Notes to the Consolidated 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 and facility management services, property agency and related services for buildings, carparks management services, cleaning and management of waste disposal services, recycling and environmental disposal services, security guarding & event services, insurance solutions services, trading of environmental products and provision of related engineering consultancy services, trading of building materials, landscaping services in Hong Kong and provision of mechanical and electrical engineering services in Hong Kong, Mainland China and Macau. The ultimate holding company of the Company is FSE Holdings Limited incorporated in the Cayman Islands. The directors consider Mrs. Doo Cheng Sau Ha, Amy to be the ultimate controlling shareholder (the "Ultimate Controlling Shareholder") during the financial year ended 30 June 2022.

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

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

These consolidated financial statements have been approved for issue by the Board of Directors of the Company (the "Board") on 5 September 2022.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

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

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

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

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

2.1 Basis of preparation (Continued)

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

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

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

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

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

2.1 Basis of preparation (Continued)

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

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

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

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

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

2.2 Consolidation

(i) Subsidiaries

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

(ii) Business combinations under common control

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

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

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

(iii) Business combinations not under common control

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

Acquisition-related costs are expensed as incurred.

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

2.2 Consolidation (Continued)

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

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

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

(iv) Disposal of subsidiaries

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

(v) Separate financial statements

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

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

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

2.3 Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

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

The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as described in Note 2.8 to the consolidated financial statements.

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

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

2.4 Leases

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

2.4 Leases (Continued)

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

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

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

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

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

(i) Goodwill

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

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

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

(ii) Trademarks and brand names

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

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

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

(iii) Internally generated environmental technology

(a) Environmental technology

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

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

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

(b) Research and development

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

(c) Amortisation method and period

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

Internally generated environmental technology	10 years

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

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

(iv) Customer contracts and customer relationships

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

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

2.6 Associate

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

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

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

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

2.6 Associate (Continued)

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

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

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

2.7 Joint arrangements

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

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

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

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

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

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

2.8 Impairment of non-financial assets

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

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

2.9 Inventories

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

2.10 Contract assets and contract liabilities

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

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

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

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

2.11 Financial assets

(i) Classifications

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

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

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

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

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

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

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

(ii) Recognition and Measurement

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

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

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

2.11 Financial assets (Continued)

(ii) Recognition and Measurement (Continued)

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

(a) Debt instruments

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

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

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

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

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

2.11 Financial assets (Continued)

(ii) Recognition and Measurement (Continued)

(b) Equity instruments

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

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

2.12 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, which is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivable. Significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the provision is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivable. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement. See Notes 2.14, 3.1(i)(b) and 21 to the consolidated financial statements for descriptions of the Group's impairment policies and methodology for trade and other receivables involving estimation of their expected credit losses.

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

2.13 Cash and cash equivalents

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

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

2.14 Impairment of financial assets

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

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

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

2.15 Trade and other payables

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

2.16 Borrowings

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

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

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

2.17 Provisions

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

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

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

2.18 Contingent liabilities and contingent assets

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

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

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

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

2.19 Current and deferred income tax

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

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

2.19 Current and deferred income tax (Continued)

(i) Current income tax

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

(ii) Deferred income tax

(a) Inside basis differences

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

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

(b) Outside basis differences

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

(iii) Offsetting

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

2.20 Dividend distribution

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

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

2.21 Revenue recognition

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

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

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

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

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

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

2.21 Revenue recognition (Continued)

(i) Property management services

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

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

(ii) Value-added services

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

(iii) Service fee income

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

(iv) Engineering contracts

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

(v) Security systems

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

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

2.21 Revenue recognition (Continued)

(vi) Insurance brokerage services

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

(vii) Sales of goods

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

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

(viii) Rental income of investment property

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

(ix) Dividend income

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

(x) Interest income

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

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

2.22 Employee benefits

(i) Employee leave entitlements

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

(ii) Bonus plan

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

(iii) Defined contribution schemes

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

(iv) Defined benefit retirement schemes

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

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

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

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

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

2.22 Employee benefits (Continued)

(v) Long service payment liabilities

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

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

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

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

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

2.23 Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

2.23 Foreign currencies (Continued)

(iii) Group companies

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

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

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

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

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

(iv) Disposal of foreign operation and partial disposal

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

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

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

2.24 Government grants

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

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

2.25 Borrowing costs

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

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

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

2.26 Segment reporting

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(i) Credit risk

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

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

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

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

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

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Credit risk (Continued)

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

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

As at 30 June 2022, the Group provides for loss allowance against trade receivables, retention receivables and accrued contract revenue based on their composition and ageing.

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

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

(c) Credit risk of other receivables

The Group measures the expected credit loss allowance of other receivables and deposits as 12-month expected losses under stage 1 of the impairment model since there was no significant increase in credit risk in other receivables and deposits since initial recognition.

Other than trade receivables, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayable demanded.

Other than trade receivables, a default on a financial asset is when the counterparty fails to make contractual payments/repayable demanded within 90 days when they past due.

(ii) Liquidity risk

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(ii) Liquidity risk (Continued)

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

As at 30 June 2022	**Less than 1 year HK$'000**	**After 1 year but less than 5 years HK$'000**	**Over 5 years HK$'000**	**Total undiscounted cash flows HK$'000**	**Difference from carrying amounts HK$'000**	**Carrying amounts HK$'000**
Borrowings	**145,819**	**269,637**	**–**	**415,456**	**(11,978)**	**403,478**
Leases liabilities	**46,143**	**56,785**	**232**	**103,160**	**(2,566)**	**100,594**
Trade and other payables, excluding accrued employee benefits	**1,643,175**	**–**	**–**	**1,643,175**	**–**	**1,643,175**

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(iii) Foreign exchange risk

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

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

As at 30 June 2022 and 2021, if Hong Kong dollars had strengthened/weakened by 5% against Renminbi with all other variables unchanged, there would have insignificant impact on the Group's profit for the year before income tax.

At 30 June 2022, the Group had net monetary liabilities/assets denominated in United States dollar of HK$1.2 million (2021: HK$4.0 million). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar, management therefore considers that there is no significant foreign exchange risk with respect to the United States dollar.

(iv) Interest rate risk

The Group's exposure to changes in interest rate risk relates primarily to the bank borrowings, the terms of which are disclosed in Note 28.

At 30 June 2022, if interest rates on the bank borrowings had been 100 basis points higher/lower with all other variables held constant, profit before income tax for the years would have been HK$4.0 million (2021: HK$3.8 million) lower/higher respectively. Other components of equity would not be affected by the changes in interest rates.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Fair value estimation

At 30 June 2022 and 30 June 2021, the carrying amounts of Group's financial assets and liabilities approximate their fair values due to short-term maturities of these assets and liabilities.

3.3 Capital risk management

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

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

4.2 Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment according to their recoverable amounts determined by the CGUs based on value in use calculations. These calculations require the use of estimates which are subject to change of economic environment in future. Details are set out in Note 16 to the consolidated financial statements.

4.3 Long service payment liabilities

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

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

Other key assumptions for long service payment liabilities are based in part on current market conditions. Additional information is disclosed in Note 29 to the consolidated financial statements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.4 Pension obligations

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

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

4.5 Income taxes

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

4.6 Depreciation and impairment of property, plant and equipment

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

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

5 REVENUE AND SEGMENT INFORMATION

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

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

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

5 REVENUE AND SEGMENT INFORMATION (Continued)

Notes:

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

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

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

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

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

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

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

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

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

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

	Property & facility management services HK$'000	City essential services HK$'000	E&M services HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Revenue — External	696,298	3,252,579	3,018,058	–	6,966,935
Revenue — Internal	3,691	96,309	–	(100,000)	–
Total revenue	699,989	3,348,888	3,018,058	(100,000)	6,966,935
Timing of revenue recognition					
Over time	699,989	3,189,157	3,018,058	(89,539)	6,817,665
At a point in time	–	159,731	–	(10,461)	149,270
Total revenue	699,989	3,348,888	3,018,058	(100,000)	6,966,935
Operating profit before unallocated corporate expenses	151,604	239,633	205,023	–	596,260
Unallocated corporate expenses					(5,769)
Operating profit					590,491
Finance income (Note 10)					1,518
Finance costs (Note 10)					(5,420)
Share of results of associates and joint ventures					2,128
Profit before income tax					588,717
Income tax expenses (Note 11)					(84,813)
Profit for the year					503,904
Other items					
Depreciation and amortisation	12,373	33,221	16,288	–	61,882
Reversal of impairment losses, net — Trade and other receivables (Note 21)	(1,075)	(585)	–	–	(1,660)
Reversal of provision for inventories	–	(1,443)	–	–	(1,443)
Additions to non-current assets (other than financial instruments and deferred tax assets)	13,319	35,337	61,777	–	110,433

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

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

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

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

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

	Property & facility management services HK$'000	City essential services HK$'000	E&M services HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Revenue — External, as restated	658,239	2,998,650	2,795,852	–	6,452,741
Revenue — Internal	3,021	105,762	–	(108,783)	–
Total revenue, as restated	661,260	3,104,412	2,795,852	(108,783)	6,452,741
Timing of revenue recognition					
Over time	661,260	2,973,263	2,795,852	(88,044)	6,342,331
At a point in time, as restated	–	131,149	–	(20,739)	110,410
Total revenue, as restated	661,260	3,104,412	2,795,852	(108,783)	6,452,741
Operating profit before unallocated corporate expenses, as restated	147,048	401,410	120,006	–	668,464
Unallocated corporate expenses					(20,048)
Operating profit					648,416
Finance income (Note 10)					2,266
Finance costs (Note 10)					(5,435)
Share of results of associates and joint ventures					1,072
Profit before income tax					646,319
Income tax expenses (Note 11)					(59,620)
Profit for the year					586,699

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

	Property & facility management services HK$'000	City essential services HK$'000	E&M services HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Other items					
Depreciation and amortisation	11,541	37,054	27,202	–	75,797
Losses related to disposal of subsidiaries (Note 31(e)(i))					
— Impairment losses					
— Property, plant and equipment (Note 14)	–	22,859	–	–	22,859
— Right-of-use assets (Note 15 (b))	–	2,941	–	–	2,941
— Loss on disposal of subsidiaries	–	420	–	–	420
— Total	–	26,220	–	–	26,220
Other impairment losses/(reversal of other impairment losses), net					
— Property, plant and equipment (Note 14)	–	2,800	–	–	2,800
— Other intangible assets (Note 16)	–	845	–	–	845
— Trade and other receivables (Note 21)	1,277	(374)	1,050	–	1,953
Provision for inventories	–	6,406	–	–	6,406
Additions to non-current assets (other than financial instruments and deferred tax assets)	2,482	39,276	5,381	–	47,139

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

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

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

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

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

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

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

For the year ended 30 June	2022 HK$'000	2021 HK$'000
Customer A	1,356,885	1,261,242
Customer B	1,191,232	917,882
Customer C	N/A[(i)]	741,987

Note:

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

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

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

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

6 OTHER INCOME/(EXPENSES), NET

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

Note:

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

7 OPERATING PROFIT

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

Note:

(i) Included in general and administrative expenses

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

8 STAFF COSTS INCLUDING DIRECTORS' EMOLUMENTS

For the year ended 30 June	2022 HK$'000	2021 HK$'000
Salaries, wages and bonuses[(i)(ii)]	2,755,125	2,278,085
Contributions to defined contribution schemes[(iii)]	118,889	110,169
Contributions to defined benefits retirement scheme (Note 20)	597	552
(Less)/add: Staff costs (capitalised)/released under contract assets and contract liabilities, net	(4,117)	1,732
Total	**2,870,494**	2,390,538

Notes:

(i) During the year ended 30 June 2022, government grants received by the Group under various schemes from the HKSAR Government amounting to HK$51.2 million (2021: HK$333.6 million) were net off in its total staff costs. During the year ended 30 June 2021, government grants received by the Group under various schemes from the Macau Government amounting to HK$0.5 million were net off in its total staff costs. In addition, for the purpose of easing the burden of enterprises in PRC during the period of prevention and containment of the spread of COVID-19, the Social Security Bureaus of the Government of China has reduced the obligations on social security contributions for the employers of enterprises in PRC during the calendar year of 2020. During the year ended 30 June 2021, the Group was granted reduction in such obligations totalling HK$7.3 million which would otherwise be recorded as part of the Group's staff costs if no such reduction was granted.

