



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

Interim Report 2022-2023

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 331

FSE Lifestyle Enriching Lifestyle



Property & Facility
Management Services



City Essential Services



E&M Services



●●● About FSE Lifestyle Services Limited

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

Our services are being delivered through 8 major groups of companies which have all been the market leaders in their respective industries. They include :

Property & Facility Management Services

- Urban Group (“Urban”)
- Kiu Lok Service Management Group (“Kiu Lok”)

City Essential Services

- Cleaning – Waihong Services Group (“Waihong”)
- Technical Support & Maintenance – Far East Engineering Services Group (“Far East Engineering Services”)
- Security Guarding & Event Services – General Security Group (“General Security”) and Perfect Event Services (“Perfect Event”)

- Insurance Solutions – Nova Insurance Group (“Nova”)
- Environmental Solutions – FSE Environmental Solutions Group

E&M Services

- FSE Engineering Group

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

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

●●● Our Vision

Better Life, Better Home, Better Quality to You Everyday

●●● Our Mission

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

We are devoted to serve:

Our Customers — We provide customised service and maintain long term partnership.

Our Staff — We promote work-life balance and create a strong sense of belonging.

Our Community — We maintain sustainable development and contribute to community.

●●● Our Core Values

Quality	Integrity	Passion
Teamwork	Caring	Innovation

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Property & Facility Management Services

- Property Management
- Facility Management
- Agency Services



City Essential Services

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



E&M Services

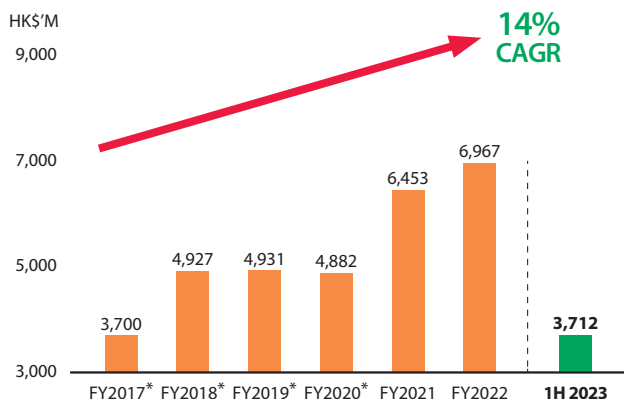
- Design and Installation Services
- Air-conditioning Services
- Electrical Services
- Fire Services
- Plumbing and Drainage Services



Outstanding Achievements

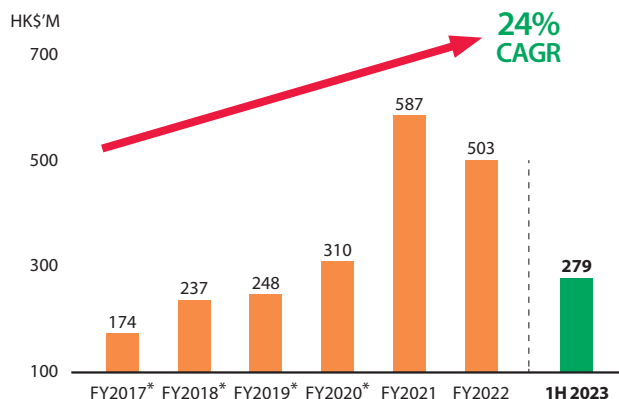
Growth Trends

Revenue



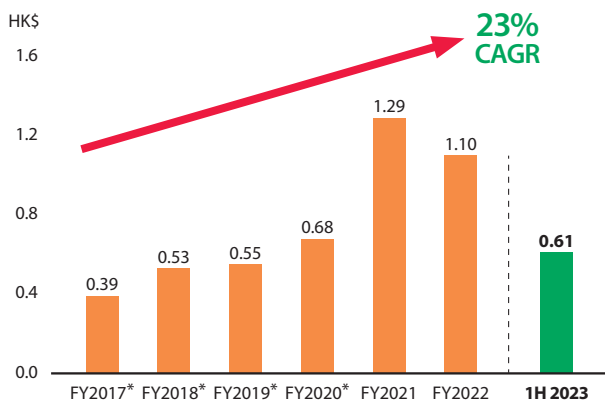
Through organic growth and acquisitions, consolidated revenue grew by more than 80% from FY2017 to FY2022.

Profit Attributable to Shareholders



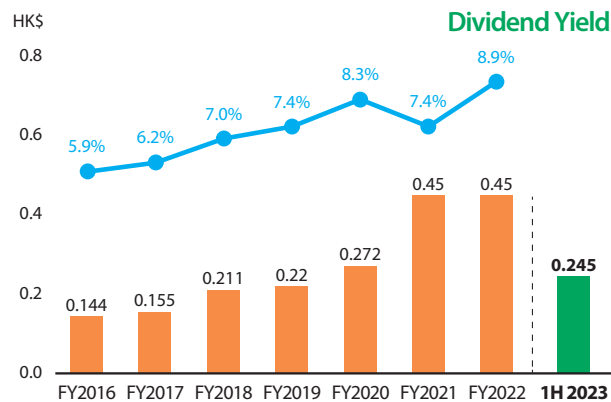
Compared with FY2017, consolidated profit attributable to shareholders for FY2022 nearly tripled.

Earnings per Share



Earnings per share surged more than 180% from FY2017 to FY2022.

Dividends per Share



Compared with FY2016, dividends per share for FY2022 more than tripled and was maintained at a stable dividend payout ratio of about 40%.

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

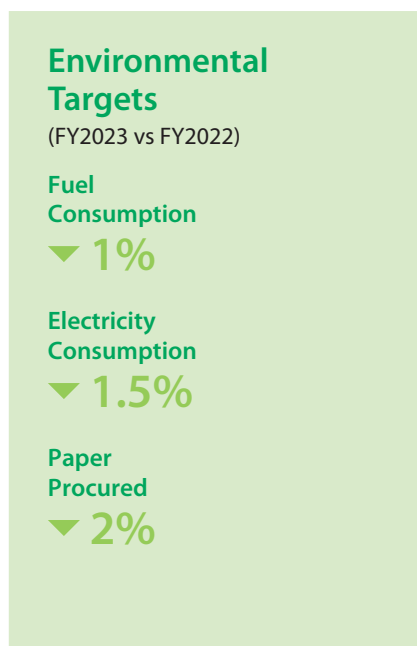
Outstanding Achievements

Operational Performance



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

Environmental, Social and Governance





Financial Highlights

	For the six months ended 31 December		% Change
	2022 HK\$M	2021 HK\$M	
Revenue	3,712.1	3,351.0	+10.8%
Gross profit	535.0	496.4	+7.8%
Profit attributable to shareholders of the Company ⁽ⁱ⁾	279.5	238.5	+17.2%
Basic earnings per share	HK\$0.61	HK\$0.52	+17.3%

The Board declared the payment of an interim dividend of HK24.5 cents (Six months ended 31 December 2021: HK20.9 cents) per ordinary share to the ordinary shareholders of the Company for the six months ended 31 December 2022⁽ⁱⁱ⁾.

Notes:

- (i) If excluding the effects of government grants in the Group's results for both periods to better illustrate the Group's financial results without such effects, the Group recorded an increase in adjusted net profit of 8.7% to HK\$234.5M (i.e. after excluding government grants of HK\$45.0M from profit attributable to shareholders of the Company of HK\$279.5M) for the six months ended 31 December 2022 as compared to its adjusted net profit of HK\$215.8M (i.e. after excluding government grants of HK\$22.7M from profit attributable to shareholders of the Company of HK\$238.5M) for the six months ended 31 December 2021. For details of the related government grants, please refer to the "Summary of government grants" table in the "Management Discussion and Analysis" section on page 12.
- (ii) For the six months ended 31 December 2022, the dividend payout ratio of the Company is 40.1%, calculated based on the Group's adjusted profit for the six months ended 31 December 2022 attributable to ordinary shareholders of the Company of HK\$275.2M (i.e. after deducting preferred distribution to the holder of convertible preference shares of HK\$4.3M for the six months ended 31 December 2022 from profit attributable to shareholders of the Company of HK\$279.5M).

