing:			
Cash and bank balances as stated in the condensed consolidated statement of financial position		512,567	712,612
Less: Trust cash	13	(74,036)	(32,021)
Cash and cash equivalents at the end of the period		438,531	680,591

The notes on pages 48 to 73 are an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

1 GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries (together, the “Group”) are principally engaged in provision of property & facility management services, property agency and related services for buildings, car park management services, cleaning & pest control 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 and consultancy services, provision of ELV engineering services, trading of building materials, landscaping services in Hong Kong and provision of mechanical and electrical engineering services and technical support and maintenance services in Hong Kong, Mainland China and Macau. The ultimate holding company of the Company is FSE Holdings Limited (“FSE Holdings”) incorporated in the Cayman Islands. The directors consider Mrs. Doo Cheng Sau Ha, Amy to be the ultimate controlling shareholder (the “Ultimate Controlling Shareholder”).

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

This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated.

This condensed consolidated interim financial information has been approved for issue by the board of directors of the Company (the “Board”) on 27 February 2024.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 31 December 2023 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The interim financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2023, which has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies applied are consistent with those set out in the annual report for the year ended 30 June 2023, except for the adoption of new and amended standards as set out below.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

(a) Adoption of new amendments to existing standards by the Group

For the six months ended 31 December 2023, the Group adopted the following new amendments to existing standards which are effective for the accounting periods of the Group beginning on 1 July 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules
HKFRS 17 and its Amendments	Insurance Contracts
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information

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

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

The following new standard and amendments to existing standards have been issued but not yet effective for the Group's financial year beginning on 1 July 2023 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to Hong Kong Interpretation 5	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
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 condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk and foreign exchange risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 30 June 2023.

There have been no changes in the risk management policies since the Group's financial year ended 30 June 2023.

3.2 Fair value estimation

At 31 December 2023 and 30 June 2023, the carrying amounts of Group's financial assets and liabilities approximate their fair values due to the short-term maturities of these assets and liabilities.

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to its consolidated financial statements for the year ended 30 June 2023.

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 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 & facility management services, property agency and related services for buildings, car park management services and guarding services;
- (ii) City essential services — Provision of cleaning & pest control and waste disposal services, recycling and environmental disposal services, technical support & maintenance services, security guarding & event services, insurance solutions, environmental solutions services (including environmental engineering consultancy services, ELV engineering services, trading of environmental and building materials products and landscaping services); and
- (iii) E&M services — Provision of engineering and consultancy services on installation.

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

	For the six months ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
Revenue		
Property & facility management services	329,797	356,802
City essential services		
— Cleaning services & pest control services	1,128,052	826,803
— Technical support & maintenance services		
— Renovations, system retrofit and repairing ⁽ⁱ⁾	448,139	402,798
— Routine maintenance ⁽ⁱⁱ⁾	51,795	58,728
— Security guarding & event services		
— Rendering of services	302,460	322,383
— Sales of goods ⁽ⁱⁱⁱ⁾	3,855	9,191
— Insurance solutions	58,091	61,333
— Environmental solutions		
— Rendering of services ^(iv)	124,622	133,961
— Sales of goods ^(v)	25,588	34,176
City essential services subtotal	2,142,602	1,849,373
E&M services	1,642,124	1,505,943
Total ^(vi)	4,114,523	3,712,118

Notes:

- (i) Technical support & maintenance services — Renovations, system retrofit and repairing: Provision of renovation, system retrofit and repairing services covering replacement of chiller units, upgrade of electrical supply systems, modification and enhancement of fire services, plumbing and drainage systems, alteration and addition works and term contracts.
- (ii) Technical support & maintenance services — Routine maintenance: Provision of operational and maintenance services for central air conditioning plants and other building services.
- (iii) Security guarding & event services — Sales of goods: Sales of CCTV, burglar alarm, mobile patrol, access control, intercom, car park barrier and face reader systems, and handheld and walkthrough metal detectors.
- (iv) Environmental solutions — Rendering of services: Provision of environmental solutions services including installation and maintenance of water treatment systems, odour abatement systems, construction site wastewater treatment systems, ELV systems, IoT solutions, consultancy services for energy audit, carbon audit, building environmental assessment, indoor air quality and water quality assessment, laboratory services and landscape management.
- (v) Environmental solutions — Sales of goods: Sales of tiles, building service products including pipes, pumps, accessory valves and fittings, building automation systems, heating, ventilation, air-conditioning parts, fire services products, environmental engineering products covering building services water treatment and odour abatement systems, air quality monitoring machines, construction site wastewater treatment systems and plants.

Notes to the Condensed Consolidated Interim Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Notes: *(Continued)*

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

	For the six months ended	
	31 December 2023 HK\$'000	2022 HK\$'000
Contracting revenue recognised based on percentage of completion method		
Technical support & maintenance services		
— Renovations, system retrofit and repairing	181,672	123,122
Environmental solutions		
— Rendering of services	76,169	83,527
E&M services	1,642,124	1,505,943
Total	1,899,965	1,712,592

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 allowances that are reported as direct offsets in the statement of financial position. Segment assets consist primarily of property, plant and equipment, right-of-use assets, other intangible assets, interests in associates, interests in joint ventures, deferred income tax assets, pension assets, trade and other receivables, contract assets, inventories and cash and bank balances.

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

As at 31 December 2023 and 30 June 2023, unallocated assets and unallocated liabilities represented the assets and liabilities not arising from the operations of the operating segments.

Additions to non-current assets comprises mainly additions to property, plant and equipment, right-of-use assets and other intangible assets (Note 11).