(ii) Included expenses arising from long service payment liabilities of HK$18.3 million (2021: HK$6.8 million) (Note 29).

(iii) Forfeited contributions of defined contribution schemes for employees who leave before the contributions are fully vested are not used to offset existing contributions but are refunded to the Group.

9 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

For the year ended 30 June	2022 HK$'000	2021 HK$'000
Fees	3,219	2,466
Salaries and other emoluments	37,416	68,442
Contributions to defined contribution schemes	2,357	1,591
Total	42,992	72,499

The directors of the Company represent key management personnel of the Group having authority and responsibility for planning, directing and controlling the activities of the Group.

(i) The remuneration of each Director for the year ended 30 June 2022 is set out below:

	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000	Other benefits HK$'000	Contributions to defined contribution schemes HK$'000	Total HK$'000
Lam Wai Hon, Patrick	247	5,846	2,661	–	585	9,339
Poon Lock Kee, Rocky[(a)]	247	3,982	1,373	–	399	6,001
Doo William Junior Guilherme	247	4,872	1,573	–	365	7,057
Lee Kwok Bong	247	3,570	1,230	–	357	5,404
Soon Kweong Wah	247	3,232	1,474	–	323	5,276
Wong Shu Hung	247	2,265	1,137	–	–	3,649
Cheng Chun Fai	247	3,278	923	–	328	4,776
Cheng Kar Shun, Henry	389	–	–	–	–	389
Kwong Che Keung, Gordon	324	–	–	–	–	324
Hui Chiu Chung, Stephen	259	–	–	–	–	259
Lee Kwan Hung, Eddie	259	–	–	–	–	259
Tong Yuk Lun, Paul	259	–	–	–	–	259
Total	3,219	27,045	10,371	–	2,357	42,992

9 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

(ii) The remuneration of each Director for the year ended 30 June 2021 is set out below:

	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000	Other benefits HK$'000	Contributions to defined contribution schemes HK$'000	Total HK$'000
Lam Wai Hon, Patrick	122	3,276	35,500	–	328	39,226
Poon Lock Kee, Rocky[a]	122	3,857	1,421	–	386	5,786
Doo William Junior Guilherme	122	2,729	560	–	205	3,616
Lee Kwok Bong	122	2,112	10,000	–	208	12,442
Soon Kweong Wah	122	3,035	1,351	–	303	4,811
Wong Shu Hung	122	2,089	897	–	–	3,108
Cheng Chun Fai[b]	122	1,615	–	–	161	1,898
Cheng Kar Shun, Henry	359	–	–	–	–	359
Wong Kwok Kin, Andrew[c]	117	–	–	–	–	117
Kwong Che Keung, Gordon	329	–	–	–	–	329
Hui Chiu Chung, Stephen	269	–	–	–	–	269
Lee Kwan Hung, Eddie	269	–	–	–	–	269
Tong Yuk Lun, Paul	269	–	–	–	–	269
Total	2,466	18,713	49,729	–	1,591	72,499

Notes:

(a) Mr. Poon Lock Kee, Rocky is the Chief Executive Officer of the Company.

(b) Dr. Cheng Chun Fai was appointed as an Executive Director with effect from 1 January 2021.

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

(d) During the year ended 30 June 2022, no directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil).

9 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Directors' material interests in transactions, arrangements or contracts

Details of the Group's material related party transactions are set out in Notes 2.1(iii) and 33 to the consolidated financial statements.

Save for the above and contracts amongst group companies, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 30 June 2022 or at any time during the year ended 30 June 2022.

(c) Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group during the year ended 30 June 2022 include five directors (2021: four) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one individual during the year ended 30 June 2021 are as follows:

For the year ended 30 June	**2022** **HK$'000**	2021 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	–	3,574
Contributions to defined contribution schemes	–	18
Performance-based bonuses	–	1,067
Total	–	4,659

The emoluments fell within the following bands:

	2022 **Number of individuals**	2021 Number of individuals
Emolument bands		
HK$4,500,001–HK$5,000,000	–	1

During the year ended 30 June 2022, no emoluments were paid by the Group to any of the above highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil).

10 FINANCE INCOME AND COSTS

For the year ended 30 June	2022 HK$'000	2021 HK$'000
Finance income		
Interest from bank deposits	**1,518**	2,266
Finance costs		
Interest on lease liabilities	**1,482**	1,531
Interest on bank borrowings	**3,938**	3,904
Total	**5,420**	5,435

11 INCOME TAX EXPENSES

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

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

11 INCOME TAX EXPENSES (Continued)

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

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

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

(a) Basic

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

For the year ended 30 June	**2022** **HK$'000**	2021 HK$'000
Profit for the year attributable to shareholders of the Company	**502,935**	586,911
Less: Preferred distribution to the holder of convertible preference shares	**(8,454)**	(8,454)
Earnings used in the basic earnings per share calculation	**494,481**	578,457
Weighted average number of ordinary shares in issue (shares in thousands)	**450,000**	450,000
Basic earnings per share (HK$)	**1.10**	1.29

(b) Diluted

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

13 DIVIDENDS

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

Note:

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

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment and others HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 30 June 2021							
At 1 July 2020	24,935	271,324	18,156	31,375	18,895	11,225	375,910
Currency translation differences	–	168	36	–	185	59	448
Additions	–	–	903	9,066	4,232	4,534	18,735
Acquisition of a subsidiary (Note 31 (c))	–	–	–	–	112	–	112
Disposals	–	–	(2,719)	(398)	(942)	(1,008)	(5,067)
Disposal of subsidiaries and a property as consideration for acquisition of businesses (Note 31 (d))	(24,935)	(259,446)	–	–	–	–	(284,381)
Losses related to disposal of subsidiaries (Note 31(e)(i))							
— Impairment losses	–	–	–	(22,318)	–	(541)	(22,859)
— Net book value after impairment losses	–	–	–	–	–	(225)	(225)
Depreciation charge	–	(8,157)	(7,992)	(6,483)	(7,540)	(4,544)	(34,716)
Other impairment losses	–	–	–	(2,800)	–	–	(2,800)
Closing net book value	–	3,889	8,384	8,442	14,942	9,500	45,157
At 30 June 2021							
Cost	–	5,118	80,122	51,947	96,644	54,672	288,503
Accumulated depreciation	–	(1,229)	(71,738)	(40,705)	(81,702)	(45,172)	(240,546)
Accumulated impairment	–	–	–	(2,800)	–	–	(2,800)
Net book value	–	3,889	8,384	8,442	14,942	9,500	45,157
Year ended 30 June 2022							
At 1 July 2021	–	3,889	8,384	8,442	14,942	9,500	45,157
Currency translation differences	–	(44)	(5)	–	(32)	(7)	(88)
Additions	–	–	1,009	5,623	3,521	4,749	14,902
Disposals	–	–	(89)	(10)	(111)	(1)	(211)
Depreciation charge	–	(125)	(3,334)	(5,500)	(6,019)	(4,102)	(19,080)
Closing net book value	–	3,720	5,965	8,555	12,301	10,139	40,680
At 30 June 2022							
Cost	–	5,060	78,513	55,365	97,422	57,416	293,776
Accumulated depreciation	–	(1,340)	(72,548)	(44,010)	(85,121)	(47,277)	(250,296)
Accumulated impairment	–	–	–	(2,800)	–	–	(2,800)
Net book value	–	3,720	5,965	8,555	12,301	10,139	40,680

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) Property, plant and equipment is allocated to the Group's CGUs identified according to Group's reportable segments. In assessing the impairment of property, plant and equipment, the Group compares the carrying amounts of the CGUs to which property, plant and equipment has been allocated against their recoverable amounts (i.e. the higher of the CGUs' fair value less costs of disposal and their value in use).

The Group's laundry business, New China Laundry ("NCL"), is a CGU under the Group's city essential services segment which offers laundry, dry cleaning and linen management services in Hong Kong. NCL was disposed of by the Group on 31 December 2020 (Note 31(e)(i)). Its recoverable amount has been determined based on fair value less costs of disposal (within level 3 of the fair value hierarchy) at 31 December 2020.

During the year ended 30 June 2021, the Group recognised an impairment loss in respect of NCL's assets totalling HK$25.8 million, including HK$22.9 million for its property, plant and equipment and HK$2.9 million for its right-of-use assets. Such impairment loss has been recognised as "Other income/(expenses), net" in the consolidated income statement and arose mainly as a result of the impact of plummeting tourist arrivals and low hotel room occupancy rates on NCL's business following the outbreak of COVID-19 in Hong Kong during the year ended 30 June 2021.

In addition, the Group recognised an impairment loss of HK$2.8 million during the year ended 30 June 2021 in respect of scissor lifts for its building material trading business under its city essential services segment classified as plant and machinery by reference to their fair value less costs of disposal (within level 3 of the fair value hierarchy) determined based on market information. Such impairment loss has been recognised as "Other income/(expenses), net" in the consolidated income statement and arose mainly as a result of keen market competition for the related business of leasing these assets during the year ended 30 June 2021.

(b) None of the above property, plant and equipment was pledged as security as at 30 June 2022 (2021: None).

15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Group as lessees — Amount recognised in the consolidated statement of financial position

	2022 HK$'000	2021 HK$'000
Right-of-use assets		
Properties	**98,171**	40,118
Leasehold lands	**16,136**	16,739
Equipment	**1,256**	1,963
Total	**115,563**	58,820
Leases liabilities		
Within one year	**44,607**	22,677
Within a period of more than one year but not exceeding two years	**35,685**	13,542
Within a period of more than two years but not exceeding five years	**20,072**	6,656
Within a period of more than five years	**230**	–
	100,594	42,875
Less: Current portion	**(44,607)**	(22,677)
Non-current portion	**55,987**	20,198

During the year ended 30 June 2022, the Group acquired right-of-use assets and recognised lease liabilities, including lease modifications, totalling HK$95.5 million (2021: HK$28.1 million).

(b) Group as lessees — Amount recognised in the consolidated income statement

	2022 HK$'000	2021 HK$'000
Depreciation of right-of-use assets		
Properties	**37,361**	37,089
Leasehold lands	**478**	563
Equipment	**707**	707
	38,546	38,359
Expense relating to short-term leases (Note 7)	**12,618**	6,260
Interest expenses (Note 10)	**1,482**	1,531
Losses related to disposal of subsidiaries (Note 31(e)(i))		
— Impairment losses (Note 14(a))	**–**	2,941
Total	**52,646**	49,091

15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

(c) Group as lessees — Amount recognised in the consolidated statement of cash flows

The total cash outflow for leases during the year ended 30 June 2022 was HK$51.8 million (2021: HK$56.6 million).

(d) Group as lessees — Other disclosures

(i) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses and equipment. Rental contracts are typically made for fixed periods of 2 months to 8 years (2021: 6 months to 8 years) but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(ii) Extension and termination options

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

(iii) Residual value guarantees

As at 30 June 2022, no residual value guarantee is expected to be payable (2021: None).

(iv) Leases not yet commenced to which the lessee is committed

The Group does not commit at 30 June 2022 to any leases that are not yet commenced (2021: None).

(v) Restriction or covenants imposed by leases

The lease agreements entered into by the Group do not impose any covenants other than the security interests in the leased assets under such lease agreements that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(e) Group as a lessor

	2022 **HK$'000**	2021 HK$'000
Rental income (Note 6)	–	589

16 OTHER INTANGIBLE ASSETS

	Goodwill	Trademarks and brand names	Internally generated environmental technology	Customer Contracts and customer relationship	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 30 June 2021					
Opening net book value	78,077	28,110	2,019	916	109,122
Additions	–	–	297	–	297
Acquisition of a subsidiary (Note 31 (c))	47,418	–	–	31,500	78,918
Amortisation	–	(1,859)	(147)	(407)	(2,413)
Impairment losses	–	–	(845)	–	(845)
Closing net book value	125,495	26,251	1,324	32,009	185,079
At 30 June 2021					
Cost	130,166	59,740	2,316	106,436	298,658
Accumulated amortisation	–	(26,209)	(147)	(74,427)	(100,783)
Accumulated impairment	(4,671)	(7,280)	(845)	–	(12,796)
Net book value	125,495	26,251	1,324	32,009	185,079
Year ended 30 June 2022					
Opening net book value	**125,495**	**26,251**	**1,324**	**32,009**	**185,079**
Amortisation	**–**	**(1,859)**	**(147)**	**(2,250)**	**(4,256)**
Closing net book value	**125,495**	**24,392**	**1,177**	**29,759**	**180,823**
At 30 June 2022					
Cost	**130,166**	**59,740**	**2,316**	**106,436**	**298,658**
Accumulated amortisation	**–**	**(28,068)**	**(294)**	**(76,677)**	**(105,039)**
Accumulated impairment	**(4,671)**	**(7,280)**	**(845)**	**–**	**(12,796)**
Net book value	**125,495**	**24,392**	**1,177**	**29,759**	**180,823**

16 OTHER INTANGIBLE ASSETS (Continued)

(a) Impairment tests for goodwill

Goodwill is monitored at the segment level and is allocated to the CGUs of the Group's segments. For the purpose of impairment test, the recoverable amount of the Group's CGUs is determined based on value in use calculations. The key assumptions adopted on growth rates and discount rates used in the value in use calculations are based on management's best estimates and past experience.