For the six months ended 31 December 2021, the dividend payout ratio of the Company was 40.2%, calculated based on the Group's adjusted profit for the six months ended 31 December 2021 attributable to ordinary shareholders of the Company of HK\$234.2M (i.e. after deducting preferred distribution to the holder of convertible preference shares of HK\$4.3M for the six months ended 31 December 2021 from profit attributable to shareholders of the Company of HK\$238.5M).

●●● Chairman's Statement

“ Although the complete eradication of COVID-19 is unlikely this year, it is anticipated that the pandemic will begin to dissipate, which will be beneficial to Hong Kong's economic recovery. We will continue to grow in this post-pandemic era, we will also continue to seek new business opportunities to expand our operations and maximise shareholder values. ”

To Our Shareholders:

On behalf of the board of directors (the “Board”) of FSE Lifestyle Services Limited (the “Company”, together with its subsidiaries, the “Group”), I am pleased to present the unaudited condensed consolidated interim results of the Company for the six months ended 31 December 2022 (the “period under review”).

FOCUS ON DIVERSITY OF SERVICES THROUGH A TIGHTLY INTEGRATED BUSINESS ECOSYSTEM

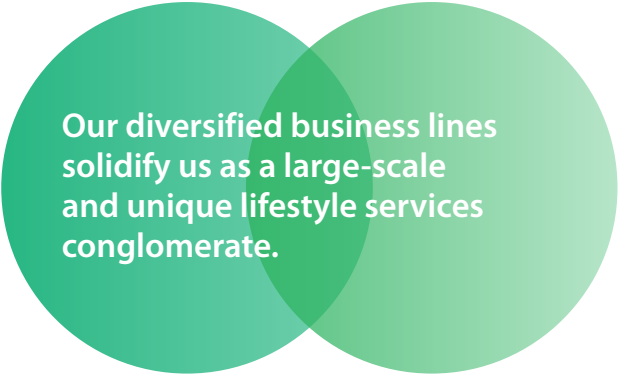
The year 2023 marks the seventh anniversary of the Company's listing in Hong Kong. Despite experiencing multiple pandemic outbreaks and increased competition in the labour market, the Group continued to diversify the service offerings of its businesses through proactive marketing efforts and effective cost management, highlighting the resilience of its businesses and enabling us to be better positioned to withstand the current challenges.

Chairman's Statement

Looking back over the past seven years, service quality has been the cornerstone of the Group's development. With this as a foundation, we were able to rapidly diversify our business lines through organic growth and acquisitions, and optimise our management team as part of a succession plan to reposition the Group as a large-scale and unique lifestyle services conglomerate offering the following comprehensive range of services to clients:

- i. **Property & Facility Management Services**
- ii. **City Essential Services** including Cleaning, Pest Control & Disinfection, Technical Support & Maintenance, Security Guarding & Event Services, Insurance Solutions and Environmental Solutions
- iii. **E&M Services**

Compared with our financial performance for the year ended 30 June 2016, the Group doubled consolidated revenue, more than tripled profit attributable to shareholders, and increased earnings per share by more than 160% for the financial year ended 30 June 2022.



Our diversified business lines solidify us as a large-scale and unique lifestyle services conglomerate.



Doubled consolidated revenue, more than tripled profit attributable to shareholders and increased earnings per share by more than 160% over the past six financial years.

The increase in revenue was primarily attributable to the business ecosystem we have built creating cross-selling synergies and strengthening customer loyalty. This has successfully enabled us to meet our goal of balancing growth in scale with cash flow. The property & facility management services and city essential services segments account for more than half of the Group's gross and net profit for the period under review. The Group has practised prudent financial management at all times. It has nil net gearing ratio during the period under review.

At a strategic level, the business ecosystem is fundamental to our future development. The Group will be uniquely positioned to provide high quality and complementary integrated services, create cross-selling opportunities, and leverage advanced technologies and smart solutions such as Artificial Intelligence ("AI") and the Internet of Things ("IoT"), so as to increase the satisfaction of our valued customers.

To support the growth of our businesses, we have increased our management bandwidth by optimising our organisational structure. With our people-centric principles, we are actively promoting occupational safety and health and we will continue to invest in people and nurture our colleagues, especially young talent, with diversified and tailored training.

Chairman's Statement

As a result of adopting appropriate risk management strategies and dedication of our management team, the Group's profit attributable to shareholders reached HK\$279.5 million for the six months ended 31 December 2022, with a net cash position at the end of the period. The Board has declared an interim dividend of HK24.5 cents per ordinary share for its ordinary shareholders for the six months ended 31 December 2022, representing a dividend payout ratio of 40.1%.

Property & Facility Management Services

Our Property & Facility Management Group, which comprises Urban, International Property Management and Kiu Lok, is one of the largest independent service providers in the Hong Kong property and car park management services market. We currently have more than 300 property management contracts covering no less than 140,000 residential units, 3.2 million square meters of commercial property and 60,000 car park spaces. With the paradigm shift, it is expected that there will be a growing demand for one-stop, high-quality and comprehensive property and facility management services against the backdrop of the normalisation of the pandemic.

With the Hong Kong Government determined to increase housing and land supply, the property management market is expected to expand.

With our extensive experience of over 50 years, we are able to improve people's living conditions through property management services, building renovation and refurbishment, and leasing and tenancy management, some of which present significant cross-selling opportunities for our city essential services segment. With the Hong Kong Government determined to increase housing and land supply, the property management market is expected to expand in line with the increase in property development in Hong Kong. Urban renewal is another government priority that will fuel the growth momentum of the property management industry in the coming years. The Group has maintained one of the strongest professionally qualified service teams with over 500 Tier 1 and Tier 2 property management practitioners, making it well prepared for business opportunities and be fully compliant with the Property Management Services Ordinance.

Growing demand for one-stop and high-quality property and facility management services against the normalisation of the pandemic.

Furthermore, armed with extensive E&M experience in Mainland China, the Group is also exploring opportunities in the Greater Bay Area via strategic collaboration and mergers and acquisitions. To satisfy the rising customer demand for smart, sustainable and green living, our Property & Facility Management Group is committed to the continued application of new and modern management standards and information technology in its operations.

Chairman's Statement

City Essential Services

Building on our recognisable brands, high service quality and strong cross-selling synergies created through our business ecosystem, the Group continued to successfully promote its city essential services during the year:



Our recognisable brands, high services quality and strong cross-selling synergies created through our business ecosystem.

Cleaning Services – Waihong is one of the top three players in the Hong Kong environmental hygiene services market. With the current emphasis on hygiene and environmental control, the Hong Kong Government is currently launching cleaning service contracts worth an estimated HK\$5 billion to the market each year. Against this backdrop, Waihong has strategically deployed more resources to strengthen our competitiveness in this sector and has successfully secured contracts from the Food and Environmental Hygiene Department, the Leisure and Cultural Services Department and the Department of Health, thereby diversifying its revenue sources and increasing the proportion of revenue from the government and quasi-government sectors by more than 40%. Furthermore, the Group has adopted the use of new information technology and robotics applications in its operations to enhance efficiency and work safety.

Equipped with extensive experience, high-quality customised services and distinctive brand, Waihong will continue to increase its participation in the green waste disposal business to better align with the Hong Kong Government's

environmental policy. In addition, with the implementation of the solid waste charging scheme in 2023, together with the government's push for the Waste Blueprint 2035 and the Climate Action Plan 2050, we are looking at different recycling business opportunities. Given the increasing public awareness of environmental hygiene and demand for preventive disinfection services, we are optimistic about the future of the industry.