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) For the six months ended and as at 31 December 2023

The segment results for the six months ended 31 December 2023 and other segment items included in the condensed 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	329,797	2,142,602	1,642,124	–	4,114,523
Revenue — Internal	1,365	42,296	–	(43,661)	–
Total revenue	331,162	2,184,898	1,642,124	(43,661)	4,114,523
Timing of revenue recognition					
Over time	331,162	2,121,758	1,642,124	(41,304)	4,053,740
At a point of time	–	63,140	–	(2,357)	60,783
Total revenue	331,162	2,184,898	1,642,124	(43,661)	4,114,523
Operating profit before unallocated corporate expenses	72,243	117,275	114,933	–	304,451
Unallocated corporate expenses					(3,462)
Operating profit					300,989
Finance income					10,938
Finance costs					(10,640)
Share of results of associates					802
Share of results of joint ventures					131
Profit before income tax					302,220
Income tax expenses (Note 8)					(46,765)
Profit for the period					255,455
Other items					
Depreciation and amortisation	6,342	16,285	14,866	–	37,493
Impairment losses on trade and other receivables, net (Note 7)	–	419	–	–	419
Reversal of provision for inventories (Note 7)	–	(21)	–	–	(21)
Additions to non-current assets (other than financial instruments and deferred income tax assets)	431	11,630	7,089	–	19,150

Notes to the Condensed Consolidated Interim Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) For the six months ended and as at 31 December 2023 *(Continued)*

The segment assets and liabilities as at 31 December 2023 are as follows:

	Property & facility management services HK\$'000	City essential services HK\$'000	E&M services HK\$'000	Total HK\$'000
Segment assets	391,531	1,880,284	1,583,686	3,855,501
Unallocated assets				4,200
Total assets				3,859,701
Segment liabilities	151,012	936,604	1,575,782	2,663,398
Unallocated liabilities				343,728
Total liabilities				3,007,126

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) For the six months ended 31 December 2022 and as at 30 June 2023

The segment results for the six months ended 31 December 2022 and other segment items included in the condensed 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	356,802	1,849,373	1,505,943	–	3,712,118
Revenue — Internal	1,976	30,267	–	(32,243)	–
Total revenue	358,778	1,879,640	1,505,943	(32,243)	3,712,118
Timing of revenue recognition					
Over time	358,778	1,806,555	1,505,943	(27,814)	3,643,462
At a point of time	–	73,085	–	(4,429)	68,656
Total revenue	358,778	1,879,640	1,505,943	(32,243)	3,712,118
Operating profit before unallocated corporate expenses	76,841	143,997	111,147	–	331,985
Unallocated corporate expenses					(3,174)
Operating profit					328,811
Finance income					3,380
Finance costs					(7,464)
Share of results of associates					656
Share of results of joint ventures					–
Profit before income tax					325,383
Income tax expenses (Note 8)					(45,303)
Profit for the period					280,080
Other items					
Depreciation and amortisation	6,175	15,800	13,931	–	35,906
Reversal of impairment losses on trade and other receivables, net (Note 7)	–	(180)	–	–	(180)
Reversal of provision for inventories (Note 7)	–	(328)	–	–	(328)
Additions to non-current assets (other than financial instruments and deferred income tax assets)	941	14,959	8,854	–	24,754

Notes to the Condensed Consolidated Interim Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) For the six months ended 31 December 2022 and as at 30 June 2023 *(Continued)*

The segment assets and liabilities as at 30 June 2023 are as follows:

	Property & facility management services HK\$'000	City essential services HK\$'000	E&M services HK\$'000	Total HK\$'000
Segment assets	417,015	1,738,859	1,827,246	3,983,120
Unallocated assets				7,314
Total assets				3,990,434
Segment liabilities	175,768	903,379	1,849,899	2,929,046
Unallocated liabilities				361,967
Total liabilities				3,291,013

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 six months ended 31 December	
	2023 HK\$'000	2022 HK\$'000
Revenue		
Hong Kong	3,763,035	3,488,626
Mainland China	263,719	166,678
Macau	87,769	56,814
Total	4,114,523	3,712,118

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

	As at 31 December 2023 HK\$'000	As at 30 June 2023 HK\$'000
	Non-current assets, other than deferred income tax assets and pension assets	
Hong Kong	275,926	289,357
Mainland China	21,048	27,559
Macau	5,156	6,255
Total	302,130	323,171

6 OTHER INCOME, NET

	For the six months ended 31 December	
	2023 HK\$'000	2022 HK\$'000
Government grants ⁽ⁱ⁾	15,218	17,447
Gains on disposal of right-of-use assets, net	4,279	–
Gains on disposal of property, plant and equipment, net	1,200	135
Ex-gratia payment from the government for retirement of motor vehicles	305	485
Exchange gains, net	199	127
Sundries	398	976
Total	21,599	19,170

Note:

- (i) During the six months ended 31 December 2023, the Group was entitled to government grants under various schemes from the Government of the Hong Kong Special Administrative Region (the "HKSAR Government") as financial support for its businesses, amounting to HK\$24.4 million in total (Six months ended 31 December 2022: HK\$45.1 million from the HKSAR Government and the Government of the Macau Special Administrative Region). Out of which, (i) HK\$15.2 million was recognised as "Other income, net" (Six months ended 31 December 2022: HK\$17.4 million) and (ii) HK\$9.2 million (Six months ended 31 December 2022: HK\$27.7 million) was net off in its staff costs (Note 7).