A summary of the goodwill allocation to business units is presented below:

As at 30 June	2022 HK$'000	2021 HK$'000
Property & facility management services	66,899	66,899
City essential services		
— Cleaning services	7,916	7,916
— Security guarding & event services	14,452	14,452
— Insurance solutions	2,387	2,387
E&M services	33,841	33,841
Total	**125,495**	125,495

The recoverable amount of a group of CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period which the growth rates are stated as below. Cash flows beyond the five-year period are extrapolated using 1% growth rate for the property & facility management services business unit, cleaning services, security guarding & event services and insurance solutions business units, and zero growth rate for the E&M services business unit. The growth rate does not exceed the long-term average growth rate for the businesses in which the group of CGUs operates.

16 OTHER INTANGIBLE ASSETS (Continued)

(a) Impairment tests for goodwill (Continued)

The following assumptions have been used for the analysis of the group of CGUs within the operating segment.

	2022				
	Property & facility management services	**Cleaning services**	**Security guarding & event services**	**Insurance solutions**	**E&M services**
Cash flows in the first five years					
Gross margin	**31.4%–33.3%**	**9.0%–9.8%**	**10.5%–10.8%**	**N/A**(i)	**9.7%–10.7%**
Inflation rate on operation costs	**N/A**(i)	**N/A**(i)	**N/A**(i)	**2.5%–16.6%**	**N/A**(i)
Growth rate	**2.5%–5.5%**	**3.0%–7.5%**	**2.8%–6.6%**	**2.3%–7.5%**	**4.1%**
Pre-tax discount rate	**15.6%–15.8%**	**11.6%**	**15.8%**	**13.3%**	**16.1%**
Cash flows beyond five-year period					
Terminal growth rate	**1%**	**1%**	**1%**	**1%**	**0%**
Pre-tax discount rate	**15.6%–15.8%**	**11.6%**	**15.8%**	**13.3%**	**16.1%**

	2021				
	Property & facility management services	Cleaning services	Security guarding & event services	Insurance solutions	E&M services
Cash flows in the first five years					
Gross margin	30.0%–30.3%	9.0%–9.5%	12.2%–12.3%	N/A(i)	6.4%–9.0%
Inflation rate on operation costs	N/A(i)	N/A(i)	N/A(i)	2.5%–9.0%	N/A(i)
Growth rate	2.5%–3.1%	3.0%	2.5%–4.7%	2.3%–6.8%	3.1%
Pre-tax discount rate	14.9%–15.8%	9.5%	13.7%	11.2%	14.0%
Cash flows beyond five-year period					
Terminal growth rate	1%	1%	1%	1%	0%
Pre-tax discount rate	14.9%–15.8%	9.5%	13.7%	11.2%	14.0%

Note:

(i) These are not the key assumptions used in value in use calculations of the Group's CGUs.

Management determined budgeted gross margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments and business life-cycle. On the basis of these reviews, management concluded that no impairment was required for goodwill as at 30 June 2022 (2021: Nil).

A reasonably possible change in a key assumption would not cause the recoverable amount to fall below the carrying value of the respective group of CGUs.

17 INTERESTS IN ASSOCIATES

	2022 HK$'000	2021 HK$'000
At beginning of year	**200**	197
Share of profit for the year	**1,859**	1,053
Dividends	**(1,860)**	(1,050)
At end of year	**199**	200

Particulars of associates are as follows:

Name	Place of incorporation	Principal activities	Particular of issued share capital	Effective percentage of equity interest held 2022	2021
Harbour Place Management Services Limited	Hong Kong	Provision of property management services	1,000 ordinary shares paid up to HK$1,000	**30%**	30%
Landes Limited	Hong Kong	Landscape design	10 shares paid up to HK$10	**20%**	20%

The following represents the Group's share of its individually immaterial associates that are accounted for using the equity method of accounting:

	2022 HK$'000	2021 HK$'000
Carrying amount of interests in associates	**199**	200
Share of profit and total comprehensive income for the year	**1,859**	1,053

There are no commitments or contingent liabilities relating to the Group's interests in associates, and no commitments or contingent liabilities of the equity itself.

18 INTERESTS IN JOINT VENTURES

	2022 HK$'000	2021 HK$'000
At beginning of year	950	1,049
Share of profit for the year	269	19
Dividends	–	(118)
At end of year	**1,219**	950

Particulars of joint ventures are as follows:

Name	Place of incorporation	Principal activities	Particular of issued share capital	Effective percentage of equity interest held 2022	2021
廣州市富城物業管理有限公司	PRC	Provision of property management services	RMB800,000	50%	50%
Urban-Wellborn Property Management Limited	Hong Kong	Provision of property management services	10,000 ordinary shares paid up to HK$100,000	50%	50%

Set out below is, in aggregate, the carrying amounts of the Group's share of all its individually immaterial joint ventures that are accounted for using the equity method of accounting:

	2022 HK$'000	2021 HK$'000
Carrying amount of interests in joint ventures	1,219	950
Share of profit and total comprehensive income for the year	269	19

There are no commitments or contingent liabilities relating to the Group's interest in joint ventures, and no commitments or contingent liabilities of the entities themselves.

19 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

As at 30 June	2022 HK$'000	2021 HK$'000
Deferred income tax assets	12,230	15,006
Deferred income tax liabilities	(21,284)	(22,702)
Net	**(9,054)**	(7,696)

19 DEFERRED INCOME TAX ASSETS/(LIABILITIES) (Continued)

Deferred income tax assets and deferred income tax liabilities are expected to be recovered/settled after more than 12 months. Their movements in the Group's deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year and net balances after offsetting at the end of the reporting periods are as follows:

Deferred income tax assets

	Accelerated accounting depreciation HK$'000	Tax losses HK$'000	Remeasurement of long service payment liabilities HK$'000	Others HK$'000	Total HK$'000
At 1 July 2020	4,430	10,113	1,057	3,811	19,411
Currency translation differences	–	69	–	–	69
Credited/(charged) to consolidated income statement (Note 11)	1,658	1,434	–	(1,051)	2,041
Charged to other comprehensive income	–	–	(890)	–	(890)
Disposal of subsidiaries and a property as consideration for acquisition of business (Note 31(d))	–	(172)	–	–	(172)
Disposal of subsidiaries (Note 31(e)(i))	(1,309)	(3,340)	–	–	(4,649)
At 30 June 2021	4,779	8,104	167	2,760	15,810
At 1 July 2021	**4,779**	**8,104**	**167**	**2,760**	**15,810**
Currency translation differences	**–**	**(26)**	**–**	**1**	**(25)**
Credited/(charged) to consolidated income statement (Note 11)	**267**	**(1,091)**	**138**	**(2,433)**	**(3,119)**
(Charged)/credited to other comprehensive income	**–**	**–**	**(111)**	**499**	**388**
At 30 June 2022	**5,046**	**6,987**	**194**	**827**	**13,054**

	2022 HK$'000	2021 HK$'000
Total deferred income tax assets before offsetting	**13,054**	15,810
Less: Amount offset against deferred income tax liabilities	**(824)**	(804)
Net deferred income tax assets after offsetting	**12,230**	15,006

19 DEFERRED INCOME TAX ASSETS/(LIABILITIES) (Continued)

Deferred income tax liabilities

	Accelerated depreciation allowance HK$'000	Fair value adjustments on trademarks and brand names HK$'000	Fair value adjustments on property, plant and equipment arising from business combinations HK$'000	Fair value adjustments on customer contracts and customer relationship HK$'000	Remeasurement of long service payment liabilities HK$'000	Others HK$'000	Total HK$'000
At 1 July 2020	(7,810)	(4,645)	(13,362)	(151)	(1,785)	(6,657)	(34,410)
Credited to consolidated income statement (Note 11)	443	307	126	67	–	1,789	2,732
Charged to other comprehensive income	–	–	–	–	(761)	–	(761)
Acquisition of a subsidiary (Note 31(c))	(11)	–	–	(5,198)	–	–	(5,209)
Disposal of subsidiaries and a property as consideration for acquisition of business (Note 31(d))	2,773	–	8,038	–	–	–	10,811
Disposal of subsidiaries (Note 31(e)(i))	2,862	–	–	–	469	–	3,331
At 30 June 2021	(1,743)	(4,338)	(5,198)	(5,282)	(2,077)	(4,868)	(23,506)
At 1 July 2021	**(1,743)**	**(4,338)**	**(5,198)**	**(5,282)**	**(2,077)**	**(4,868)**	**(23,506)**
(Charged)/credited to consolidated income statement (Note 11)	**(254)**	**306**	**192**	**338**	**–**	**3,152**	**3,734**
Charged to other comprehensive income	**–**	**–**	**–**	**–**	**(2,336)**	**–**	**(2,336)**
At 30 June 2022	**(1,997)**	**(4,032)**	**(5,006)**	**(4,944)**	**(4,413)**	**(1,716)**	**(22,108)**

	2022 HK$'000	2021 HK$'000
Total deferred income tax liabilities before offsetting	**(22,108)**	(23,506)
Less: Amount offset against deferred income tax assets	**824**	804
Net deferred income tax liabilities after offsetting	**(21,284)**	(22,702)

As at 30 June 2022, the Group did not recognise deferred income tax assets of HK$12 million (2021: HK$10 million), arising from unused tax losses of HK$80 million (2021: HK$64 million). Except for tax losses of HK$20 million (2021: HK$10 million) as at 30 June 2022 which will expire within three years after the reporting date, the remaining tax losses have no expiry date.

20 PENSION ASSETS/(LIABILITIES)

The Group operates a defined benefit retirement scheme (the "Scheme") registered under the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong) that provides lump sum benefits based on a multiple of a member's final salary and years of service or employee contribution balance, whichever is higher, upon the member's retirement, death, disability or leaving service. The Scheme has been closed to new employees since 1 December 2000.

The Group has an unconditional right to the surplus of the Scheme.

The Scheme is administered by an independent trustee with its assets held separately from those of the Group. The key responsibilities of the trustee are to ensure that the Scheme is administered in accordance with the trust deed and rules and to act on behalf of all members impartially, prudently and in good faith.

The costs of benefits are jointly funded by the Group and the employees. Employees' contributions are based on 5% of basic salary and the Group's contributions are determined with reference to the funding valuation carried out by the Scheme's actuary. The valuations of the Scheme as at 30 June 2022 and 2021 were prepared by independent qualified actuaries using the projected unit credit method.

The Scheme exposes the Group to actuarial risks, such as investment risk, interest rate risk and salary risk.

(i) The amounts recognised in the consolidated statement of financial position are as follows:

As at 30 June	**2022** **HK$'000**	2021 HK$'000
Present value of defined benefit obligations	**(21,572)**	(24,274)
Fair value of plan assets	**24,094**	30,306
Net retirement benefit assets	**2,522**	6,032
Representing:		
Pension assets	**3,553**	6,032
Pension liabilities	**(1,031)**	–
Net	**2,522**	6,032

Majority of the above liabilities are expected to be settled after more than one year.

However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions.