Deployed more resources to strengthen our competitiveness in the Hong Kong environmental hygiene services market.

Technical Support & Maintenance Services – Research from the Urban Renewal Authority revealed that there are more than 10,000 buildings which are over 50 years old in Hong Kong, in addition to a portfolio of no less than 300 hotels and 50 shopping malls. Thus, this division anticipates a growing demand for term maintenance contracts, large-scale alterations, additions and system retrofits for different commercial and residential buildings, hospitals, government properties and educational institutions. In addition, this division will continue to play its complementary role in supporting our property & facility management services business.

Security Guarding & Event Services – General Security holds all three licenses for security service companies in Hong Kong and is one of the top two players in the security guarding services sector. The demand for security services has grown steadily over the years, most notably in the residential sector.

Chairman's Statement

In addition, our Event Services division has been meeting and actively targeting demand for service needs in the conference, incentive, convention and exhibition sectors, as well as leisure and cultural activities. It aims to acquire large-scale event services in the events and exhibitions sector following the gradual relaxation of pandemic-related restrictions. Technological advances have also created more demand for advanced electronic security devices such as alarm controls and video surveillance cameras. To capture these business opportunities, the Group will expand the product range of its security system business. Cloud technology and AI will also be widely adopted for patrol and manpower planning to improve operational efficiency.

Aims to acquire large-scale event services in the events and exhibition sector following the gradual relaxation of pandemic-related restrictions.

Insurance Solutions – Nova is the leading local insurance broker in Hong Kong in terms of gross insurance brokerage income. It offers one-stop risk management and insurance solutions for corporate and individual clients, including but not limited to property, casualty, construction and employee benefits. On 5 December 2022, the government issued a development roadmap for the insurance sector, outlining its vision and mission as well as targeted policy initiatives to strengthen the city's status as a global risk management center and sophisticated insurance hub. Given Nova's wealth of experience, the large number of construction projects expected in the near term, and the strong demand for specialty insurance such as cyber insurance and professional indemnity insurance, the Group expects to see further growth in its insurance solutions business.

Develop new and innovative businesses and strengthen our building management and environmental monitoring system.

Environmental Solutions – The Hong Kong Government has placed much emphasis on green development and this is a key development focus for the Group. We intend to seize the numerous opportunities arising from the growing public awareness of environmental issues. Aware of the demand for high living environment and hygiene standards, the Group will focus on developing integrated facility management solutions, including smart offices, smart toilets, real-time indoor air quality ("IAQ") monitoring and rodent control.

The division's extra-low voltage team will apply advanced technologies such as AI, IoT and various 5G mobile applications to develop new and innovative businesses and strengthen our building management and environmental monitoring system to help enhance building sustainability and environmental quality.

Furthermore, given the government's consistent greening policies, urban planning initiatives and various support schemes, as a landscape service provider, we are able and willing to contribute to the development of the industry by providing high-quality arboriculture and horticulture services to our prestigious clients.

Chairman's Statement

E&M Services

Hong Kong

With the Hong Kong Government's bright blueprint to boost economic growth and its commitment to maintaining a stable commercial and residential land supply, the average E&M construction works expenditure for the fiscal year 2022/23 is expected to exceed HK\$27 billion for the public sector and HK\$23 billion for the private sector, according to data from the Construction Industry Council.

We are one of the few Hong Kong-based E&M general engineering contractors with the Class I Qualification in Mainland China.

The Group's E&M services segment is currently one of two dominant players in the Hong Kong market. Despite having large-scale projects on hand, including the Kai Tak Sports Park, the Immigration Headquarters in Tseung Kwan O, the District Court at Caroline Hill Road and Expansion of the Legislative Council Complex, the Group is adequately prepared to take on larger infrastructure and construction projects. Among the more notable of our major design and construction tender submissions include the District Cooling System at Tung Chung East New Town Extension, Lai Chi Kok Reception Centre and the New Public Markets in Tin Shui Wai, all of which are currently under negotiation. Tender preparations are also underway for the joint-use government building in Tseung Kwan O Area 67 and projects in the 10-year Hospital Development Plan. In addition, the Northern Metropolis Development Strategy, which provides

opportunities to upgrade the city's urban space, is set to become the most important city development initiative. The Group will continue to leverage its technological strengths and differentiated competencies, such as Building Information Modeling ("BIM") and Modular Integrated Construction ("MiC"), to expand its signature contracting business moving forward.

The average E&M construction works expenditure for the fiscal year 2022/23 is expected to exceed HK\$27 billion and HK\$23 billion for the public and private sectors respectively.

Mainland China

In Mainland China, there are indications that the recent relaxation of COVID restrictions will set the stage for economic recovery in 2023. Due to our proximity to the Greater Bay Area, another key strategic focus of the Chinese government, the Group expects its business to gain new growth momentum. As one of the few Hong Kong-based E&M general engineering contractors with the Class I Qualification in Mainland China, the Group is well positioned to optimise its project coverage in this vast market. In addition, with its substantial experience accumulated over 30 years, extensive goodwill and trusted brands, the Group has a strong platform to win new contracts in this market. Its Qianhai and Zengcheng projects are progressing well and are nearing completion, which will help strengthen the Group's foundation for future development. In addition, over the past year, we have secured sizeable mixed-

Chairman's Statement

use development projects in other major cities such as Hangzhou, Kunming and Ningbo. To this end, the Group will continue its efforts to strengthen its business presence in Mainland China, driven by its dual-core engine, coupled with its supply/installation and project management expertise and well-established brand.

Macau

2023 marks a new beginning for the Macau economy with the relaxation of mandatory quarantine measures, the resumption of ferry and airline services and, most importantly, the granting of new 10-year concessions to six casino companies. These six companies subsequently agreed to collectively invest nearly US\$15 billion to encourage the local economy to move towards international tourism. We expect this new investment and related E&M works to be underway soon. As one of the major players in Macau's E&M industry for more than 20 years, we are well positioned to seize business opportunities as they arise. In addition, the increased use of the Hong Kong-Zhuhai-Macau Bridge will fuel economic recovery and the contracting of related works in Macau.



Our technological strengths and differentiated competencies, such as BIM and MiC, will expand our signature contracting business.

CONCLUSION

Although the complete eradication of COVID-19 is unlikely this year, it is anticipated that the pandemic will begin to dissipate, which will be beneficial to Hong Kong's economic recovery. In this new beginning of development in this post-pandemic era, the Group continues and will continue to grow. It will also continue to seek new business opportunities to expand its operations and maximise shareholder value.

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

Dr. Cheng Kar Shun, Henry
Chairman

Hong Kong, 21 February 2023

Management Discussion and Analysis

BUSINESS REVIEW

During the six months ended 31 December 2022 (the “period under review”), the Group recorded revenue amounting to HK\$3,712.1 million, representing an increase of HK\$361.1 million or 10.8%, as compared with HK\$3,351.0 million for the six months ended 31 December 2021 (the “same period last year”). Profit attributable to shareholders for the period under review was HK\$279.5 million, representing an increase of HK\$41.0 million or 17.2% as compared with HK\$238.5 million for the same period last year, mainly resulted from (i) the strong performance of the cleaning, insurance and E&M businesses and (ii) an increase in government grants, partly offset by the effects of (i) a lower gross profit contribution from the security guarding & event services businesses of the city essential services segment, mainly reflected its higher labour costs, and (ii) higher corporate finance costs. Details of the government grants recognised by the Group are set out in Notes 6 to the condensed consolidated interim financial statements.