7 OPERATING PROFIT

	Note	For the six months ended 31 December	
		2023 HK\$'000	2022 HK\$'000
Operating profit is stated after charging/(crediting):			
Staff costs (including Directors' emoluments)		1,756,649	1,516,607
Subcontracting fees		1,190,369	1,115,236
Raw materials and consumables used		697,243	585,514
Depreciation of right-of-use assets	11	24,738	24,791
Cost of inventories sold		13,807	22,530
Depreciation of property, plant and equipment	11	10,829	9,085
Amortisation of other intangible assets ⁽ⁱ⁾	11	1,926	2,030
Expenses relating to short-term leases		752	972
Impairment losses/(reversal of impairment losses) on trade and other receivables, net		419	(180)
Reversal of provision for inventories		(21)	(328)

Note:

- (i) Included in general and administrative expenses.

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

Notes to the Condensed Consolidated Interim Financial Statements

8 INCOME TAX EXPENSES

	For the six months ended 31 December	
	2023 HK\$'000	2022 HK\$'000
Current income tax		
Hong Kong profits tax	45,337	48,491
Macau taxation	1,883	3,253
Mainland China income tax	378	(24)
Deferred income tax credit	(833)	(6,417)
Total	46,765	45,303

Hong Kong profits tax has been provided at the rate of 16.5% (Six months ended 31 December 2022: 16.5%) on the estimated assessable profit. Taxation on Mainland China and Macau profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the jurisdictions in which the Group operates. These rates range from 12% to 25% for the six months ended 31 December 2023 and 2022.

9 EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY

(a) Basic

The calculation of basic earnings per share for the period is based on the following:

	For the six months ended 31 December	
	2023 HK\$'000	2022 HK\$'000
Profit attributable to shareholders of the Company	255,430	279,537
Less: Preferred distribution to the holder of convertible preference shares	(4,262)	(4,262)
Earnings used in the basic earnings per share calculation	251,168	275,275
Weighted average number of ordinary shares in issue (shares in thousands)	450,000	450,000
Basic earnings per share (HK\$)	0.56	0.61

(b) Diluted

On 16 December 2019, the Company issued convertible preference shares, with details set out in Note 14, 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 31 December 2023 and 2022, therefore, the effect of their conversion is not included in the calculation of the diluted earnings per share for the six months ended 31 December 2023 and 2022. As a result, the diluted earnings per share equals to the basic earnings per share for the six months ended 31 December 2023 and 2022.

10 DIVIDEND AND DISTRIBUTION

At a meeting held on 27 February 2024, the Board has resolved to declare the payment of an interim dividend of HK22.4 cents (Six months ended 31 December 2022: HK24.5 cents) per ordinary share to the ordinary shareholders of the Company for the six months ended 31 December 2023, equivalent to a total amount of HK\$100.80 million (Six months ended 31 December 2022: HK\$110.25 million). The interim dividend will be paid in cash.

At a meeting held on 27 September 2023, the Board has resolved to pay a preferred distribution calculated at 6.0% per annum on the issue amount of the Company's convertible preference shares of HK\$140.9 million, equivalent to a total amount of HK\$8.5 million (Six months ended 31 December 2022: HK\$8.5 million). The preferred distribution was paid in December 2023.

11 PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND OTHER INTANGIBLE ASSETS

	Property, plant and equipment HK\$'000	Right-of- use assets HK\$'000	Other intangible assets HK\$'000
Six months ended 31 December 2022			
Opening net book value as at 1 July 2022	40,680	115,563	180,823
Exchange differences	(123)	(258)	–
Additions	16,344	8,410	–
Disposals	(72)	–	–
Depreciation and amortisation charges	(9,085)	(24,791)	(2,030)
Closing net book value as at 31 December 2022	47,744	98,924	178,793
Six months ended 31 December 2023			
Opening net book value as at 1 July 2023	57,415	87,696	176,870
Exchange differences	49	127	–
Additions	7,861	11,289	–
Disposals	(573)	(2,424)	–
Depreciation and amortisation charges	(10,829)	(24,738)	(1,926)
Closing net book value as at 31 December 2023	53,923	71,950	174,944

Notes to the Condensed Consolidated Interim Financial Statements

12 TRADE AND OTHER RECEIVABLES

	As at 31 December 2023 HK\$'000	As at 30 June 2023 HK\$'000
Trade receivables		
Third parties	1,155,557	872,672
Related companies (Note 17(c))	200,409	326,131
	1,355,966	1,198,803
Less: Provision for impairment		
Third parties	(10,593)	(10,174)
Related companies (Note 17(c))	(45)	(45)
	1,345,328	1,188,584
Retention receivables		
Third parties	300,962	293,383
Related companies (Note 17(c))	126,587	124,619
	427,549	418,002
Other receivables and prepayments		
Third parties	309,915	239,988
Related companies (Note 17(c))	69,379	28,801
	379,294	268,789
Accrued contract revenue	283,181	443,760
Less: Provision for impairment	(149)	(149)
	283,032	443,611
Total	2,435,203	2,318,986

Generally, no credit period is granted by the Group to customers for provision of property & 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 periods generally granted by the Group to its other customers is 30 to 60 days.

The total balance at 31 December 2023 included trade and retention receivables of approximately HK\$22 million which relate to a claim being lodged by the Group against the main contractor for a project being terminated. Based on legal advice, the Group considers it has good grounds to recover such receivables.