20 PENSION ASSETS/(LIABILITIES) (Continued)

(ii) Movements in net defined benefit assets and its components as follows:

	Present value of defined benefit obligations HK$'000	Fair value of plan assets HK$'000	Total HK$'000
At 1 July 2020	(22,172)	24,576	2,404
Net (charge)/credit to consolidated income statement			
Current service costs	(561)	–	(561)
Interest (expenses)/income	(65)	74	9
	(626)	74	(552)
Net (charge)/credit to other comprehensive gain:			
Remeasurement (loss)/gain[i]:			
Actuarial loss arising from change in financial assumptions	(707)	–	(707)
Actuarial loss arising from experience adjustments	(1,401)	–	(1,401)
Gain on plan assets excluding interest income	–	5,808	5,808
	(2,108)	5,808	3,700
Actual benefit paid	879	(879)	–
Contribution paid by the employees	(247)	247	–
Contribution paid by the employer	–	480	480
At 30 June 2021	(24,274)	30,306	6,032

20 PENSION ASSETS/(LIABILITIES) (Continued)

(ii) Movements in net defined benefit assets and its components as follows: (Continued)

	Present value of defined benefit obligations HK$'000	Fair value of plan assets HK$'000	Total HK$'000
At 1 July 2021	(24,274)	30,306	6,032
Net (charge)/credit to consolidated income statement			
Current service costs	(635)	–	(635)
Interest (expenses)/income	(146)	184	38
	(781)	184	(597)
Net (charge)/credit to other comprehensive gain:			
Remeasurement gain/(loss)[i]:			
Actuarial gain arising from change in financial assumptions	2,237	–	2,237
Actuarial loss arising from experience adjustments	(62)	–	(62)
Loss on plan assets excluding interest income	–	(5,200)	(5,200)
	2,175	(5,200)	(3,025)
Actual benefit paid	1,508	(1,508)	–
Contribution paid by the employees	(200)	200	–
Contribution paid by the employer	–	112	112
At 30 June 2022	**(21,572)**	**24,094**	**2,522**

Note:

(i) During the year ended 30 June 2022, the Group recognised remeasurement losses on defined benefit scheme of HK$3.0 million (2021: remeasurement gains of HK$3.7 million), net of their corresponding tax effects of HK$0.5 million (2021: Nil) in its other comprehensive income.

The weighted average duration of the defined benefit obligation is 4.0 years (2021: 4.7 years).

20 PENSION ASSETS/(LIABILITIES) (Continued)

(iii) Significant actuarial assumptions adopted for the purpose of the actuarial valuation are as follows:

	2022	2021
Discount rate	**2.6% p.a.**	0.6% p.a.
Salary growth rate	**3.5% p.a.**	4.0% p.a.

The below analysis shows how the defined benefit obligation as at each year end date would have increased/(decreased) as a result of 0.25% change in significant actuarial assumptions:

	2022		2021	
	Increase in 0.25% HK$'000	**Decrease in 0.25% HK$'000**	Increase in 0.25% HK$'000	Decrease in 0.25% HK$'000
Discount rate	**(199)**	**204**	(268)	273
Salary growth rate	**202**	**(197)**	264	(261)

The above sensitivity analyses are based on change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same actuarial valuation method has been applied as when calculating the defined benefit obligation recognised in the consolidated statement of financial position.

(iv) Fair value of the plan assets is analysed as follows:

	2022	2021
Equities	**68.3%**	74.0%
Bonds	**23.2%**	21.2%
Cash and others	**8.5%**	4.8%
Total	**100.0%**	100.0%

The Scheme has a benchmark asset allocation of 70% in equities and 30% in bonds and cash. The long term strategic asset allocations of the Scheme is set and reviewed from time to time by the Scheme's trustee taking into account the Scheme's membership, liability profile, liquidity requirements, and the risk appetite of the Group.

21 TRADE AND OTHER RECEIVABLES

As at 30 June	2022 HK$'000	2021 HK$'000
Trade receivables		
Third parties	**627,627**	567,493
Related companies (Note 33(c))	**214,551**	178,668
	842,178	746,161
Less: Provision for impairment		
Third parties	**(9,454)**	(10,047)
Related companies (Note 33(c))	**(45)**	(45)
	832,679	736,069
Retention receivables		
Third parties	**202,585**	163,825
Related companies (Note 33(c))	**187,782**	218,580
	390,367	382,405
Other receivables and prepayments		
Third parties	**274,219**	199,310
Related companies (Note 33(c))	**24,565**	20,258
	298,784	219,568
Less: Provision for impairment		
Third parties	**–**	(1,261)
	298,784	218,307
Accrued contract revenue	**494,088**	334,463
Less: Provision for impairment	**(149)**	(149)
	493,939	334,314
Total	**2,015,769**	1,671,095

Generally, no credit period is granted by the Group to customers for provision of property and facility management services, security guarding & event services, insurance solutions services and landscaping services and its retail customers for trading of building materials and planting and materials. The credit period generally granted by the Group to its other customers is 30 to 60 days.

The total balance at 30 Jun 2022 included 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.

21 TRADE AND OTHER RECEIVABLES (Continued)

Expected credit losses

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss for all trade and other receivables and contract assets as mentioned in Note 3.1(i)(b).

As at 30 June 2022, the Group provides for loss allowance against trade receivables, retention receivables and accrued contract revenue based on their composition and ageing are as follows:

As at 30 June 2022	**Current to 90 days past due**	**91 to 180 days past due**	**Over 180 days past due**	**Total**
Expected loss rate	**0.03%**	**1.4%**	**24.0%**	
HK$'000				
Gross carrying amount	**1,654,522**	**36,360**	**35,751**	**1,726,633**
Expected credit loss allowance	**(575)**	**(492)**	**(8,581)**	**(9,648)**
Carrying amount, net of expected credit loss allowance	**1,653,947**	**35,868**	**27,170**	**1,716,985**

As at 30 June 2021	Current to 90 days past due	91 to 180 days past due	Over 180 days past due	Total
Expected loss rate	0.04%	1.2%	19.7%	
HK$'000				
Gross carrying amount	1,391,213	24,469	47,347	1,463,029
Expected credit loss allowance	(612)	(291)	(9,338)	(10,241)
Carrying amount, net of expected credit loss allowance	1,390,601	24,178	38,009	1,452,788

The ageing analysis of the Group's trade receivables (including amounts due from related parties of trading in nature) based on the invoice due date, net of provision for impairment, is as follows:

As at 30 June	**2022 HK$'000**	2021 HK$'000
Current to 90 days	**769,641**	673,882
91 to 180 days	**35,868**	24,178
Over 180 days	**27,170**	38,009
Total	**832,679**	736,069

21 TRADE AND OTHER RECEIVABLES (Continued)

The carrying amounts of the trade and other receivables of the Group approximate their fair values and are denominated in the following currencies:

As at 30 June	2022 HK$'000	2021 HK$'000
Hong Kong dollars	**1,633,224**	1,260,652
Renminbi	**323,660**	328,910
Macau patacas	**56,000**	76,334
United States dollars	**2,505**	3,269
Others	**380**	1,930
Total	**2,015,769**	1,671,095

At 30 June 2022, the Group's trade receivables, other receivable and accrued contract revenue of HK$9.6 million (2021: HK$11.5 million) were impaired.

Movements in provision for impairment of the Group's trade receivables, other receivables and accrued contract revenue are as follows:

As at 30 June 2022	**Trade receivables HK$'000**	**Other receivables HK$'000**	**Accrued Contract Revenue HK$'000**	**Total HK$'000**
At the beginning of year	**10,092**	**1,261**	**149**	**11,502**
Reversal of provision for the year, net	**(399)**	**(1,261)**	**–**	**(1,660)**
Receivables written off during the year	**(194)**	**–**	**–**	**(194)**
Carrying amount, net of expected credit loss allowance	**9,499**	**–**	**149**	**9,648**

As at 30 June 2021	Trade receivables HK$'000	Other receivables HK$'000	Accrued Contract Revenue HK$'000	Total HK$'000
At the beginning of year	9,451	-	149	9,600
Provision for the year, net	692	1,261	-	1,953
Receivables written off during the year	(51)	-	-	(51)
Carrying amount, net of expected credit loss allowance	10,092	1,261	149	11,502

Retention receivables in respect of contracting services are settled in accordance with the terms of respective contracts. Other classes within trade and other receivables do not contain material impaired assets.

22 CONTRACT ASSETS AND CONTRACT LIABILITIES

As at 30 June	2022 HK$'000	2021 HK$'000
Contract costs incurred plus attributable profits less foreseeable losses	**4,731,072**	4,144,796
Progress payments received and receivable	**(4,792,121)**	(4,111,839)
Net	**(61,049)**	32,957
Representing:		
Contract assets	**438,717**	499,002
Contract liabilities	**(499,766)**	(466,045)
Net	**(61,049)**	32,957

Notes:

(a) All of the Group's contract assets and contract liabilities at 30 June 2022 and 30 June 2021 relate to its engineering and insurance solutions contracts with customers and no loss allowances have been included therein.

(b) During the year ended 30 June 2022, the Group recognised (i) HK$391.3 million (2021: HK$462.9 million) of revenue for its engineering and insurance solutions contracts relating to its carried-forward contract liabilities and (ii) HK$28.6 million (2021: HK$34.3 million) of revenue from its performance obligations satisfied in previous reporting years.

(c) As at 30 June 2022, the aggregate amount of transaction price allocated to the Group's remaining performance obligations in respect of property & facility management, cleaning, technical support & maintenance, security guarding & event services, insurance solutions, environment solutions and E&M services contracts is HK$10,662 million (2021: HK$10,668 million). The Group will recognise this revenue during the completion of the related works, which is expected to occur over the next 99 months (2021: 77 months) after the reporting date.

(d) During the year ended 30 June 2022, the decrease in the Group's contract assets principally reflects its completion of certain sizeable engineering projects and the increase in its contract liabilities principally reflects an increase in its progress billings for projects.

23 INVENTORIES

As at 30 June	2022 HK$'000	2021 HK$'000
Raw materials	**579**	684
Finished goods	**22,184**	17,689
Spare parts and consumables	**751**	621
Total	**23,514**	18,994

24 CASH AND BANK BALANCES

As at 30 June	**2022** **HK$'000**	2021 HK$'000
Time deposits — original maturities within three months	**76,000**	12,007
Trust cash (i)	**39,734**	32,616
Other cash at banks and in hand	**651,303**	505,267
Total	**767,037**	549,890

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.

At 30 June 2022, the effective interest rate on bank deposits is 0.75% per annum (2021: 2.0% per annum).

The carrying amounts of cash and bank balances of the Group approximate their fair values and are denominated in the following currencies:

As at 30 June	**2022** **HK$'000**	2021 HK$'000
Hong Kong dollars	**681,516**	499,141
Renminbi	**69,458**	39,141
Macau patacas	**4,098**	5,137
United States dollars	**7,285**	5,476
Euros	**4,431**	756
Others	**249**	239
Total	**767,037**	549,890

25 SHARE CAPITAL

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

	2022 Number of shares	**2022** HK$'000	2021 Number of shares	2021 HK$'000
Authorised:				
Ordinary shares of HK$0.10 each				
At the beginning and the end of year	**900,000,000**	**90,000**	900,000,000	90,000
Convertible preference shares of HK$0.10 each (Note a)				
At the beginning and the end of year	**100,000,000**	**10,000**	100,000,000	10,000
Total	**1,000,000,000**	**100,000**	1,000,000,000	100,000

	2022 Number of shares	**2022** HK$'000	2021 Number of shares	2021 HK$'000
Issued and fully paid:				
Ordinary shares of HK$0.10 each				
At the beginning and the end of year	**450,000,000**	**45,000**	450,000,000	45,000
Convertible preference shares of HK$0.10 issued at HK$3.2260 each (Note a)				
At the beginning and the end of year	**43,676,379**	**140,900**	43,676,379	140,900
Total	**493,676,379**	**185,900**	493,676,379	185,900

As at 30 June 2022 and 30 June 2021, the total nominal amount of the Company issued shares was HK$49,367,638, comprising HK$45,000,000 for ordinary shares and HK$4,367,638 for convertible preference shares.

25 SHARE CAPITAL (Continued)

Note (a):

On 16 December 2019 (the "Issue Date"), the Company issued and allotted a total of 43,676,379 non-voting redeemable convertible preference shares of HK$0.1 each to FMC at an issue price of HK$3.2260 per share (the "Issue Price"), credited as fully paid. The major terms of the convertible preference shares are set out below:

- Each convertible preference share shall entitle the holder to convert within a period of 10 years after the Issue Date, provided that any conversion shall not result in the Company failing to comply with any public float requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

- Each convertible preference share is convertible into such number of ordinary share(s) being one multiplied by the conversion rate. The conversion rate is determined by dividing the Issue Price of convertible preference shares by the conversion price.