Summary of government grants

	For the six months ended 31 December	
	2022 HK\$'M	2021 HK\$'M
Recognised as deduction of staff costs included in “Cost of services and sales”	23.2	21.7
Recognised as deduction of staff costs included in “General and administrative expenses”	4.5	0.6
Recognised as “Other income”	17.4	0.4
Total	45.1	22.7
Non-controlling interests	(0.1)	-
Net	45.0	22.7

Results excluding government grants

If excluding the effects of government grants in the Group’s results for both periods to better illustrate the Group’s financial results without such effects, the Group recorded an increase in adjusted net profit of 8.7% to HK\$234.5 million (i.e. after excluding government grants of HK\$45.0 million from profit attributable to shareholders of the Company of HK\$279.5 million) for the period under review as compared to its adjusted net profit of HK\$215.8 million for the same period last year (i.e. after excluding government grants of HK\$22.7 million from profit attributable to shareholders of the Company of HK\$238.5 million) the same period last year. Such analysis, which involves the exclusion of government grants mentioned above, may not be comparable to similar analysis presented by other companies.



Property & Facility Management Services

Number of staff
Over

5,600

Service contracts
Over

300



FSE Lifestyle’s unique market differentiation lies in the integration of services, strong pool of professional talents and partnership approach with our clients.

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

We are pioneer in the introduction of modern international standards and innovative service models in property and facility management in Hong Kong.

Management Discussion and Analysis

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



Provides the most comprehensive and customised professional management services for its clients.

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



Our property asset and facility services cover all kinds of property and facility assets.

During the period under review, our Property & Facility Management Group submitted tenders for 19 service contracts (with a contract sum not less than HK\$1 million for each service contract) with a total tender sum of HK\$332 million and, combining the submitted tenders from previous months, was awarded 12 service contracts (with a net contract sum not less than HK\$1 million for each service contract) with a total contract sum of HK\$143 million. Among these 12 service contracts, one of them was a major service contract (with net contract sum not less than HK\$20 million) for EcoPark.

As at 31 December 2022, the property & facility management services segment has a total gross value of contract sum of HK\$2,035 million with total outstanding contract sum of HK\$1,123 million.



City Essential Services

Number of staff
Over

13,900

Service contracts
Over

8,400



The business ecosystem of FSE Lifestyle creates cross-selling synergies and strengthens customer loyalty, enabled us to meet our goal of balancing growth in scale with cash flow.

Cleaning Services

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

general insecticide treatment, fogging treatment, rodent control and termite elimination. Waste management offers recycling services, food waste collection, solid waste collection, clinical waste and construction waste disposal.

Waihong's enormous working teams comprise 7,500 skillful staff and a strong fleet management with over 60 municipal vehicles.

Management Discussion and Analysis

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




High degree of service commitments keeps Waihong ranked among the top three players in the cleaning service industry in Hong Kong.

During the period under review, Waihong submitted tenders for 250 cleaning service contracts (with a contract sum not less than HK\$1 million for each service contract) with a total tender sum of HK\$5,340 million and, combining the submitted tenders from previous months, was awarded 71 new service contracts (with a net contract sum not less than HK\$1 million for each service contract) with a total contract sum of HK\$839 million. Among these 71 service contracts, 11 of them were major service contracts (with net contract sum not less than HK\$20 million for each service contract), which included shopping malls in four districts, two commercial complexes in Sheung Wan and Kai Tak, entertaining facilities and a shopping mall in Shatin, an airport ancillary building, a hospital in Sai Ying Pun and waste collection services in the Kowloon City District.

Technical Support & Maintenance Services

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



Our technical support & maintenance services cover system retrofit, operation and maintenance, and renovation works in E&M systems.

During the period under review, the Group submitted tenders for 221 maintenance service contracts (with a contract sum not less than HK\$1 million for each contract) with a total tender sum of HK\$1,881 million and, combining the submitted tenders from previous months, was awarded 61 projects (with a net contract sum not less than HK\$1 million for each project) with a total net contract sum of HK\$357 million. Among these 61 projects, four of them were major projects (with net contract sum not less than HK\$20 million for each project), which included chiller replacement for a convention plaza in Wan Chai, chiller and acoustic panel replacement for a shopping centre in Tin Shui Wai, a term contract for E&M maintenance in Cheung Sha Wan Wholesale Food Market and a system upgrading work for a hotel in Macau.

Management Discussion and Analysis

Security Guarding & Event Services

The Group's security guarding & event services business comprises General Security and Perfect Event.


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



General Security holds all three types of licences for operating a security company in Hong Kong.

Perfect Event has steadily gained a foothold in its two core businesses in (i) providing its customers service ambassadors to a variety of events such as exhibitions, concerts, pop music award ceremonies as well as high end private club

festive events and (ii) providing its customers technological support enhancements for events. Although Perfect Event is young, it has a very solid foundation from General Security in management and back-office support, vast operations experiences, as well as a list of potential clients who are already well familiar with the reputation and quality of General Security.



Perfect Event has a very solid foundation from General Security in management and back-office support.

During the period under review, General Security and Perfect Event submitted tenders for 46 security guarding and event services contracts (with a contract sum not less than HK\$1 million for each contract) with a total tender sum of HK\$576 million and, combining the submitted tenders from previous months, was awarded 24 service contracts (with a net contract sum not less than HK\$1 million for each service contract) with a total contract sum of HK\$285 million. Among these 24 service contracts, five of them were major service contracts (with net contract sum not less than HK\$20 million for each service contract) including three residential estates in Sai Kung, Shatin and North Point, Kai Tak Sports Park and a youth centre in Chai Wan.

Management Discussion and Analysis

Insurance Solutions

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



Nova's retention ratio in securing renewed contracts has always been over 90% reflecting its competitiveness and high level of services.

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

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

During the period under review, Nova has secured placement for a number of sizeable construction projects. Nova also managed to get some new accounts, including food and beverages companies, listed companies, schools and educational institutions and non-governmental organisations. Furthermore, it has handled more professional indemnity insurance and trade credit insurance business. The vast majority of Nova's business is from annual renewable insurance policies. Each year Nova has to submit renewal quotations for all these policies to its clients and will only be awarded the renewal contracts when its terms and conditions are competitive. Nova's retention ratio has always been over 90% reflecting its competitiveness and high level of services.



We are one of the top five general insurance brokers, out of over 810 brokers in Hong Kong.

During the period under review, Nova submitted tenders for 9 service contracts (with a contract sum not less than HK\$1 million for each service contract) with a total tender sum of HK\$15 million and all of them were awarded.

Environmental Solutions

The Group's environmental solutions business, comprising FSE Environmental Technologies Group, Hong Kong Island Landscape and Extensive Trading, provides Environment Solutions, Smart Solutions and Green Solutions to its clients in order to achieve environmental protection, energy conservation, sustainability, enhance environmental quality and operational efficiency and the long-term goals of carbon neutrality to fight against climate change.

Management Discussion and Analysis

This business has expertise in (i) Environment Solutions in comprehensive HVAC water treatment services, environmental assessment in air and water quality, deodorisation system and electro-chlorination system to assist its customers in achieving their environmental protection and energy conservation objectives, (ii) Smart Solutions to provide advanced information and communication infrastructure by providing Extra Low Voltage (“ELV”) building technology with smart facility systems (i.e. smart office and smart toilet) to enhance operational efficiency and (iii) Green Solutions in landscape management and maintenance services to a diversified business portfolio, including but not limited to property developers and managers, and trading of eco-friendly tiles, building controls equipment and other building materials to improve environmental quality and promote carbon neutrality.




The Group’s environmental solutions business provides Environment Solutions, Smart Solutions and Green Solutions to its clients.

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

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

quality certificate issuing bodies in Hong Kong. Its landscape business offers a wide range of one-stop green solutions to its clients. It provides landscape design and performs landscape projects and various tree works. It also supplies festival plants to its client.



Our laboratory is accredited by Hong Kong Laboratory Accreditation Scheme which is able to test a wide range of chemical and microbial parameters.