12 TRADE AND OTHER RECEIVABLES *(Continued)*

Expected credit losses

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, retention receivables, accrued contract revenue 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 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 expected credit loss is minimal as the majority of the trade and other receivables are due from a number of independent customers for whom there is no recent history of default, except for certain trade receivables, retention receivables, accrued contract revenue and contract assets with full impairment provision being provided because they have been undergoing financial difficulties.

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 31 December 2023 HK\$’000	As at 30 June 2023 HK\$’000
Current to 90 days	1,184,667	1,085,138
91 to 180 days	80,228	42,697
Over 180 days	80,433	60,749
Total	1,345,328	1,188,584

13 CASH AND BANK BALANCES

	As at 31 December 2023 HK\$’000	As at 30 June 2023 HK\$’000
Time deposits with original maturities within three months	132,713	426,300
Trust cash ⁽ⁱ⁾	74,036	35,952
Other cash at banks and on hand	305,818	289,649
Total	512,567	751,901

Note:

- (i) Trust cash relates to cash held for insurance premiums received from policy holders which will ultimately be paid to insurers. Trust cash cannot be used to meet business obligations/operating expenses other than payments to insurers and/or refunds to policy holders.

Notes to the Condensed Consolidated Interim Financial Statements

14 SHARE CAPITAL

The numbers of the Company's authorised and issued shares are as follows:

	For the six months ended 31 December			
	2023		2022	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each				
As at 1 July and 31 December	900,000,000	90,000	900,000,000	90,000
Convertible preference shares of HK\$0.1 each (Note a)				
As at 1 July and 31 December	100,000,000	10,000	100,000,000	10,000
Total	1,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK\$0.1 each				
As at 1 July and 31 December	450,000,000	45,000	450,000,000	45,000
Convertible preference shares of HK\$0.1 issued at HK\$3.2260 each (Note a)				
As at 1 July and 31 December	43,676,379	140,900	43,676,379	140,900
Total	493,676,379	185,900	493,676,379	185,900

As at 31 December 2023 and 30 June 2023, the total nominal amount of the Company's issued shares was HK\$49,367,638, comprising HK\$45,000,000 for ordinary shares and HK\$4,367,638 for convertible preference shares.

14 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 FSE Management Company Limited ("FMC, a fellow subsidiary of the Company) at an issue price of HK\$3.2260 per share (the "Issue Price"), credited as fully paid. The major terms of the convertible preference shares are set out below:

- Each convertible preference share shall entitle the holder to convert within a period of 10 years after the Issue Date, provided that any conversion shall not result in the Company failing to comply with any public float requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
- Each convertible preference share is convertible into such number of ordinary share(s) being one multiplied by the conversion rate. The conversion rate is determined by dividing the Issue Price of convertible preference shares by the conversion price.
- The conversion price is the Issue Price, subject to adjustment upon the occurrence of certain prescribed events.
- Each convertible preference share shall confer on the holder the right to receive preferred distributions from the Issue Date at a rate of 6.0% per annum on the Issue Price, payable annually in arrears. Each preferred distribution is cumulative. The Board may, in its sole discretion, elect to defer or not to pay a preferred distribution. No interest accrues on any unpaid preferred distribution. If the Board elects to defer or not to pay a preferred distribution, the Company shall not (a) pay any dividends, distributions or make any other payment on any ordinary shares or (b) redeem, cancel, repurchase or acquire for any consideration any ordinary shares, unless at the same time it pays to the holder of the convertible preference shares any deferred or unpaid preferred distribution which was scheduled to be paid on a day falling in the same financial year in respect of which payment of such dividends, distributions or other payments is made or during which such redemption, cancellation, repurchase or acquisition occurs.
- The holder of the convertible preference shares shall not have the right to attend or vote at any general meeting of the Company (except a general meeting for winding up of the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of such holder).
- The holder of the convertible preference shares will have priority over the holders of ordinary shares of the Company on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding up or dissolution of the Company.
- At any time after 10 years following the Issue Date, the Company may at its sole discretion serve at least ten days' prior written notice to the holder of the convertible preference shares to redeem either in whole or in part of the convertible preference shares for the time being outstanding, at a redemption price equals to the Issue Price together with all outstanding preferred distributions accrued to the date fixed for redemption.

The convertible preference shares are classified as equity instruments, considered that: (i) the Company has no contractual obligation to deliver cash or another financial asset to the holder of the convertible preference shares; and (ii) the convertible preference shares are non-derivative that includes no contractual obligation for the Company to deliver a variable number of ordinary shares.

Notes to the Condensed Consolidated Interim Financial Statements

15 TRADE AND OTHER PAYABLES

	As at 31 December 2023 HK\$'000	As at 30 June 2023 HK\$'000
Trade payables		
Third parties	448,722	414,318
Other payables		
Third parties	331,307	262,267
Related companies (Note 17(c))	60,886	81,496
	392,193	343,763
Retention payables		
Third parties	277,381	299,460
Accrued expenses	427,448	465,077
Provision for contracting costs	427,529	520,155
Total	1,973,273	2,042,773

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 31 December 2023 HK\$'000	As at 30 June 2023 HK\$'000
1 to 90 days	343,714	374,229
91 to 180 days	31,886	19,540
Over 180 days	73,122	20,549
Total	448,722	414,318

In carrying out the ordinary course of business, the Group is subject to the risk of being named as defendant in legal actions, claims and disputes in connection with its business activities. The nature of the legal proceedings initiated against the Group mainly includes claims for compensation by the Group's existing or former employees for work-related injuries. The Group maintains insurance cover and, in the opinion of the Directors, based on current available evidence, any such existing claims and legal proceedings against the Group are not expected to have significant adverse financial impact to the Group as at 31 December 2023.