- The conversion price is the Issue Price, subject to adjustment upon the occurrence of certain prescribed events.

- Each convertible preference share shall confer on the holder the right to receive preferred distributions from the Issue Date at a rate of 6.0% per annum on the Issue Price, payable annually in arrears. Each preferred distribution is cumulative. The Board may, in its sole discretion, elect to defer or not to pay a preferred distribution. No interest accrues on any unpaid preferred distribution. If the Board elects to defer or not to pay a preferred distribution, the Company shall not (a) pay any dividends, distributions or make any other payment on any ordinary shares or (b) redeem, cancel, repurchase or acquire for any consideration any ordinary shares, unless at the same time it pays to the holder of the convertible preference shares any deferred or unpaid preferred distribution which was scheduled to be paid on a day falling in the same financial year in respect of which payment of such dividends, distributions or other payments is made or during which such redemption, cancellation, repurchase or acquisition occurs.

- The holder of the convertible preference shares shall not have the right to attend or vote at any general meeting of the Company (except a general meeting for winding up of the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of such holder).

- The holder of the convertible preference shares will have priority over the holders of ordinary shares of the Company on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding up or dissolution of the Company.

- At any time after 10 years following the Issue Date, the Company may at its sole discretion serve at least ten days' prior written notice to the holder of the convertible preference shares to redeem either in whole or in part of the convertible preference shares for the time being outstanding, at a redemption price equals to the Issue Price together with all outstanding preferred distributions accrued to the date fixed for redemption.

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.

26 RESERVES

	Share premium HK$'000	Merger reserve (Note a) HK$'000	Exchange reserve HK$'000	Statutory reserves (Note b) HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 July 2020	743,204	(906,424)	(34,938)	21,610	707,012	530,464
Profit for the year	–	–	–	–	586,911	586,911
Currency translation differences	–	–	15,440	–	–	15,440
Remeasurement gains on defined benefit retirement scheme	–	–	–	–	3,700	3,700
Remeasurement gain on long service payment liabilities	–	–	–	–	10,128	10,128
Deferred tax on remeasurement gain on long service payment liabilities	–	–	–	–	(1,651)	(1,651)
Acquisition of the Business Investments Group (Note 2.1(iii))	–	(709,894)	–	–	–	(709,894)
Dividends to ordinary shareholders	–	–	–	–	(194,850)	(194,850)
Dividends to the original shareholder of the Business Investments Group	–	–	–	–	(340,180)	(340,180)
Distribution to convertible preference shareholder	–	–	–	–	(8,454)	(8,454)
Appropriation to statutory reserves (Note c)	–	–	–	175	(175)	–
At 30 June 2021	743,204	(1,616,318)	(19,498)	21,785	762,441	(108,386)
At 1 July 2021	**743,204**	**(1,616,318)**	**(19,498)**	**21,785**	**762,441**	**(108,386)**
Profit for the year	**–**	**–**	**–**	**–**	**502,935**	**502,935**
Currency translation differences	**–**	**–**	**(1,900)**	**–**	**–**	**(1,900)**
Remeasurement losses on defined benefit retirement scheme	**–**	**–**	**–**	**–**	**(3,025)**	**(3,025)**
Deferred tax on remeasurement losses on defined benefit retirement scheme	**–**	**–**	**–**	**–**	**499**	**499**
Remeasurement gains on long service payment liabilities	**–**	**–**	**–**	**–**	**14,832**	**14,832**
Deferred tax on remeasurement gain on long service payment liabilities	**–**	**–**	**–**	**–**	**(2,447)**	**(2,447)**
Dividends to ordinary shareholders	**–**	**–**	**–**	**–**	**(166,500)**	**(166,500)**
Distribution to convertible preference shareholder	**–**	**–**	**–**	**–**	**(8,454)**	**(8,454)**
Appropriation to statutory reserves (Note c)	**–**	**–**	**–**	**105**	**(105)**	**–**
At 30 June 2022	**743,204**	**(1,616,318)**	**(21,398)**	**21,890**	**1,100,176**	**227,554**

26 RESERVES (Continued)

Notes:

(a) Merger reserve arises from (i) the difference between the consideration for the acquisition of the FSE Engineering Group Limited, FSE Environmental Technologies Limited and Building Materials Supplies Limited by the Company and their issued share capital upon the completion of the reorganisation on 30 June 2015; (ii) the difference between the consideration for the acquisition of Crystal Brilliant Limited and its subsidiaries by the Company's wholly-owned subsidiary, FSE Facility Services Group Limited, and their net asset value at the date when they first came under common control upon the completion of the acquisition on 11 April 2018; (iii) the difference between the consideration for the acquisition of Legend Success Investments Limited and its subsidiaries by the Company's wholly-owned subsidiary, FSE Property Management Group Limited, and their net asset value at the date when they first came under common control upon the completion of the acquisition on 16 December 2019 and (iv) the difference between the cash consideration plus net book value of certain properties used for the acquisition of Business Investments Limited and its subsidiaries by the Company's wholly-owned subsidiary, FSE City Essential Services Limited, and their net asset value at the date when they first came under common control upon the completion of the acquisition on 19 April 2021.

(b) PRC companies are required to allocate 10% of the companies' net profits to the statutory reserves fund until such fund reaches 50% of the companies' registered capitals. The statutory reserves fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses, if any, or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capitals.

(c) During the year ended 30 June 2022, the board of directors of the Group's PRC companies resolved to appropriate HK$105 thousand (2021: HK$175 thousand) from retained earnings to statutory reserves.

27 NON-CONTROLLING INTERESTS

The table below shows details of the Group's subsidiaries that have material non-controlling interests:

Name	Place of incorporation	Percentage of ownership interest and voting right held by non-controlling shareholders		Profit/(loss) for the year attributable to non-controlling shareholders		Accumulated non-controlling interests	
		2022	2021	**2022**	2021	**2022**	2021
		HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Wise Plaza Limited	Hong Kong	**30%**	30%	**894**	(248)	**23,116**	21,871
Individually immaterial subsidiary with non-controlling interests				**75**	36	**204**	129
				969	(212)	**23,320**	22,000

Note:

(i) Wise Plaza Limited was incorporated during the year ended 30 June 2021.

Set out below is the summarised financial information of Wise Plaza Limited based on amounts before intragroup eliminations. Wise Plaza Limited has became a 70%-owned subsidiary of the Group since 30 June 2021 right before the Group's acquisition of Kiu Lok (International) Properties Limited as described in Note 31(c) to the consolidated financial statements. During the year ended 30 June 2022, Wise Plaza Limited reported profit of HK$3.0 million (2021: HK$0.8 million of loss) for the year, HK$4.8 million of cash inflow from operating activities (2021: Nil), HK$0.7 million (2021: HK$72.3 million) of cash outflow from investing activities and HK$1.2 million (2021: HK$73.7 million) of cash inflow from financing activities.

As at 30 June	2022	2021
	HK$'000	HK$'000
Non-current assets	**77,657**	79,030
Current assets	**9,388**	3,263
Non-current liabilities	**(5,163)**	(5,209)
Current liabilities	**(4,829)**	(4,181)
Net assets	**77,053**	72,903
Attributable to:		
Shareholders of the Company	**53,937**	51,032
Non-controlling interests	**23,116**	21,871
	77,053	72,903

28 BORROWINGS

As at 30 June	2022 HK$'000	2021 HK$'000
Non-current liabilities		
Bank borrowings — secured	**263,478**	150,000
Current liabilities		
Bank borrowings — secured	**140,000**	233,812

The borrowings are interest bearing at an effective interest rate of 1.0% (2021: 1.1%). The carrying amounts of the borrowings approximate their fair values and are denominated in Hong Kong dollar. At 30 June, the group's borrowings were repayable as follows:

As at 30 June	2022 HK$'000	2021 HK$'000
Within 1 year	**140,000**	233,812
Between 1 and 2 years	**–**	150,000
Between 2 and 5 years	**263,478**	–
Total	**403,478**	383,812

The Group's borrowings are secured by corporate guarantees provided by FSE Engineering Group Limited and FSE Facility Services Group Limited (wholly-owned subsidiaries of the Company) as at 30 June 2022 and 30 June 2021.

29 LONG SERVICE PAYMENT LIABILITIES

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employee's final salary and years of service, and is reduced by entitlements accrued under the Group's MPF and ORSO schemes that are attributable to contributions made by the Group. The Group has not set aside any assets to fund any remaining obligations.

The liability recognised in the consolidated statement of financial position is the present value of unfunded obligations and its movements are as follows:

As at 30 June	2022 HK$'000	2021 HK$'000
At the beginning of the year	**42,232**	49,149
Expenses recognised in the consolidated income statement	**18,337**	6,776
Remeasurement gains recognised in other comprehensive (loss)/income[i]	**(14,832)**	(10,128)
Benefits paid	**(1,697)**	(3,565)
At the end of the year	**44,040**	42,232

Note:

(i) During the year ended 30 June 2022, the Group recognised remeasurement gains on long service payment liabilities of HK$14.8 million (2021: remeasurement losses of HK$10.1 million), net of their corresponding tax effects of HK$2.4 million (2021: HK$1.6 million) in its other comprehensive income.

29 LONG SERVICE PAYMENT LIABILITIES (Continued)

Significant actuarial assumptions adopted for the purpose of the actuarial valuation are as follows:

As at 30 June	2022	2021
Discount rate	3.0%	0.7%
Long term rate of salary increases	3.19-6.42%	3.00-4.35%
Long term rate of increase of maximum salary and amount of long service payment and MPF Relevant Income limit	2.5%	2.5%
Long term average expected return on MPF and ORSO balances	4.50-5.00%	2.50-3.75%

The below analysis shows how the long service payment liability as at each year end date would have increased/(decreased) as a result of 0.25% change in significant actuarial assumptions:

As at 30 June	2022		2021	
Assumptions	Increase in 0.25% HK$'000	Decrease in 0.25% HK$'000	Increase in 0.25% HK$'000	Decrease in 0.25% HK$'000
Long term rate of salary increases	455	(420)	2,162	(2,183)
Long term average expected return on MPF and ORSO balances	(232)	235	(1,796)	1,875

The above sensitivity analyses are based on change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the long service payment liability to significant actuarial assumptions, the same actuarial valuation method has been applied as when calculating the long service payment liability recognised within the consolidated statement of financial position.

30 TRADE AND OTHER PAYABLES

As at 30 June	2022 HK$'000	2021 HK$'000
Trade payables		
Third parties	**264,445**	321,029
Other payables		
Third parties	**322,333**	379,333
Related companies (Note 33(c))	**4,487**	4,416
	326,820	383,749
Bills payable		
Third parties	**738**	3,565
Retention payables		
Third parties	**275,621**	260,699
Accrued expenses	**430,824**	399,394
Provision for contracting costs	**715,474**	548,854
Total	**2,013,922**	1,917,290

The carrying amounts of the above balances approximate their fair values.