During the period under review, the Group submitted tenders for 18 environmental and landscape service contracts (with a contract sum not less than HK\$1 million for each contract) with a total tender sum of HK\$65 million and, combining the submitted tenders from previous months, was awarded 11 environmental and landscape service contracts (with a net contract sum not less than HK\$1 million for each contract) with a total contract sum of HK\$26 million and 4 ELV service contracts (with a net contract sum not less than HK\$1 million for each contract) with a total contract sum of HK\$53 million. In addition, the Group submitted 7 quotations for building material trading (with a quotation sum not less than HK\$1 million for each quotation) with a total quotation sum of HK\$16 million and, combining the submitted quotations from previous months, was accepted 3 orders (with a sum not less than HK\$1 million for each order) with a total sum of HK\$4 million.

As at 31 December 2022, the city essential services segment has a total gross value of contract sum of HK\$8,266 million with a total outstanding contract sum of HK\$4,945 million.



E&M Services

Number of staff
Over

1,300

Service contracts
Over

100



FSE Lifestyle is recognised as one of the industry pioneers in adoption of green building design. Our advanced technology keeps us at the forefront of the E&M industry with competitive edges over its competitors.

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

The Group's E&M services business is one of the industry pioneers in adoption of green building design, MiC, MiMEP, DfMA in its projects.

Management Discussion and Analysis

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

We shall give first priority to large-scale projects including design and construction contracts from the government, public and private sectors.

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

Focus on applying our core competencies to raise customer satisfaction and ensure sustainable growth of our business.

During the period under review, the Group's E&M services division submitted tenders for 84 E&M engineering projects (with a contract sum not less than HK\$1 million for each project) with a total tender sum of HK\$12,784 million and, combining the submitted tenders from previous months, was awarded 18 contracts (with a net contract sum not less than HK\$1 million for each project) with a total net contract sum of HK\$2,803 million. Among these contracts, nine of them were major projects (with net contract sum not less than HK\$100 million for each project), which included, in Hong Kong the District Court in Caroline Hill Road, expansion of the Legislative Council Complex, two residential developments near the Ho Man Tin Station and in Kai Tak, a public housing development in Wang Chiu Road and, in Mainland China three commercial complex developments in Hangzhou and Ningbo and a hotel complex in Shanghai Huangpu.

As at 31 December 2022, the E&M services segment has a total gross value of contract sum of HK\$11,093 million with a total outstanding contract sum of HK\$6,690 million.

Management Discussion and Analysis

FINANCIAL REVIEW



Revenue

During the period under review, the Group's revenue increased by HK\$361.1 million or 10.8% to HK\$3,712.1 million from HK\$3,351.0 million for the same period last year, reflecting higher revenue from the city essential services segment, E&M services segment and property & facility management services segment amounting to HK\$258.0 million, HK\$89.7 million and HK\$13.4 million respectively.

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

	For the six months ended 31 December			
	2022 HK\$'M	% of total revenue	2021 HK\$'M	% of total revenue
Property & facility management services*	356.8	9.6%	343.4	10.2%
City essential services*	1,849.4	49.8%	1,591.4	47.5%
E&M services*	1,505.9	40.6%	1,416.2	42.3%
Total	3,712.1	100.0%	3,351.0	100.0%

* Segment revenue does not include inter-segment revenue.

	For the six months ended 31 December			
	2022 HK\$'M	% of total revenue	2021 HK\$'M	% of total revenue
Hong Kong	3,488.6	94.0%	2,922.8	87.2%
Mainland China	166.7	4.5%	270.5	8.1%
Macau	56.8	1.5%	157.7	4.7%
Total	3,712.1	100.0%	3,351.0	100.0%

- Property & facility management services:** This segment, which principally provides services in Hong Kong, contributed 9.6% (2021: 10.2%) of the Group's total revenue.

Segment revenue grew by 3.9% or HK\$13.4 million to HK\$356.8 million from HK\$343.4 million. Such growth was mainly driven by additional works for government buildings, partly offset by decreased ad hoc works for staff quarters of a university. It should be noted that, under contract terms, about 20% of the property & facility

management services segment's revenue represents management fees only. Should such revenue be recognised on the same basis as the rest of this segment's revenue derived from its lump sum contracts (i.e. with all direct operational costs for performing the related services borne by it) which are primarily facility management contracts, the property & facility management services segment's revenue for the period under review would be increased from its reported amount of HK\$356.8 million (2021: HK\$343.4 million) to about HK\$1,900.0 million (2021: HK\$1,800.0 million).

Management Discussion and Analysis

- *City essential services*: This segment contributed 49.8% (2021: 47.5%) of the Group's total revenue. Segment revenue of HK\$1,849.4 million (2021: HK\$1,591.4 million) are set out in the below table.

	For the six months ended			
	31 December			
	2022	2021	Change	% Change
	HK\$'M	HK\$'M	HK\$'M	
Cleaning services	826.8	674.9	151.9	22.5%
Technical support & maintenance services	461.5	421.9	39.6	9.4%
Security guarding & event services	331.6	325.9	5.7	1.7%
Insurance solutions	61.3	50.8	10.5	20.7%
Environmental solutions	168.2	117.9	50.3	42.7%
Total	1,849.4	1,591.4	258.0	16.2%

Such revenue reflected an increase in revenue contribution from Hong Kong amounting to HK\$274.6 million, partly offset by a decrease in revenue contributions from Macau and Mainland China of HK\$11.9 million and HK\$4.7 million respectively.

Segment revenue grew by 16.2% or HK\$258.0 million to HK\$1,849.4 million from HK\$1,591.4 million reflected (i) a number of new general cleaning service contracts, which encompassed a wide range of buildings and facilities, including clubhouses, international exhibition and event centre, airport ancillary building, shopping malls, hospital, government clinics and buildings, residential and commercial properties, and additional ad-hoc intensive cleaning and disinfection contracts; (ii) higher revenue from its environmental solutions business, especially in respect of its provision of ELV device installation services, largely contributed by the 11 SKIES project in Chak Lap Kok; (iii) higher revenue from its technical support and maintenance services in Hong Kong contributed by the refurbishment works for a hotel in Tsim Sha Tsui and a new repairing service contract for a residential property in Shatin and (iv) an increase in new service contracts for general insurance and insurance for construction projects awarded.

- *E&M services*: This segment contributed 40.6% (2021: 42.3%) of the Group's total revenue. Segment revenue increased by 6.3% or HK\$89.7 million to HK\$1,505.9 million from HK\$1,416.2 million and reflected an increase in revenue contribution from Hong Kong by HK\$290.4 million, partly offset by a decrease in revenue contributions from Mainland China and Macau by HK\$111.7 million and HK\$89.0 million respectively.

The revenue from Hong Kong increased to HK\$1,339.4 million compared to HK\$1,049.0 million for the same period last year and contributed 88.9% (2021: 74.1%) of this segment's revenue, mainly reflected the substantial progress of a number of E&M engineering installation projects this period including Immigration Headquarters in Tseung Kwan O and the public rental housing project in Tai Po, partly offset by a lower revenue contribution from the Inland Revenue Tower project in Kai Tak which had significant progress in the same period last year. It should be noted that, under contract terms, only the management fees and reimbursable costs were reflected in the revenue of the Kai Tak Sports Park project. The decreased revenue from Mainland China and Macau was mostly resulted from the lower revenue contribution from Qianhai Chow Tai Fook Finance Tower and Guangzhou New World Zengcheng Comprehensive Development project in Mainland China and Studio City Phase 2 in Macau, which were substantially completed in the same period last year.