16 NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to cash (used in)/generated from operations:

	Notes	For the six months ended	
		31 December	
		2023	2022
		HK\$'000	HK\$'000
Profit before income tax		302,220	325,383
Depreciation of right-of-use assets	11	24,738	24,791
Depreciation of property, plant and equipment	11	10,829	9,085
Finance costs		10,640	7,464
Long service payment liabilities			
Expenses recognised in the condensed consolidated income statement		3,880	1,961
Benefit paid		(4,110)	(1,728)
Amortisation of other intangible assets	11	1,926	2,030
Impairment losses/(reversal of impairment losses) on trade and other receivables, net	7	419	(180)
Pension costs on defined benefits plan		159	179
Finance income		(10,938)	(3,380)
Gains on disposal of right-of-use assets, net	6	(4,279)	–
Gains on disposal of property, plant and equipment, net	6	(1,200)	(135)
Share of results of associates		(802)	(656)
Share of results of joint ventures		(131)	–
Unrealised exchange differences		(199)	(127)
Reversal of provision for inventories	7	(21)	(328)
Operating cash flows before changes in working capital		333,131	364,359
Change in working capital:			
Net contract assets and liabilities		(165,416)	(171,640)
Trade and other receivables		(108,918)	18,640
Trade and other payables		(76,473)	(29,927)
Pension assets		(22)	(20)
Inventories		2,637	2,959
Cash (used in)/generated from operations		(15,061)	184,371

(b) Acquisition of non-controlling interests

On 12 June 2023, the Group acquired the remaining 30% interest in Wise Plaza Limited at a consideration of HK\$22.8 million, which includes HK\$22.4 million of initial sum of consideration paid in June 2023 and HK\$0.4 million of final cash payment of consideration paid in July 2023.

(c) Exchange differences

The exchange differences of cash and cash equivalents during the period mainly arises from the remeasurement of the Group's foreign currency denominated cash and bank balances at the period end exchange rates.

Notes to the Condensed Consolidated Interim Financial Statements

16 NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

(d) Major non-cash transactions

During the six months ended 31 December 2023, the Group acquired right-of-use assets and recognised lease liabilities, including lease modifications, totaling HK\$11.3 million (Six months ended 31 December 2022: HK\$8.4 million).

(e) Funds held on behalf of third parties

As at 31 December 2023, the Group held cash and bank balances totalling HK\$1,128.4 million (30 June 2023: HK\$1,136.8 million) in trust for owners of certain buildings which were under its management. These funds have not been included in the condensed consolidated interim financial statements of the Group.

17 RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated interim financial information, 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 six months ended 31 December 2023 and 2022.

(a) The directors of the Company are of the view that the related parties that had transactions with the Group are listed below:

Name	Relationship
China Fame Enterprise Limited	Note i
Ease King Investment Limited	Note i
FSE Management Company Limited	Note i
Great City Developments Limited	Note i
Kingdom of Morocco (Consulate General-HK) Company Limited	Note i
Perfect Modern Limited	Note i
Power Estate Investments Limited	Note i
Prosperity Property Investment Limited	Note i
Silver Asia Investments Limited	Note i
上海上實南洋大酒店有限公司	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
Anway Limited	Note ii
AOS Management Limited	Note ii
ATL Logistics Centre Hong Kong Limited	Note ii
Atrend Fashion Limited	Note ii
Beamland Limited	Note ii
Bright Link Engineering Limited	Note ii
Bright Moon Company Limited	Note ii
Broadway-Nassau Investments Limited	Note ii
Build King Civil Engineering Limited	Note ii
Build King Construction Limited	Note ii
Build King Interior & Construction Limited	Note ii
Calpella Limited	Note ii

17 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
Cheer Globe Limited	Note ii
CHI Studio Company Limited	Note ii
Chow Tai Fook Energy Company Limited	Note ii
Chow Tai Fook Enterprises Limited	Note ii
Chow Tai Fook Jewellery Company Limited	Note ii
Cititop Limited	Note ii
Daily Land Limited	Note ii
Diamond International Limited	Note ii
Discovery Park Commercial Services Limited	Note ii
Ever Right Limited	Note ii
Foregain Company Limited	Note ii
Full Asset Enterprises Limited	Note ii
GH Hotel Company Limited	Note ii
GHK Hospital Limited	Note ii
Global Winner Limited	Note ii
Good Sense Development Limited	Note ii
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 (VEC)	Note ii
Hip Seng Builders Limited	Note ii
Hip Seng Construction Company Limited	Note ii
Hip Seng Contracting Company Limited (formerly known as New World Construction Company Limited)	Note ii
Hong Kong Convention and Exhibition Centre (Management) Limited	Note ii
Hong Kong Golf & Tennis Academy Management Company Limited	Note ii
Hong Kong Island Development Limited	Note ii
Hong Kong Multiple Intelligence Education Company Limited	Note ii
Hyatt Regency Hong Kong	Note ii
Joy Century Limited	Note ii
K11 AFLM Limited	Note ii
K11 Art Mall Properties Company Limited	Note ii
K11 Artus Limited	Note ii
K11 Concepts Limited	Note ii
K11 Gentry Club Limited	Note ii
K11 Property Management Company Limited	Note ii
K11 Retail & Corporate Sales Company Limited	Note ii
K11 Select Limited	Note ii
K11 Theme Parks Limited	Note ii