The carrying amounts of the trade and other payables of the Group are denominated in the following currencies:

As at 30 June	2022 HK$'000	2021 HK$'000
Hong Kong dollars	**1,635,459**	1,465,913
Renminbi	**324,709**	385,567
Macau patacas	**41,915**	60,284
United States dollars	**11,011**	4,704
Others	**828**	822
Total	**2,013,922**	1,917,290

30 TRADE AND OTHER PAYABLES (Continued)

The ageing analysis of the Group's trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

As at 30 June	2022 HK$'000	2021 HK$'000
1–90 days	223,214	294,591
91–180 days	21,811	9,668
Over 180 days	19,420	16,770
Total	**264,445**	321,029

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

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

31 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

For the year ended 30 June	Notes	2022 HK$'000	2021 HK$'000
Profit before income tax		**588,717**	646,319
Depreciation of right-of-use assets	15	**38,546**	38,359
Depreciation of property, plant and equipment	14	**19,080**	34,716
Long service payment liabilities			
Expenses recognised in the consolidated income statement	29	**18,337**	6,776
Benefit paid	29	**(1,697)**	(3,565)
Finance costs	10	**5,420**	5,435
Amortisation of other intangible assets	16	**4,256**	2,413
Unrealised exchange differences		**1,250**	(2,242)
Pension costs on defined benefits scheme	20	**597**	552
Share of results of associates and joint ventures		**(2,128)**	(1,072)
(Reversal of impairment loss)/impairment loss on trade and other receivables, net	21	**(1,660)**	1,953
Finance income		**(1,518)**	(2,266)
(Reversal of provision)/provision for inventories	7	**(1,443)**	6,406
(Gains)/losses on disposal of property, plant and equipment, net	6	**(280)**	4,356
Losses related to disposal of subsidiaries	31(e)(i)	**–**	26,220
Impairment loss on property, plant and equipment	14	**–**	2,800
Impairment loss on other intangible assets	16	**–**	845
Depreciation of investment property		**–**	309
Operating cash flows before changes in working capital		**667,477**	768,314
Changes in working capital:			
Net contract assets/liabilities		**89,035**	(131,984)
Trade and other payables		**107,840**	(203,446)
Trade and other receivables		**(352,354)**	171,452
Inventories		**(3,077)**	24,783
Pension assets/liabilities		**(112)**	(480)
Cash generated from operations		**508,809**	628,639

(b) Cash consideration for acquisition of businesses

On 19 April 2021, the Group acquired the Business Investments Group at a total consideration of HK$860.9 million upon which the initial sum of consideration of HK$840.6 million was satisfied by the Company through (i) a non-cash consideration of HK$442.6 million settled through a disposal of its entire issued share capital in the Property Holdcos and the Disposal Property to FMC and (ii) the payment of HK$398.0 million in cash. A final cash payment of the consideration of HK$20.3 million was made on 20 May 2021 and thus resulted in a total cash consideration for the acquisition amounting to HK$418.3 million. Details of the transaction are set out in Note 2.1(iii) to the consolidated financial statements.

31 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Acquisition of a subsidiary

On 30 June 2021, the Group acquired the entire issued capital of Kiu Lok Properties (International) Limited (formerly known as Marriott Properties (International) Limited) ("Kiu Lok Properties") through a 70%-owned subsidiary, Wise Plaza Limited, at a total cash consideration of HK$74.9 million, which includes HK$73.7 million of initial sum of consideration paid on 30 June 2021 and HK$1.2 million of final cash payment of consideration paid on 2 September 2021. The total consideration for this acquisition of HK$74.9 million is 70% financed by the Group's internal resources, which amounts to HK$52.4 million, and 30% financed by equity contributions from Wise Plaza's 30% shareholder, which amounts to HK$22.5 million. Kiu Lok Properties is principally engaged in the provision of property agency and management, and housekeeping services in Hong Kong and was acquired to expand by the Group its property & facility management business.

The following table summarises the provisional amounts of fair values of assets acquired, liabilities assumed and goodwill recognised by the Group and the Group's net cash outflow arising from the acquisition as at 30 June 2021:

	HK$'000
Property, plant and equipment (Note 14)	112
Other intangible assets (Note 16)	31,500
Inventories	27
Trade and other receivables	1,796
Cash and bank balances	1,433
Trade and other payables	(2,127)
Taxation payable	(59)
Deferred income tax liabilities (Note 19)	(5,209)
Fair values of net identifiable assets acquired	27,473
Goodwill (Note 16)	47,418
Cash consideration	74,891
Less: Cash and bank balances acquired	(1,433)
Less: Consideration payable	(1,171)
Net cash outflow	72,287

The amount of goodwill recognised by the Group was determined based on the fair values of the identifiable assets acquired and liabilities assumed.

The goodwill arising on the acquisition of Kiu Lok Properties pertains to, but is not limited to, the expected economic benefit from the housekeeping and agency services it provides and synergies in the Group arising from the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes. The fair value and gross contractual amount of trade and other receivables at the date of acquisition amounted to HK$1.8 million. The transaction costs of HK$0.8 million incurred for this business combination have been recognised as general and administrative expenses in the consolidated income statement. No adjustment was made to the amounts of fair values of assets acquired, liabilities assumed and goodwill recognised by the Group for the year ended 30 June 2022.

31 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Acquisition of a subsidiary (Continued)

Since the date of acquisition, no amounts of revenue and profit of Kiu Lok Properties are included in the consolidated income statement of the Group for the year ended 30 June 2021. If the acquisition had taken place on 1 July 2020, the revenue and profit for the year ended 30 June 2021 of the Group would have been HK$6,463.3 million and HK$589.3 million respectively.

(d) Disposal of subsidiaries and a property as consideration for acquisition of businesses

On 19 April 2021, the Group disposed of certain properties through the sales of its entire issued share capital in the Property Holdcos and the Disposal Property at a non-cash consideration of HK$442.6 million, which was used for settling a part of the consideration of the Business Investments Acquisition. Each of the Property Holdcos is principally engaged in investment holding, owning certain properties in Hong Kong and Macau for uses by the Group and for rental purpose. The amounts for such companies were included in the Group's E&M services segment and unallocated assets and liabilities before its disposal. Details of the transaction are set out in Note 2.1(iii) to the consolidated financial statements.

The following tables summarise the book value of net assets of the Property Holdcos and Disposal Property being disposed of by the Group and the differences between their fair values and net book values recognised by the Group in its merger reserve during the year ended 30 June 2021:

	Property Holdcos HK$'000	**Disposal Property** HK$'000	**Total** HK$'000
Net assets disposed			
Property, plant and equipment (Note 14)	280,693	3,688	284,381
Investment property	10,541	–	10,541
Right-of-use assets	2,817	–	2,817
Trade and other receivables	332	–	332
Cash and bank balances	4,920	–	4,920
Deferred income tax liabilities (Note 19)	(10,031)	(608)	(10,639)
Trade and other payables	(596)	–	(596)
Taxation payable	(145)	–	(145)
Book value of net assets disposed (Note 2.1(iii))	288,531	3,080	291,611

31 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(d) Disposal of subsidiaries and a property as consideration for acquisition of businesses (Continued)

	Property Holdcos HK$'000	Disposal Property HK$'000	Total HK$'000
Amount recognised in merger reserve relating to the disposal of subsidiaries and a property (Note 2.1(iii))			
Non-cash consideration	426,150	16,500	442,650
Less: Net assets disposed	(288,531)	(3,080)	(291,611)
Amount recognised in merger reserve[(i)]	137,619	13,420	151,039

Note:

(i) The difference between the fair value and the book value of net assets of the Property Holdcos and Disposal Property were recognised in merger reserve as their disposal is linked to the Business Investments Acquisition, which was considered as a business combination under common control and accounted for using merger accounting in accordance with AG5. Details of the transaction are set out in Note 2.1(iii) to the consolidated financial statements.

(e) Other disposal of subsidiaries

	2022 HK$'000	2021 HK$'000
Cash inflow from other disposal of subsidiaries		
NCL	**–**	4,000
Shenzhen Landes	**80**	508
Total	**80**	4,508

31 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(e) Other disposal of subsidiaries (Continued)

(i) Disposal of NCL

On 31 December 2020, the Group disposed of its laundry business, through the sale of its entire interest in New China Steam Laundry Limited and its subsidiaries ("NCL"), at a cash consideration of HK$4.0 million. NCL is principally engaged in the provision of laundry services which offers laundry, dry cleaning and linen management services to customers in Hong Kong and was included in the Group's integrated property & facilities segment before its disposal.

The following tables summarise the book value of net assets of NCL being disposed of by the Group and the losses it recognised during the year ended 30 June 2021 related to its disposal of NCL:

	Before impairment losses	Impairment losses	After impairment losses
	HK$'000	HK$'000	HK$'000
Net assets disposed			
Property, plant and equipment	23,084	(22,859)	225
Right-of-use assets	2,941	(2,941)	–
Deferred income tax assets	1,318	–	1,318
Inventories	2,877	–	2,877
Book value of net assets disposed	30,220	(25,800)	4,420

	HK$'000
Analysis of losses related to disposal of subsidiaries	
Cash consideration	4,000
Less: Net assets disposed	(4,420)
Loss on disposal of subsidiaries	(420)
Impairment losses	(25,800)
Total losses related to disposal of subsidiaries	(26,220)

(ii) Disposal of Landes Landscape (Shenzhen) Co., Ltd. ("Shenzhen Landes")

On 1 July 2016, Shenzhen Landes, a wholly-owned subsidiary of FSE C & L Limited, was disposed to an external party at the consideration of RMB15.4 million (equivalent to HK$17.9 million). Amounts of RMB67 thousand (equivalent to HK$80 thousand) have been received during the years ended 30 June 2022 (2021: RMB0.4 million (equivalent to HK$0.5 million)).

31 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(f) Reconciliation of liabilities arising from financing activities

The movements of the Group's liabilities arising from financing activities during the years ended 30 June 2022 and 2021 are as follows.

	Borrowings	Dividends payable to ordinary shareholders	Dividends payable to the original shareholder of the Business Investments Group	Distribution payable to convertible preference shareholder	Lease liabilities	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 30 June 2020	463,243	–	–	–	63,298	526,541
Dividends and preferred distribution	–	194,850	340,180	8,454	–	543,484
New leases	–	–	–	–	19,934	19,934
Interest portion of lease liabilities	–	–	–	–	1,531	1,531
Financing cash flows	(80,000)	(194,850)	(73,000)	(8,454)	(48,857)	(405,161)
Settlement through current accounts	–	–	(267,180)	–	–	(267,180)
Payments for interest portion of lease liabilities	–	–	–	–	(1,531)	(1,531)
Currency translation differences	–	–	–	–	326	326
Lease modifications	–	–	–	–	8,174	8,174
Other changes	569	–	–	–	–	569
At 30 June 2021	**383,812**	**–**	**–**	**–**	**42,875**	**426,687**
Dividends and preferred distribution	**–**	**166,500**	**–**	**8,454**	**–**	**174,954**
New leases	**–**	**–**	**–**	**–**	**91,383**	**91,383**
Interest portion of lease liabilities	**–**	**–**	**–**	**–**	**1,482**	**1,482**
Financing cash flows	**19,460**	**(166,500)**	**–**	**(8,454)**	**(37,672)**	**(193,166)**
Payments for interest portion of lease liabilities	**–**	**–**	**–**	**–**	**(1,482)**	**(1,482)**
Currency translation differences	**–**	**–**	**–**	**–**	**(125)**	**(125)**
Lease modifications	**–**	**–**	**–**	**–**	**4,133**	**4,133**
Other changes	**206**	**–**	**–**	**–**	**–**	**206**
At 30 June 2022	**403,478**	**–**	**–**	**–**	**100,594**	**504,072**

(g) Equity contribution from a non-controlling shareholder

The cash inflow for 2021 represents equity contribution from the non-controlling shareholder to Wise Plaza Limited, a 70%-owned subsidiary of the Group.

31 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(h) Exchange differences

The exchange differences of cash and cash equivalents during the year are mainly arising from the remeasurement of the Group's foreign currency denominated cash and bank balances at the year end exchange rate.

(i) Major non-cash transactions

On 19 April 2021, the Group disposed of its entire issued share capital in the Property Holdcos and the Disposal Property at a consideration of HK$442.6 million as part of its consideration of the Business Investments Acquisition. Details of the transaction are set out in Note 2.1(iii) to the consolidated financial statements.

During the year ended 30 June 2022, the Group acquired right-of-use assets and recognised lease liabilities, including lease modifications, totalling HK$95.5 million (2021: HK$28.1 million).

During the year ended 30 June 2021, the Group settled dividends of the Business Investments Group of HK$267.2 million to its previous shareholder, FMC, through current account with it.

(j) Funds held on behalf of third parties

As at 30 June 2022, the Group held cash and bank balances totalling HK$1,135.1 million (2021: HK$1,093.7million) in trust for owners of certain buildings which were under its management. These funds have not been included in the consolidated financial statements of the Group.