Management Discussion and Analysis

Gross profit

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

	For the six months ended 31 December 2022		
	Gross profit HK\$'M	% of total gross profit	Gross profit margin %
Property & facility management services	116.5	21.8%	32.7%
City essential services	245.6	45.9%	13.3%
E&M services	172.9	32.3%	11.5%
Total	535.0	100.0%	14.4%

	For the six months ended 31 December 2021		
	Gross profit HK\$'M	% of total gross profit	Gross profit margin %
Property & facility management services	118.5	23.9%	34.5%
City essential services	221.3	44.6%	13.9%
E&M services	156.6	31.5%	11.1%
Total	496.4	100.0%	14.8%

During the period under review, the Group's property & facility management services segment, city essential services segment and E&M services segment contributed 21.8% (2021: 23.9%), 45.9% (2021: 44.6%) and 32.3% (2021: 31.5%) of its gross profit respectively. The Group's gross profit increased by HK\$38.6 million or 7.8% to HK\$535.0 million from HK\$496.4 million for the same period last year, with an overall gross profit margin decreased to 14.4% from 14.8%, mainly reflecting higher labour costs of the security guarding & event services business and a decrease in COVID-19 related government grants.

	For the six months ended 31 December			
	2022 HK\$'M	Gross profit margin %	2021 HK\$'M	Gross profit margin %
Gross profit as reported	535.0	14.4%	496.4	14.8%
Excluding government grants*	(23.2)	(0.6%)	(21.7)	(0.6%)
Gross profit excluding government grants	511.8	13.8%	474.7	14.2%

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

If excluding the effects of these grants in the Group's gross profit for both periods (i.e. HK\$23.2 million for the period under review and HK\$21.7 million for the same period last year) to better illustrate the Group's performance without such effects, its adjusted gross profit margin decreased to 13.8% from 14.2% for the same period last year, mainly caused by a lower gross profit margin of the city essential services segment, principally driven by higher labour costs of the security guarding & event services business.

Management Discussion and Analysis

The property & facility management services segment recorded a decrease in its gross profit of HK\$2.0 million to HK\$116.5 million from HK\$118.5 million, with its gross profit margin decreased to 32.7% from 34.5%, reflected a decrease in COVID-19 related government grants.

The city essential services segment recorded an increase in its gross profit of HK\$24.3 million to HK\$245.6 million from HK\$221.3 million, with its gross profit margin decreased to 13.3% from 13.9%, reflected (i) an increase in new general cleaning service contracts as well as epidemic-induced ad hoc intensive cleaning and disinfection works; (ii) an increase in new service contracts for general insurance and insurance for construction projects awarded and (iii) an increase in COVID-19 related government grants, partly offset by the effect of a lower gross profit contribution from its security guarding & event services.

The gross profit of the E&M services segment increased by HK\$16.3 million to HK\$172.9 million from HK\$156.6 million with its gross profit margin increased to 11.5% from 11.1%, principally reflected a higher gross profit margin contributed by its Immigration Headquarters project in Tseung Kwan O and an increase in COVID-19 related government grants.

General and administrative expenses

General and administrative expenses of the Group for the period under review increased by HK\$10.1 million or 4.7% to HK\$225.4 million from HK\$215.3 million for same period last year, reflected an increase in staff costs following an increase in the number of staff, partly mitigated by an increase in COVID-19 related government grants. If excluding the effects of government grants in the Group's general and administrative expenses for both periods (i.e. HK\$4.5 million for the period under review and HK\$0.6 million same period last year) to better compare their amounts without such effects, its adjusted general and administrative expenses increased 6.5% to HK\$229.9 million compared to HK\$215.9 million for the same period last year.

Other income, net

Other net income of HK\$19.2 million was recorded by the Group during the period under review compared to HK\$0.7 million recorded in same period last year.

The other net income recorded during the period under review mainly represented the recognition of COVID-19 related government grants in Hong Kong and Macau. The other net income recorded in the same period last year mainly represented gratia payments from the government for retirement of motor vehicles and the recognition of COVID-19 related government grants in Macau.

Finance income

The Group recorded finance income of HK\$3.4 million (2021: HK\$0.8 million). The increase mainly reflected higher average market interest rates and principal sum of the Group's bank deposits placed during the period under review.

Finance costs

The Group's finance costs of HK\$7.5 million (2021: HK\$2.4 million) for the period under review included interest expenses of (i) HK\$4.3 million (2021: HK\$1.0 million) for the Group's bank loan financing its acquisition of property & facility management services business in December 2019, (ii) HK\$2.3 million (2021: HK\$0.7 million) for other bank borrowings and (iii) HK\$0.9 million (2021: HK\$0.7 million) for lease liabilities. The increase in interest expenses mainly reflected higher average market borrowing rates.

Income tax expenses

The effective tax rate of the Group decreased by 1.2% to 14.0% (2021: 15.2%), mainly attributable to an increase in the non-taxable COVID-19 related government grants.

Management Discussion and Analysis

Profit for the period attributable to shareholders of the Company

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

	For the six months ended 31 December		Change HK\$'M	% Change
	2022 HK\$'M	2021 HK\$'M		
Property & facility management services	68.9	61.3	7.6	12.4%
City essential services	121.5	103.9	17.6	16.9%
E&M services	96.6	76.5	20.1	26.3%
Unallocated corporate expenses and finance costs*	(7.5)	(3.2)	(4.3)	134.4%
Total	279.5	238.5	41.0	17.2%

* Unallocated corporate expenses and finance costs comprise the Company's corporate expenses of HK\$3.2 million (2021: HK\$2.2 million) and interest expenses of HK\$4.3 million (2021: HK\$1.0 million).

The Group's profit for the period under review increased by 17.2% or HK\$41.0 million to HK\$279.5 million compared to HK\$238.5 million for same period last year. The increase mainly resulted from (i) the strong performance of the cleaning, insurance and E&M businesses and (ii) an increase in government grants, partly offset by the effects of (i) a lower gross profit contribution from the security guarding & event services business of the city essential services segment, mainly reflected its higher labour costs, and (ii) higher corporate finance costs. Details of the government grants recognised by the Group are set out in Notes 6 to the condensed consolidated interim financial statements. The net profit margin of the Group increased to 7.5% for the period under review from 7.1% for the same period last year.

If excluding the effects of government grants in the Group's result for both periods, the Group recorded an increase in adjusted net profit of 8.7% to HK\$234.5 million (i.e. after excluding government grants of HK\$45.0 million from profit attributable to shareholders of the Company of HK\$279.5 million) for the period under review as compared to its adjusted net profit of HK\$215.8 million for the same period last year (i.e. after excluding government grants of HK\$22.7 million from profit attributable to shareholders of the Company of HK\$238.5 million) for same period last year.

Other comprehensive (loss)/income


The Group recorded other comprehensive loss for the period under review of HK\$1.6 million (2021: other comprehensive income of HK\$3.6 million), reflected an unfavourable exchange reserve movement of HK\$4.7 million (2021: favourable exchange movement of HK\$4.9 million) recorded during the period under review following a depreciation of the Renminbi ("RMB") for conversion of the Group's net investments in Mainland China, partly offset by the remeasurement gains on long service payment liabilities of HK\$3.0 million (2021: losses of HK\$1.2 million) and defined benefit retirement scheme of HK\$0.1 million (2021: losses of HK\$0.1 million).

Liquidity and financial resources

The Group's finance and treasury functions are centrally managed and controlled at its headquarters in Hong Kong. As at 31 December 2022, the Group had total cash and bank balances of HK\$712.6 million (30 June 2022: HK\$767.0 million), of which 94%, 3% and 3% (30 June 2022: 89%, 9% and 2%) were denominated in Hong Kong dollars, RMB and other currencies respectively, and total borrowings of HK\$392.6 million (30 June 2022: HK\$403.5 million), of which HK\$383.6 million (30 June 2022: HK\$403.5 million) were denominated in Hong Kong dollars and HK\$9.0 million (30 June 2022: Nil) were denominated in RMB. The Group's net cash balance decreased by HK\$43.5 million to HK\$320.0 million as at 31 December 2022 as compared to HK\$363.5 million as at 30 June 2022 mainly reflecting the net cash inflow from operating activities, partly offset by the distribution of the

Management Discussion and Analysis

Company's final dividend for its financial year ended 30 June 2022 of HK\$108.5 million and preferred distribution on the convertible preference shares of HK\$8.5 million, the Group's payments for principal portions of lease liabilities of HK\$24.6 million and net repayment of bank loan HK\$10.9 million. The Group's net gearing ratio was maintained at zero as at 31 December 2022 (30 June 2022: 0%). This ratio is calculated as net debt divided by total equity. Net debt is calculated as total bank borrowings less cash and cash equivalents.