Notes to the Condensed Consolidated Interim Financial Statements

17 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
Karnival TP-FT Limited	Note ii
Kid World Services Limited	Note ii
Kiu Lok Properties Services (China) Limited	Note ii
KOHO Facility Management Limited	Note ii
Loyalton Limited	Note ii
Luxba 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 Land Limited	Note ii
New World Corporate Services Limited	Note ii
New World Department Stores Limited	Note ii
New World Development (China) Limited	Note ii
New World Development Company Limited	Note ii
New World Facilities Management Company Limited	Note ii
New World Group Charity Foundation Limited	Note ii
New World Hotel Management Limited	Note ii
New World Property Management Company Limited	Note ii
New World Strategic Investment 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
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 (Hong Kong) Limited	Note ii
Roxy Limited	Note ii
Sunfield Investments Limited	Note ii
Sunny Goal Limited	Note ii
The Artizen Management Company Limited	Note ii
The Dragon Seed Company Limited	Note ii
The Town Club (HK) Limited	Note ii
Treasure High Limited	Note ii

17 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 Tower Holdings Limited	Note ii
Urban Parking Limited	Note ii
Vibro (H.K.) Limited	Note ii
Victoria Educational Organisation 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
天津新世界環渤海房地產開發有限公司	Note ii
北京崇文·新世界房地產發展有限公司	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
新世界百貨(中國)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
寧波新立房地產開發有限公司	Note ii
廣州永沛房地產開發有限公司	Note ii
瀋陽博覽館商務會展有限公司	Note ii

Notes:

- (i) These companies are commonly controlled by the Ultimate Controlling Shareholder and/or the family member of the Ultimate Controlling Shareholder.
- (ii) These related companies include companies of which the key management personnel are close member of the family of the Ultimate Controlling Shareholder.

Notes to the Condensed Consolidated Interim Financial Statements

17 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with related parties

Save as disclosed elsewhere in the condensed consolidated interim financial statements, the Group had the following transactions with related companies during the six months ended 31 December 2023 and 2022.

	For the six months ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
Contract revenue (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	1,639	1,446
Other related companies (Note ii)	908,110	1,324,267
Total	909,749	1,325,713
Cleaning service income (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	846	–
Other related companies (Note ii)	81,335	80,486
Total	82,181	80,486
Premises management service fee and building manager remuneration (Note iii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	792	844
Other related companies (Note ii)	9,621	7,750
Total	10,413	8,594
Security service income (Note iv)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	2,133	1,936
Other related companies (Note ii)	106,942	121,621
Total	109,075	123,557
Insurance solutions consultancy fee income from related companies (Note v)	13	2,579
Landscaping service income (Note vi)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	14	13
Other related companies (Note ii)	3,172	4,005
Total	3,186	4,018
Additions of right-of-use assets and rental expenses (Note vii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	6,914	478
Other related companies (Note ii)	25	25
Total	6,939	503

17 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with related parties *(Continued)*

	For the six months ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
Appointment fees to related companies (Note viii)	1,408	1,378
Contracting service expenses to a related company (Note ix)	4,004	2,722
Miscellaneous service fees expenses to related companies (Note x)	308	77

Notes:

- (i) Revenue from provision of contracting work and cleaning service income is principally charged in accordance with the terms of the respective contracts.
- (ii) These related companies are companies of which the key management personnel are close members of the family of the Ultimate Controlling Shareholder.
- (iii) Premises management service fee and building manager remuneration were charged based on certain percentages of total expenditures of the properties in accordance with the management contracts.
- (iv) Security service 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 income was charged at prices and terms as agreed by both parties.
- (vii) Additions of rights-of-use assets and rental expenses were principally calculated in accordance with the terms of the respective rental agreements.
- (viii) Appointment fees were charged at prices and terms as agreed by both parties.
- (ix) Contracting service expenses were charged in accordance with the terms of the respective contracts.
- (x) Miscellaneous service fees expenses were charged based on fixed amounts mutually agreed by the parties.
- (xi) The above transactions with related parties are based upon mutually agreed terms and conditions.

Notes to the Condensed Consolidated Interim Financial Statements

17 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

	As at 31 December 2023 HK\$'000	As at 30 June 2023 HK\$'000
Trade receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	101	943
Other related companies (Note i)	200,263	325,143
Total	200,364	326,086
Retention receivables due from related companies (Note i)	126,587	124,619
Other receivables due from related companies (Note i)	69,379	28,801
Contract assets due from related companies (Note i)	207,641	243,215
Contract liabilities due to related companies (Note i)	263,769	334,554
Other payables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	4,887	1,320
Other related companies (Note i)	55,999	80,176
Total	60,886	81,496
Lease liabilities		
Related companies commonly controlled by the Ultimate Controlling Shareholder	31,651	40,620

Note:

- (i) These related companies are companies of which the key management personnel are close members of the family of the Ultimate Controlling Shareholder.

17 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 six months ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
Fees	1,863	1,666
Salaries and other emoluments	54,137	45,422
Contributions to defined contribution schemes	2,441	1,966
Total	58,441	49,054

18 CAPITAL COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	As at	As at
	31 December	30 June
	2023	2023
	HK\$'000	HK\$'000
Property, plant and equipment	976	1,396

19 EVENTS AFTER THE REPORTING PERIOD

On 1 February 2024, Nova Insurance Consultants Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, as the purchaser and (i) Guangzhou Sheng Gao Property Development Limited ("Sheng Gao"), (ii) Baohua Equity Investment Limited ("Baohua") and (iii) Nova Risk Services Holdings Limited ("Nova Risk Services", a fellow subsidiary of the Company), collectively as the vendors (the "Vendors") entered into a conditional sales and purchase agreement, pursuant to which the Purchaser has conditionally agreed to acquire from the Vendors the entire registered and paid up capital of Beijing Nova Insurance Services Limited ("Beijing Nova"), of which 40.1% is held by Sheng Gao, 35.0% is held by Baohua and 24.9% is held by Nova Risk Services, at a total cash consideration of RMB143.0 million (equivalent to HK\$155.6 million) (subject to adjustments, if any), funded by the Group's internal resources and bank borrowing. Beijing Nova is a national insurance brokerage for the insured established in Mainland China. The completion of the transaction is subject to the fulfilment of certain conditions including the independent shareholders' approval. Upon completion of this acquisition transaction, Beijing Nova would become an indirect wholly-owned subsidiary of the Company.