32 COMMITMENTS

(a) Capital commitments

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

As at 30 June	**2022** **HK$'000**	2021 HK$'000
Property, plant and equipment	**1,937**	1,681

(b) Operating lease commitments — The Group as lessees

The Group has future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

As at 30 June	**2022** **HK$'000**	2021 HK$'000
No later than one year	**1,361**	11,906
Later than one year and no later than five years	**19**	–
Total	**1,380**	11,906

33 RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group undertook the following transactions with related parties, which in the opinion of the Directors of the Company, were carried out in the normal course of business during the year ended 30 June 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
Ackland Limited	Note i
Corporate Ally Limited	Note i
Ease King Investment Limited	Note i
Fast Solution Limited	Note i
FSE Enterprises Limited	Note i
FSE Management Company Limited	Note i
FSE Property (Hong Kong) Limited	Note i
Fung Seng Diamond Co Limited	Note i
Great City Developments Limited	Note i
Kingdom of Morocco (Consulate General-HK) Co Ltd	Note i
Ocean Front Investments Limited	Note i
Power Estate Investments Limited	Note i
Prime Star Investment Limited	Note i
Prosperity Property Investment Limited	Note i
Silver Asia Investments Limited	Note i
Success Ocean Limited	Note i
Top Line Investment Limited	Note i
上海華美達廣場有限公司	Note i
上海上實南洋大酒店有限公司	Note i
上海豐昌物業管理有限公司	Note i
ACE Island Limited	Note ii
Anway Limited	Note ii
AOS Management Limited	Note ii
ATL Logistics Centre Hong Kong Limited	Note ii
Atrend Fashion Limited	Note ii
B.S.C. Shinwa Kogyo Co Limited	Note ii
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
Cheer Best Enterprises Limited	Note ii
Cheer Globe Limited	Note ii
CHI Studio Company Limited	Note ii

33 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
Chow Tai Fook Art Foundation Limited	Note ii
Chow Tai Fook Energy Company Limited	Note ii
Chow Tai Fook Enterprises Limited	Note ii
Chow Tai Fook Jewellery and Watch (Macau) Limited	Note ii
Chow Tai Fook Jewellery Company Limited	Note ii
Chow Tai Fook Jewellery Group Limited	Note ii
CTF Watch (HK) Ltd	Note ii
CiF Solutions Limited	Note ii
Cititop Limited	Note ii
CTF Watch (HK) Limited	Note ii
Daily Land Limited	Note ii
Diamond International Limited	Note ii
Discovery Park Commercial Services Limited	Note ii
Donut Cafe Company Limited	Note ii
Eastrade Holdings Limited	Note ii
Ever Light Limited	Note ii
Ever Right Limited	Note ii
Foregain Co 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
Great TST Limited	Note ii
Head Step Limited T/A Pentahotel HK Kowloon	Note ii
Hip Hing Builders Company Limited	Note ii
Hip Hing Construction Company Limited	Note ii
Hip Hing Engineering Company Limited	Note ii
Hip Hing Joint Venture	Note ii
Hip Hing Joint Venture (VEC)	Note ii
Hip Seng Builders Limited	Note ii
Hip Seng Construction Company Limited	Note ii
Hip Seng Construction Management Company Limited	Note ii
Hong Kong Convention and Exhibition Centre (Management) Limited	Note ii
Hong Kong Golf & Tennis Academy Management Co., Limited	Note ii
Hong Kong Island Development Limited	Note ii
Hong Kong Multiple Intelligence Education Company Limited	Note ii
Hyatt Regency Hong Kong	Note ii
Joy Century Limited	Note ii
K11 AFLM LIMITED	Note ii
K11 Art Mall Properties Company Limited	Note ii
K11 Artus Limited	Note ii
K11 Concepts Limited	Note ii

33 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
K11 Gentry Club Limited	Note ii
K11 IP Licence & Creation Company Limited	Note ii
K11 Property Management Company Limited	Note ii
K11 Retail & Corporate Sales Company Limited	Note ii
Kai Tak Sports Park Limited	Note ii
Kid World Services Limited	Note ii
Kiu Lok Properties Services (China) Limited	Note ii
Loyalton Limited	Note ii
Luxba Limited	Note ii
Markson Limited	Note ii
Maronne Limited	Note ii
Max Moral 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 Construction Company Limited	Note ii
New World Corporate Services Limited	Note ii
New World Department Stores Limited	Note ii
New World Development (China) Limited	Note ii
New World Development Company Limited	Note ii
New World Facilities Management Company Limited	Note ii
New World Group Charity Foundation Limited	Note ii
New World Hotel Management Limited	Note ii
New World Project Management (China) Limited	Note ii
New World Property Management Company Limited	Note ii
New World Strategic Investment Limited	Note ii
New World TMT Limited	Note ii
New World Tower Company Limited	Note ii
NW Project Management Limited	Note ii
NWS Holdings Limited	Note ii
Park New Astor Hotel Limited	Note ii
Paterson Plaza Properties Limited	Note ii
Polytown Company Limited	Note ii
Pride Success Fashion Trading Limited	Note ii
Pridemax Limited	Note ii
Renaissance Harbour View Hotel HK	Note ii
Rosewood Hotels (HK) Limited	Note ii
Roxy Limited	Note ii

33 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
Sunfield Investments Limited	Note ii
Sunny Goal Limited	Note ii
Techni Development Investment Limited	Note ii
The Artizen Management Co Limited	Note ii
Treasure High Limited	Note ii
Treasure Tower Holdings Limited	Note ii
Urban Parking Limited	Note ii
Vibro (H.K.) Limited	Note ii
Vibro Construction Company Limited	Note ii
Victoria Educational Organisation Limited	Note ii
Wallmax Limited	Note ii
Wan Fau Sin Koon Service & Dev Co Limited	Note ii
Wealth Master Corporation Limited	Note ii
Win Way Construction Co., Limited	Note ii
Wise City Investment Limited	Note ii
北京崇文•新世界房地產發展有限公司	Note ii
周大福創地置業（武漢）有限公司	Note ii
天津新世界環渤海房地產開發有限公司	Note ii
天津新世界百貨有限公司	Note ii
寧波公泰置業有限公司	Note ii
寧波新立房地產開發有限公司	Note ii
廊坊新世界房地產開發有限公司	Note ii
廣州市新禦運營管理有限公司	Note ii
廣州永沛房地產開發有限公司	Note ii
佛山鄉村房地產開發有限公司	Note ii
新世界（瀋陽）房地產開發有限公司	Note ii
新世界嘉業（武漢）有限公司	Note ii
新世界房地產發展有限公司新世界酒店分公司	Note ii
新世界發展（武漢）有限公司	Note ii
新協中建築有限公司	Note ii
新世界百貨集團上海匯美百貨有限公司	Note ii
新亮勵貿易（深圳）有限公司	Note ii
深圳天得房地產開發有限公司	Note ii
清遠新世界旅遊發展有限公司	Note ii
湖南成功新世紀投資有限公司	Note ii

Notes:

(i) These companies are commonly controlled by the Ultimate Controlling Shareholder and/or the family members of the Ultimate Controlling Shareholder.

(ii) These related companies include companies of which the key management personnel are close member of the family of the Ultimate Controlling Shareholder.

33 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related companies during the year ended 30 June 2022.

For the year ended 30 June	2022 HK$'000	2021 HK$'000
Contract revenue (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	11,133	2,670
Other related companies (Note ii)	2,242,755	1,851,363
Total	2,253,888	1,854,033
Cleaning and laundry service income (Note i)		
Other related companies (Note ii)	136,610	136,684
Premises management service fee and building manager remuneration (Note iii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	1,313	1,460
Other related companies (Note ii)	15,381	21,367
Total	16,694	22,827
Security service income (Note iv)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	4,845	2,096
Other related companies (Note ii)	217,357	222,654
Total	222,202	224,750
Environmental solutions consultancy fee income from related companies (Note v)	1,743	1,716
Landscaping services income from related companies (Note vi)	9,328	7,939
Disposal of property and equipment (Note vii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	–	80
Other related companies (Note ii)	–	400
Total	–	480

33 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

For the year ended 30 June	2022 HK$'000	2021 HK$'000
Rental expenses/addition of rights-of-use assets (Note viii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	**90,461**	10,616
Other related companies (Note ii)	**856**	229
Total	**91,317**	10,845
Management fee expenses to a related company commonly controlled by the Ultimate Controlling Shareholder (Note ix)	**–**	4,270
Appointment fees to related companies (Note x)	**2,562**	2,575
Contracting service expenses to related companies (Note xi)	**7,644**	5,634
Miscellaneous service fees expenses to related companies (Note xii)	**152**	152

Notes:

(i) Revenue from provision of contracting work and cleaning and laundry service income is principally charged in accordance with respective contracts.

(ii) These related companies are companies of which the key management personnel are close members of the family of the ultimate controlling shareholder.

(iii) Premises management service fee and building manager remuneration was charged based on certain percentages of total expenditures of the properties in accordance with the management contracts.

(iv) Security service fee income was charged at prices and terms as agreed by both parties.

(v) Environmental solutions consultancy fee income was charged at terms mutually agreed between the parties.

(vi) Landscaping service fee income was charged at prices and terms as agreed by both parties.

(vii) Disposal of properties and equipment is at consideration mutually agreed between the parties.

(viii) Rental expenses/additions of rights-of-use assets were principally calculated in accordance with the terms of the respective rental agreements.

(ix) Management fee expenses were charged at prices and terms as agreed by both parties involved.

(x) Appointment fees were charged at prices and terms as agreed by both parties.

(xi) Contracting service expenses were charged in accordance with the terms of the respective contracts.

(xii) Miscellaneous service fees were charged based on fixed amounts mutually agreed by the parties.

(xiii) The above transactions with related parties are based upon mutually agreed terms and conditions.

33 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

As at 30 June	2022 HK$'000	2021 HK$'000
Trade receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	522	1,239
Other related companies (Note i)	213,984	177,384
Total	**214,506**	178,623
Retention receivables due from related companies (Note i)	**187,782**	218,580
Other receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	–	80
Other related companies (Note i)	24,565	20,178
Total	**24,565**	20,258
Contract assets due from related companies (Note i)	**290,471**	237,034
Contract liabilities		
Related companies commonly controlled by the Ultimate Controlling Shareholder	–	232
Other related companies (Note i)	246,475	172,127
Total	**246,475**	172,359
Other payables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	454	912
Other related companies (Note i)	4,033	3,504
Total	**4,487**	4,416
Lease liabilities		
Related companies commonly controlled by the Ultimate Controlling Shareholder	63,905	16,015
Other related companies (Note i)	358	–
Total	**64,263**	16,015

Note:

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

33 RELATED PARTY TRANSACTIONS (Continued)

(d) Key management compensation

Key management includes directors and senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

For the year ended 30 June	2022 HK$'000	2021 HK$'000
Fees	**3,219**	2,466
Salaries and other emoluments	**68,182**	94,253
Contributions to defined contribution schemes	**3,699**	3,188
Total	**75,100**	99,907

The emoluments to directors and members of the senior management of the Group fell within the following bands:

For the year ended 30 June	2022 Number of individuals	2021 Number of individuals
Emolument bands		
Nil–HK$1,000,000	**6**	6
HK$1,000,001–HK$1,500,000	**1**	1
HK$1,500,001–HK$2,000,000	**2**	2
HK$2,000,001–HK$2,500,000	**1**	1
HK$2,500,001–HK$3,000,000	**2**	3
HK$3,000,001–HK$3,500,000	**3**	3
HK$3,500,001–HK$4,000,000	**1**	2
HK$4,000,001–HK$4,500,000	**1**	–
HK$4,500,001–HK$5,000,000	**1**	2
HK$5,000,001–HK$5,500,000	**3**	–
HK$5,500,001–HK$6,000,000	**–**	1
HK$6,000,001–HK$6,500,000	**1**	–
HK$6,500,001–HK$7,000,000	**–**	–
HK$7,000,001–HK$7,500,000	**1**	–
HK$7,500,001–HK$10,000,000	**1**	–
HK$10,000,001–HK$40,000,000	**–**	2
Total	**24**	23

34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

As at 30 June	2022 HK$'000	2021 HK$'000
ASSETS		
Non-current assets		
Subsidiaries	**412,132**	412,132
Current assets		
Trade and other receivables	**375**	302
Amounts due from subsidiaries	**2,332,603**	1,888,482
Cash and bank balances	**2,110**	31,986
	2,335,088	1,920,770
Total assets	**2,747,220**	2,332,902
EQUITY		
Ordinary shares	**45,000**	45,000
Convertible preference shares	**140,900**	140,900
Reserves (Note (a))	**805,426**	395,844
Total equity	**991,326**	581,744
LIABILITIES		
Current liabilities		
Trade and other payables	**5,838**	8,637
Amounts due to subsidiaries	**1,750,056**	1,742,521
Total liabilities	**1,755,894**	1,751,158
Total equity and liabilities	**2,747,220**	2,332,902
Net current assets	**579,194**	169,612
Total assets less current liabilities	**991,326**	581,744

The statement of financial position of the Company was approved by the Board of Directors on 5 September 2022 and was signed on its behalf.