Strong performance of the cleaning, insurance and E&M businesses.

Adopting a prudent financial management approach in implementing its treasury policies, the Group maintained a healthy liquidity position throughout the reporting period. As at 31 December 2022, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and/or trade financing of HK\$2,705.4 million (30 June 2022: HK\$2,731.6 million). As at 31 December 2022, HK\$966.3 million (30 June 2022: HK\$945.6 million) of the Group's banking facilities had been utilised for bank borrowings, bank guarantees and trade finance. The Group believes it has sufficient committed and unutilised banking facilities to meet current business operation and capital expenditure requirements.

Debt profile and maturity

As at 31 December 2022, the Group's total debts amounted to HK\$392.6 million (30 June 2022: HK\$403.5 million), of which HK\$9.0 million is renewed on a monthly basis, HK\$120.0 million matures in June 2023 and HK\$263.6 million matures in December 2024. The Group has managed its debt maturity profile to minimise its refinancing risks. HK\$383.6 million of these debts are denominated in Hong Kong Dollar and bears interest at floating rates and HK\$9.0 million of these debts are denominated in RMB and bears interest at a fixed rate.



Sufficient committed and unutilised banking facilities to meet current business operation and capital expenditure requirements.

Foreign currency exposure

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

As part of the Group's business is carried out in Mainland China, some of its assets and liabilities are denominated in RMB. The majority of these assets and liabilities had arisen from the net investments in Mainland China operations with net assets of HK\$125.1 million as at 31 December 2022 (30 June 2022: HK\$136.6 million). The foreign currency translation arising from translation of these Mainland China operations' financial statements from RMB (functional currency of these Mainland China operations) into Hong Kong dollars (the Group's presentation currency) does not affect the Group's profit before and after tax and will be recognised in its other comprehensive income.

During the period under review, the fluctuation of RMB against Hong Kong dollars was 10% (comparing the highest exchange rate with the lowest exchange rate of the RMB against the Hong Kong dollars during the period under review).

As at 31 December 2022, if the Hong Kong dollars had strengthened/weakened by another 10% against the RMB with all other variables unchanged, the Group's other comprehensive income would have been HK\$12.5 million lower/higher.

Management Discussion and Analysis

Capital commitments

As at 31 December 2022, the Group had capital commitments of HK\$0.9 million (30 June 2022: HK\$1.9 million) in relation to purchase of plant and equipment.

Contingent liabilities


In carrying out the ordinary course of business, the Group is subject to the risk of being named as defendant in legal actions, claims and disputes in connection with its business activities. The nature of the legal proceedings initiated against the Group mainly includes claims for compensation by the Group's existing or former employees for work related injuries. The Group maintains insurance cover and, in the opinion of the Directors, based on current available evidence, any such existing claims and legal proceedings against the Group are not expected to have significant adverse financial impact to the Group as at 31 December 2022.

Other than the above, as at 31 December 2022, the Group did not have any material contingent liabilities (30 June 2022: Nil).

Convertible preference shares

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

The convertible preference shares are (i) convertible into 43,676,379 ordinary shares of the Company at an initial price of HK\$3.2260 per share (subject to adjustments



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

upon occurrence of certain prescribed events, including consolidation, subdivision or reclassification of shares in the capital of the Company, capitalisation of profits or reserves etc., in each case if not also made available to the holder(s) of the convertible preference shares), provided that any conversion shall not result in the Company failing to comply with any public float requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, within a period of 10 years after their date of issue of 16 December 2019 (the "Issue Date") and (ii) redeemable by the Company at its sole discretion at a redemption price equals to the Issue Price together with all outstanding preferred distributions accrued to the date fixed for redemption at any time after 10 years following the Issue Date. The convertible preference shares are treated as contingently issuable potential ordinary shares under Hong Kong Accounting Standard ("HKAS") 33 "Earnings per Share" and, since the conditions for their conversion were not met as at 31 December 2022, the effect of their conversion is not included in the calculation of the diluted earnings per share for six months ended 31 December 2022 and 2021 pursuant to HKAS 33's requirements as described in Note 9 to the condensed consolidated interim financial statements. Assuming that all of the outstanding convertible preference shares were converted as at the end of the period under review of 31 December 2022 and assuming their conditions for conversion were met, the Company's earnings per share after taking into account of the dilutive impact of such conversion for the six months ended 31 December 2022 would be HK\$0.57 per share, calculated as the Group's profit attributable to shareholders of the Company of HK\$279.5 million divided by the weighted average number of the

Management Discussion and Analysis

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

EMPLOYEES AND REMUNERATION POLICY



As at 31 December 2022, the Group had a total of 20,873 employees (31 December 2021: 19,802) including 8,605 (31 December 2021: 7,984) casual workers and employees whose relevant costs are directly reimbursed by or charged to our customers or charged by sub-contractors. Staff costs for the period under review, including salaries and benefits, was HK\$1,516.6 million (2021: HK\$1,362.4 million). The increase mainly reflects an increase in the number of staff.

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

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

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

Attractive remuneration packages to our employees with the aim of promoting upward mobility within its organisation and fostering employee loyalty.

Management Discussion and Analysis

OUTLOOK



Property & Facility Management Services Segment

With over 50 years of experience, our Property & Facility Management Group is able to provide quality management services to maintain and improve the quality of properties and facilities for its clients and enhance their reputation and asset value. The expectations of corporate clients and property investors grow, so does the demand for enhanced services and one-stop solutions for professional property and facility management services.

Increasing demand for professional property management services in Hong Kong as the government's policy to increase the supply of residential units.

In the current economic climate, our Property & Facility Management Group believes that large corporations and multinational companies will continue to outsource their non-core property and facility management activities to external professional agencies, creating new business opportunities for the Group.

In addition to the strong synergies created between the various business units within the Group, our Property & Facility Management Group has developed a wide range of partnerships with professional service providers and contractors. It maximises its competitive advantages by creating economies of scale and strong bargaining power for its clients to achieve cost effectiveness and operational efficiency at all times. Most importantly, it is able to provide its clients with the most cost-effective services at the best price levels.

With the current social call and demand for safeguarding the rights of property owners, there is a growing demand for independent property and facility management companies that are not subsidiaries of property developers.

Our Property & Facility Management Group comprises one of the strongest professionally qualified teams to serve our diverse clientele. While its individual companies are licensed as property management companies under the Property Management Services Ordinance ("PMSO") (Cap. 626 of the Laws of Hong Kong), it also maintains a strong team of over 500 Tier 1 and Tier 2 property management practitioners, considered to be one of the largest service teams in the industry, to ensure the smooth operation of the managed property and facility assets and the fulfillment of statutory requirements. As a result, it has established a good strategic position to capitalise on the market openings and demand generated by the full enactment of PMSO and maintains good competitive advantages over its competitors in new tenders and business development activities in the coming years.

Management Discussion and Analysis

A strong representation in major and leading professional bodies and trade organisations to observe the latest market trends and development directions.

There is an increasing demand for professional property management services in Hong Kong as a result of the government's policy to increase the supply of residential units over the next 10 years. Market opportunities arising from the increased supply of both private and public housing have led to a promising demand for professional property management services in Hong Kong. Our Property & Facility Management Group, with over 6,000 staff, has embarked on new operating methodologies and combined its quality manpower strengths with modern innovative technologies and Internet of Things ("IoT") applications to enhance its overall service efficiency and effectiveness.