Interim Dividend

The Board has resolved to declare the payment of an interim dividend of HK22.4 cents (Six months ended 31 December 2022: HK24.5 cents) per ordinary share to the ordinary shareholders of the Company for the six months ended 31 December 2023. The interim dividend will be paid in cash to shareholders whose names appear on the register of ordinary shareholders of the Company at the close of business on Monday, 18 March 2024. It is expected that the dividend warrants will be posted to shareholders on or about Thursday, 28 March 2024.

CLOSURE OF REGISTER OF ORDINARY SHAREHOLDERS

For the purpose of determining shareholders' entitlement to the interim dividend, the register of ordinary shareholders of the Company will be closed. Details of such closure are set out below:

Ex-dividend date	11 March 2024
Latest time to lodge transfer documents for registration	4:30 pm on 12 March 2024
Closure of register of ordinary shareholders	13 to 18 March 2024 (both dates inclusive)
Record date	18 March 2024
Interim dividend payment date	on or about 28 March 2024

During the above closure period, no transfer of ordinary shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than the latest time specified above.

Other Information

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company was established by the Board for the purposes of, among other things, reviewing and providing supervision over the Group's financial reporting process and internal controls. It currently comprises five independent non-executive directors of the Company. The Audit Committee has reviewed the Group's unaudited condensed consolidated interim financial statements for the six months ended 31 December 2023 and discussed financial related matters with the management and the external auditors of the Company.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 December 2023 have been reviewed by the Company's external auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and enhance corporate value of the Group. Throughout the six months ended 31 December 2023, the Company had complied with all the code provisions set out in the Corporate Governance Code contained in Appendix C1 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), with the exception of code provision F.2.2.

Code provision F.2.2 requires the chairman of the board to attend the annual general meeting. Dr. Cheng Kar Shun, Henry, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 20 November 2023 (the "2023 AGM") due to his prior commitment to another important engagement. Mr. Doo Wai Hoi, William, who previously served as his alternate director prior to 19 March 2024, together with other members of the Board who attended the 2023 AGM, were of sufficient caliber for answering questions at the 2023 AGM.

DIRECTORS' DEALINGS IN THE COMPANY'S SECURITIES

The Company has adopted its own Securities Dealing Code, which is 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 C3 to the Listing Rules, as the code for dealing in securities of the Company by its directors. All directors of the Company 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 six months ended 31 December 2023.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of directors since the publication of the 2022-2023 Annual Report are set out below:

1. Mr. Doo Wai Hoi, William was appointed as Executive Director and Chairman of the Board with effect from 18 March 2024. He ceased as the alternate director to Dr. Cheng Kar Shun, Henry with effect from 19 March 2024.
2. Mr. Lam Wai Hon, Patrick was appointed by Dr. Cheng Kar Shun, Henry as his alternate director with effect from 19 March 2024.

Except as mentioned above, there is no change in information of each director of the Company that is required to be disclosed under Rule 13.51B(1) of the Listing Rules.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2023, 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 were as follows:

Long position in ordinary shares of the Company

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

Note:

These shares are beneficially owned by Mrs. Doo Cheng Sau Ha, Amy ("Mrs. Doo"), spouse of Mr. Doo, details of which are set out in Note 3 to the paragraph headed "SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES" below. By virtue of Part XV of the SFO, Mr. Doo is taken to be interested in all the shares in which his spouse is interested.

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

Name	Capacity/nature of interest	Number of shares	Percentage of Shareholding ⁽⁵⁾
Mr. Doo	Interest of spouse	440,000,000 ⁽¹⁾	88%
Mr. Lam Wai Hon, Patrick ("Mr. Lam")	Interest of controlled corporations	20,000,000 ⁽²⁾	4%
Mr. Doo William Junior Guilherme ("Mr. Doo Jr")	Interest of controlled corporation	35,000,000 ⁽³⁾	7%
Mr. Lee Kwok Bong ("Mr. Lee")	Interest of controlled corporation	5,000,000 ⁽⁴⁾	1%

Notes:

1. These shares are held by Sino Spring Global Limited ("Sino Spring") as to 315,000,000 shares, Power Victory Global Limited ("Power Victory") as to 90,000,000 shares and Frontier Star Limited ("Frontier Star") as to 35,000,000 shares, the entire issued share capital of each of which is beneficially owned by Mrs. Doo, spouse of Mr. Doo. By virtue of Part XV of the SFO, Mr. Doo is taken to be interested in all the shares in which his spouse is interested.
2. These shares are held by Equal Merit Holdings Limited ("Equal Merit"), the entire issued share capital of which is solely and beneficially owned by Mr. Lam.
3. These shares are held by Master Empire Group Limited ("Master Empire"), the entire issued share capital of which is solely and beneficially owned by Mr. Doo Jr.
4. These shares are held by Lagoon Treasure Limited ("Lagoon Treasure"), the entire issued share capital of which is solely and beneficially owned by Mr. Lee.
5. The percentage of shareholding is calculated on the basis of 500,000,000 shares of FSE Holdings in issue as at 31 December 2023.