Lam Wai Hon, Patrick
Director

Poon Lock Kee, Rocky
Director

34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note (a) Reserve movement of the Company

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2020	743,204	(450,345)	292,859
Profit for the year	–	306,289	306,289
Dividends	–	(194,850)	(194,850)
Preferred distribution	–	(8,454)	(8,454)
At 30 June 2021	743,204	(347,360)	395,844
At 1 July 2021	**743,204**	**(347,360)**	**395,844**
Profit for the year	**–**	**584,536**	**584,536**
Dividends	**–**	**(166,500)**	**(166,500)**
Preferred distribution	**–**	**(8,454)**	**(8,454)**
At 30 June 2022	**743,204**	**62,222**	**805,426**

35 PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries as at 30 June 2022:

Company name	Place of incorporation or establishment/ place of operation	Issued/Registered and paid-up capital	Attributable equity interest of the Group As at 30 June 2022	2021	Principal activities
Directly-owned subsidiaries:					
FSE City Essential Services Limited	British Virgin Islands	1 share of US$1 paid up to US$1	**100**	100	Investment holding
FSE Engineering Group Limited	British Virgin Islands/ Hong Kong	50,000,000 shares of HK$1 each paid up to HK$50,000,000	**100**	100	Investment holding
FSE Environmental Solutions Limited	British Virgin Islands	1 share of US$1 paid up to US$1	**100**	100	Investment holding
FSE Facility Services Group Limited	British Virgin Islands	1 share of US$1 paid up to US$1	**100**	100	Investment holding
FSE Property Management Group Limited	British Virgin Islands	1 share of US$1 paid up to US$1	**100**	100	Investment holding
Lucky Bridge Investments Limited	British Virgin Islands/ Hong Kong	1 share of US$1 paid up to US$1	**100**	100	Investment in trading securities

35 PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation or establishment/ place of operation	Issued/Registered and paid-up capital	Attributable equity interest of the Group As at 30 June 2022	2021	Principal activities
Indirectly owned subsidiaries:					
Building Material Supplies Limited	British Virgin Islands	1 share of HK$1 paid up to HK$1	**100**	100	Investment holding
Business Investments Limited	British Virgin Islands	1 share of US$1 paid up to US$1	**100**	100	Investment holding
Companion Building Material Supplies (H.K.) Limited	Hong Kong	100 shares paid up to HK$100	**100**	100	Trading of ceramic tiles and building materials and provision of maintenance and fitting out services
Crystal Brilliant Limited	British Virgin Islands	1 share of US$1 paid up to US$1	**100**	100	Investment holding
Espora Company Limited	Hong Kong	2 shares paid up to HK$2	**100**	100	Provision of property management services
Environmental Pioneers & Solutions Limited	Hong Kong	1,000 shares paid up to HK$100,000	**100**	100	Trading of environmental products and the provision of related engineering and consultancy services
Extensive Trading Company Limited	Hong Kong	8,500,000 ordinary shares and 1,500,000 non-voting deferred shares[1] paid up to HK$10,100,000	**100**	100	Trading of equipment and materials
EPS Environmental Technologies (Macao) Limited	Macau	MOP25,000	**100**	100	Trading of environmental products and the provision of related engineering and consultancy services

35 PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation or establishment/ place of operation	Issued/Registered and paid-up capital	Attributable equity interest of the Group As at 30 June 2022	2021	Principal activities
Far East Engineering Services Limited	Hong Kong	766,714 ordinary shares and 233,288 non-voting deferred shares[1] paid up to HK$10,000,020	**100**	100	Mechanical and electrical engineering, trading and project management consultancy
Far East Technical Service (Macao) Limited	Macau	MOP25,000	**100**	100	Mechanical and electrical engineering
FSE C & L Limited	British Virgin Islands	1 share of US$1 paid up to US$1	**100**	100	Investment holding
FSE Engineering (China) Limited	Hong Kong	100,000 shares paid up to HK$100,000	**100**	100	Investment holding
FSE Environmental Laboratory Services Limited	Hong Kong	10,000 shares paid up to HK$10,000	**100**	100	Provision of testing and calibration services
FSE Environmental Technologies Limited	British Virgin Islands	1 share of US$1 paid up to US$1	**100**	100	Investment holding
FSE Facility Management Limited	Hong Kong	2 shares paid up to HK$2	**100**	100	Provision of referral services to a fellow subsidiary engaged in insurance brokerage business
FSE Ins Limited	British Virgin Islands	1 share of US$1 paid up to US$1	**100**	100	Investment holding
FSE S & G Limited	British Virgin Islands	1 share of HK$1 paid up to HK$1	**100**	100	Investment holding
General Security & Guarding Limited	British Virgin Islands	1 share of HK$1 paid up to HK$1	**100**	100	Investment holding
General Security (H.K.) Limited	Hong Kong	8,402 ordinary shares and 11,600 non-voting deferred shares[1] paid up to HK$2,000,200	**100**	100	Security services, sales and maintenance of alarm systems

35 PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation or establishment/ place of operation	Issued/Registered and paid-up capital	Attributable equity interest of the Group As at 30 June 2022	2021	Principal activities
General Security Limited	Hong Kong	2 ordinary shares and 2,500 non-voting deferred shares[1] paid up to HK$250,200	**100**	100	Security services
Hong Kong Island Landscape Company Limited	Hong Kong	1,980,000 ordinary shares and 20,000 non-voting deferred shares[1] paid up to HK$20,000,000	**100**	100	Trading, landscaping project contracting
i-Urban Limited	Hong Kong	2 shares paid up to HK$2	**100**	100	Inactive
International Property Management Limited	Hong Kong	450,000 ordinary shares and 95,500 non-voting deferred shares[1] paid up to HK$545,500	**99**	99	Investment holding and provision of property management services for buildings
International Reinsurance Management Limited	Hong Kong	500,000 shares paid up to HK$500,000	**100**	100	Reinsurance brokerage
Joneson Environmental Technologies Limited	Hong Kong	535,000 ordinary shares and 35,000 non-voting deferred shares[1] paid up to HK$570,000	**100**	100	Trading, building maintenance, chemical engineering
Kiu Lok International Realty Limited	Hong Kong	2 shares paid up to HK$2	**100**	100	Provision of property agency and related services for buildings in Hong Kong
Kiu Lok Properties (International) Limited	Hong Kong	2 shares paid up to HK$2	**70**	70	Provision of property agency and related services for buildings in Hong Kong
Kiu Lok Service Management Company Limited	Hong Kong	2 ordinary shares and 1,002 non-voting deferred shares[1] paid up to HK$100,400	**100**	100	Provision of property management, property agency and related services for buildings in Hong Kong

35 PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation or establishment/ place of operation	Issued/Registered and paid-up capital	Attributable equity interest of the Group As at 30 June 2022	2021	Principal activities
KL Property Management Limited	Hong Kong	1 share paid up to HK$1	**100**	100	Provision of property management and related services for buildings in Hong Kong
KLPS Group Limited	Hong Kong	20,000,000 shares paid up to HK$20,000,000	**100**	100	Investment holding
KOHO Facility Management Limited	Hong Kong	1 share paid up to HK$1	**100**	100	Provision of property management services for buildings
Legend Success Investments Limited	British Virgin Islands	1 share of US$1 paid up to US$1	**100**	100	Investment holding
Majestic Engineering Company Limited	Hong Kong	30,000 shares paid up to HK$30,000,000	**100**	100	Mechanical and electrical engineering
Majestic Engineering (Macao) Company Limited	Macau	MOP25,000	**100**	100	Mechanical and electrical engineering
Majestic Plumbing Engineers Limited	Hong Kong	2,000,000 shares paid up to HK$2,000,000	**100**	100	Plumbing engineering services
Nova Insurance Consultants Limited	Hong Kong	500,000 shares paid up to HK$500,000	**100**	100	Insurance brokerage
Paramatta Estate Management Limited	Hong Kong	10,000 shares paid up to HK$10,000	**100**	100	Estate Manager of City One, Shatin
Park Vale (Management) Limited	Hong Kong	2 shares paid up to HK$2	**100**	100	Provision of property management services for buildings
Perfect Event Services Limited	Hong Kong	10,000 shares paid up to HKS$10,000	**100**	100	Provision of one-stop solution and support services to event activities
Plantgrove Developments Limited	British Virgin Islands	2 shares of US$1 each paid up to US$2	**100**	100	Investment holding

35 PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation or establishment/ place of operation	Issued/Registered and paid-up capital	Attributable equity interest of the Group As at 30 June 2022	2021	Principal activities
Smart and Safe Fleet Management Limited	Hong Kong	1 share paid up to HK$1	**100**	100	Provision of fleet management services in Hong Kong
Sunningdale (Management) Limited	Hong Kong	2 shares paid up to HK$20	**100**	100	Provision of property management services for buildings
Turning Technical Services Limited	Hong Kong	200,000 shares paid up to HK$200,000	**99**	99	Provision of cleaning, repairs and maintenance services for properties
Uniformity Security Limited	British Virgin Islands	1 share of HK$1 paid up to HK$1	**100**	100	Investment holding
Urban Focus Limited	British Virgin Islands	1 share of US$1 paid up to US$1	**100**	100	Investment holding
Urban Management Services Limited	Hong Kong	10,000 shares paid up to HK$10,000	**100**	100	Provision of property management services
Urban Property Management Limited	Hong Kong	49,995,498 ordinary shares and 4,502 non-voting deferred shares[(1)] paid up to HK$50,000,000	**100**	100	Provision of property management services for buildings and investment holding
Urban Technical Services Limited	Hong Kong	2 shares paid up to HK$2	**100**	100	Provision of repairs and maintenance services
Trident Engineering Company Limited	Hong Kong	34,400,000 ordinary shares and 15,600,000 non-voting deferred shares[(1)] paid up to HK$50,000,000	**100**	100	Provision of mechanical and electrical engineering services
Waihong Cleaning Limited	British Virgin Islands	1 share of HK$1 paid up to HK$1	**100**	100	Investment holding

35 PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation or establishment/ place of operation	Issued/Registered and paid-up capital	Attributable equity interest of the Group As at 30 June 2022	2021	Principal activities
Waihong Environmental Services Limited	Hong Kong	400,000 shares paid up to HK$40,000,000	100	100	Provision and management of cleaning and waste disposal services and provision of recycling and environmental disposal services
Waihong Integrated Green Services Limited	Hong Kong	400,000 shares paid up to HK$400,000	100	100	Provision of pest control services
Waihong Medicare Services Limited	Hong Kong	1 share paid up to HK$1	100	100	Provision of cleaning services in hospitals
Wise Plaza Limited	Hong Kong	10,000 shares paid up to HK$10,000	70	70	Investment holding
Young's Engineering Company Limited	Hong Kong	4,000,000 shares paid up to HK$40,000,000	100	100	Mechanical and electrical engineering
Young's Engineering (Macao) Company Limited	Macau	MOP100,000	100	100	Mechanical and electrical engineering
豐盛機電工程有限公司(2)	Mainland China	RMB50,000,000	100	100	Mechanical and electrical engineering
北京遠東景福機電設備維修有限公司(2)	Mainland China	US$150,000	100	100	Mechanical, electrical engineering and maintenance
景福機電安裝工程（上海）有限公司(2)	Mainland China	RMB15,000,000	100	100	Mechanical and electrical engineering
廣州凱康園林服務有限公司(2)	Mainland China	RMB1,000,000	100	100	Provision of landscaping services

35 PRINCIPAL SUBSIDIARIES (Continued)

Notes:

1. The non-voting deferred shares do not carry any voting rights and are not entitled to any profits distribution by the subsidiary. On a return of assets on winding up or otherwise, the assets of the subsidiary to be returned shall be distributed firstly in paying HK$1 billion per share to the holders of the ordinary shares and secondly in repaying to the holders of non-voting deferred shares the nominal amount paid up or credited as paid upon such shares. The balance of the assets of the subsidiary shall be distributed among the holders of the ordinary shares.

2. These subsidiaries are registered as wholly foreign owned enterprises under the law of Mainland China.

36 COMPARATIVE AMOUNTS

As explained in Notes 5 to the consolidated financial statements, due to the Group's application of change in operating segments determined by the Group's CODM during the year ended 30 June 2022, certain comparative amounts have been restated to conform with the current year's accounting treatments and presentation.