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 31 December 2023.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2023, 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 ⁽⁶⁾
FSE Holdings	Beneficial interest and interest of controlled corporation ⁽⁵⁾	337,500,000 ⁽¹⁾	43,676,379 ⁽²⁾	381,176,379 ⁽³⁾	84.71%
Sino Spring ⁽⁴⁾	Interest of controlled corporation	337,500,000	43,676,379	381,176,379	84.71%
Fung Seng Holdings (X) Limited ("Fung Seng") ⁽⁵⁾	Interest of controlled corporations	337,500,000	43,676,379	381,176,379	84.71%
Fungseng Prosperity Holdings Limited ("Fungseng Prosperity") ⁽⁵⁾	Interest of controlled corporations	337,500,000	43,676,379	381,176,379	84.71%
Doo Family Prosperity Holdings Limited ("Doo Family") ⁽⁵⁾	Interest of controlled corporations	337,500,000	43,676,379	381,176,379	84.71%
Mrs. Doo ⁽⁵⁾	Interest of controlled corporations	337,500,000	43,676,379	381,176,379	84.71%
FSE Management Company Limited ("FMC") ⁽²⁾	Beneficial interest	–	43,676,379	43,676,379	9.71%

Notes:

- These shares are held by FSE Holdings.
- 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.

Other Information

3. These shares comprise (a) the 337,500,000 ordinary shares in issue and held by FSE Holdings; and (b) the 43,676,379 ordinary shares issuable to FMC upon full conversion of the 43,676,379 CPS as referred to in Note 2 above.
4. FSE Holdings is held as to 63% by Sino Spring, 18% by Power Victory, 7% by Frontier Star, 7% by Master Empire, 4% by Equal Merit and 1% by Lagoon Treasure. By virtue of Part XV of the SFO, Sino Spring is deemed to be interested in all the shares in which FSE Holdings is interested.
5. Sino Spring, Power Victory and Frontier Star are wholly-owned subsidiaries of Fung Seng, which in turn is owned as to 75% by Fungseng Prosperity and 25% by Mrs. Doo. Fungseng Prosperity is a wholly-owned subsidiary of Doo Family which in turn is wholly owned by Mrs. Doo. By virtue of Part XV of the SFO, each of Fung Seng, Fungseng Prosperity, Doo Family and Mrs. Doo is deemed to be interested in all the shares in which Sino Spring is interested.
6. The percentage of shareholding is calculated on the basis of 450,000,000 voting shares of the Company in issue as at 31 December 2023. On a fully diluted basis upon full conversion of the CPS assuming no change in the number of voting shares of the Company, the total number of voting shares of the Company in issue will be 493,676,379 and the percentage of shareholdings held by FSE Holdings and FMC will be 77.21% and 8.85% respectively and in each case, each of Sino Spring, Fung Seng, Fungseng Prosperity, Doo Family and Mrs. Doo is deemed to be interested in all the shares in which FSE Holdings is interested under Part XV of the SFO. These percentage shareholdings on a fully diluted basis are provided for illustrative purposes only. The terms of the CPS will not permit conversion if immediately after such conversion, the public float of the ordinary shares of the Company will fall below the minimum public float requirements of the Listing Rules.

Save as disclosed above, no other person was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position in the shares or underlying shares of the Company as at 31 December 2023.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 20 November 2015. No share option has been granted under the Scheme since its adoption. The number of options available for grant under the Scheme as at 1 July 2023 and 31 December 2023 was 45,000,000 without any sub-limit for any category of eligible participants.

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 six months ended 31 December 2023.

Corporate Information

BOARD OF DIRECTORS

Non-executive Director

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

EXECUTIVE DIRECTORS

Mr. Doo Wai Hoi, William *BBS, JP (Chairman)*

(appointed on 18 March 2024)

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

(also alternate to Dr. Cheng Kar Shun, Henry since 19 March 2024)

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

Mr. Doo William Junior Guilherme *BBS, 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

Ms. Leung Wan Chong Christine

(appointed on 1 February 2024)

AUDIT COMMITTEE

Mr. Kwong Che Keung, Gordon *(Chairman)*

Mr. Hui Chiu Chung, Stephen *JP*

Mr. Lee Kwan Hung, Eddie

Dr. Tong Yuk Lun, Paul

Ms. Leung Wan Chong Christine

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 *MH*

NOMINATION COMMITTEE

Mr. Lee Kwan Hung, Eddie *(Chairman)*

Mr. Hui Chiu Chung, Stephen *JP*

Dr. Tong Yuk Lun, Paul

Mr. Poon Lock Kee, Rocky *MH*

Mr. Doo William Junior Guilherme *BBS, JP*

ESG COMMITTEE

Dr. Cheng Chun Fai *(Chairman)*

Mr. Lee Kwok Bong

Mr. Soon Kweong Wah

Mr. Lee Kwan Hung, Eddie

Dr. Tong Yuk Lun, Paul

Mr. Kwan Chun Kit, Terry

Mr. Tsang Tin Ngai

COMPANY SECRETARY

Mr. Chan Ju Wai

Corporate Information

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
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
JPMorgan Chase Bank NA, Singapore
Nanyang Commercial Bank, Limited
Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 801–810
8th Floor, Chevalier Commercial Centre
8 Wang Hoi Road, Kowloon Bay
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE

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INVESTOR RELATIONS

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