Our Property & Facility Management Group has ample experience in managing a wide range of property and facility assets in the territory. By virtue of its leadership position in the industry, the Group has maintained a strong representation in major and leading professional bodies and trade organisations in Hong Kong, which enables it to observe the latest market trends and development directions.

As most of FSE Lifestyle's business units have extensive experience, knowledge, expertise and portfolios in their respective industries, our Property & Facility Management Group is able to create strong synergies from its sister companies to offer differentiated and cost-effective management solutions to its clients to meet different needs and expectations.

Our Property & Facility Management Group has a strong technical and engineering team with extensive experience and expertise in various building repairs, maintenance, renovations and refurbishment projects. It has been participating in and coordinating different types of building renovation and improvement projects for large private housing estates, commercial premises and modern intelligent buildings to enhance their building facilities and ultimately increase their asset value. It currently maintains a strong engineering team with over 500 highly trained technical personnel to serve its clients.

Today, property owners and investors alike consider brand recognition as one of the key criteria in their choice of property and facility managers. With a strong brand, a wealth of experience, and accolades received in Hong Kong, our Property & Facility Management Group has created a robust position in the industry to gain the trust of its clients.

Growing demand for independent property and facility management companies that are not subsidiaries of property developers.

In addition to statutory requirements, our Property & Facility Management Group has been implementing stringent governance practices covering environmental protection and care, corporate social responsibility, and risk and crisis control. Moreover, within our Property & Facility Management Group, Urban has become a household name as "Hong Kong's Premier Community Manager" by organizing and participating in over 100 corporate social responsibility activities annually. More importantly, Urban's clear and comprehensive risk and crisis management system covers a wide range of crises, from the operational suspension of building services and systems failures to territory-wide pandemics.

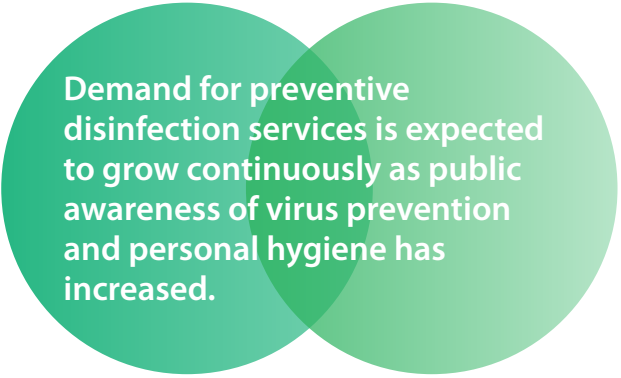
Management Discussion and Analysis

City Essential Services Segment

1. Cleaning Services

As the fifth wave of the COVID-19 outbreak has begun to stabilise in Hong Kong, most retail and catering businesses are resuming normal operations. While there has been a significant reduction in temporary disinfection services in the market, the demand for preventive disinfection services has been maintained as public awareness of virus prevention and personal hygiene has increased. The demand for these types of hygiene and disinfection services is expected to continue to grow.

A number of international events, including exhibitions, conferences, concerts and sporting events, are gradually resuming in Hong Kong in light of the recent relaxation of cross-border travel restrictions and further easing of remaining anti-epidemic requirements. Waihong has several significant contracts related to these event venues and these events will generate additional revenue for it.




Demand for preventive disinfection services is expected to grow continuously as public awareness of virus prevention and personal hygiene has increased.

In the next few years, a number of new residential and commercial projects will be launched in the Kai Tak and North districts. As these buildings are gradually completed, the demand for specialist cleaning and hygiene services for these properties and facilities will increase. Waihong will leverage its competitive advantages to explore more potential businesses from the private and public market segments.

Waihong insists on exploring technology and innovation to meet the growing needs of clients and improve the efficiency of daily operations as its marketing promotion strategies. Waihong's team has actively introduced artificial intelligence ("AI") systems, including smart toilets, an electronic face recognition attendance system and a real-time work monitoring system, to improve routine management and meet clients' needs.

The municipal solid waste charging scheme will be implemented in the third quarter of 2023. Waihong's waste management team will expand the scale of its fleet and business model in the coming months to respond to the anticipated market demand. Waihong will purchase vehicles with special capabilities to handle the disposal of municipal solid waste, medical waste, liquid waste, construction waste and food waste, and paper recycling services.

As always, Waihong's business development team is actively seeking different market opportunities to secure new service contracts for the company. Waihong's operations team will work hard to renew existing service contracts. According to market data, the government will launch more than HK\$5 billion worth of cleaning service contracts to the market each year. Waihong will invest more resources to strengthen its competitiveness in tendering for service contracts from government agencies. By leveraging Waihong's extensive experience, and systematic and customised branded services, Waihong has competitive advantages when catering to the market demand to sustain its business growth.



Waihong insists on exploring technology and innovation to meet the growing needs of clients and improve the efficiency of daily operations as its marketing promotion strategies.

Management Discussion and Analysis

2. Technical Support & Maintenance Services

Revenue stabilisation through further development of the public sector business is one of the strategic movements of the Group's technical support & maintenance services segment. This segment specialises in the provision of maintenance and repair services for building service systems, particularly HVAC systems. It aims to further develop and diversify its services to cover fire services and electrical systems in its government term contracts. This provides a good opportunity for the Group's technical support & maintenance services segment to generate business revenue and profit in the public sector.



The large-scale renovation works for existing commercial premises are expected to create new business opportunities in the coming years.

In the private sector, steady and stable income generated from maintenance and system retrofit works support the underlying operating business of the Group's technical support & maintenance services segment. Furthermore, the large-scale renovation works for existing commercial premises are expected to create new business opportunities in the coming years. According to the Hong Kong Tourism Board, there are more than 300 hotels and 50 major shopping malls in Hong Kong, a market that offers tremendous opportunities for further private sector business development in the next few years.

The Group's technical support & maintenance services segment advocates the implementation of innovative technologies to increase the efficiency and effectiveness of works. The well-developed mobile application for maintenance services has enabled a shift in operations and maintenance methods from a traditional paper-based record management system to an advanced digitalised management system. As a next step, our Group's technical support & maintenance services segment will continue to develop the production of Building Information Modeling ("BIM") in combination with the application of digitalised asset management for existing mechanical plants. This breakthrough can benefit demanding customers by enabling them to experience an innovative management system not only in new buildings, but also in existing ones.



Continue to develop the production of BIM in combination with the application of digitalised asset management for existing mechanical plants.

3. Security Guarding & Event Services

Demand for security services has continued to grow steadily over the past year and is expected to continue to grow. A major contributing factor is the government's plan to build 330,000 public housing units over the next ten years, with an additional 440,000 residential units from the private sector. In addition, several government projects are in the pipeline, including the construction of AsiaWorld-Expo Phase 2, the Hong Kong Airport third runway and the Lok Ma Chau development. Once these projects are operational, there will be a huge demand for security services.

Management Discussion and Analysis

With the opening of Hong Kong, the exhibition and convention industry is expected to recover. Perfect Event is proactively positioning itself in the event service industry. It is actively seizing the potential opportunities offered by the same opening. Meanwhile, the Perfect Event's multi-purpose app continues to attract new users looking to complement their existing services and workflows, and progress is being made to expand its capabilities, such as compatibility with IoT applications.




There will be a huge demand for security services as several government projects are in the pipeline.

4. Insurance Solutions

In December 2022, the Hong Kong Government released a roadmap for the development of Hong Kong's insurance industry. As the largest local insurance broker with a 34-year history and a strong team of professionals, Nova has the comparative advantage to benefit from this initiative.

As the needs of corporate insurance buyers are becoming more complex and they are extremely price conscious, they need a professional broker to help them get a better deal. The flexibility of Nova's services and its strong customer-focused approach help it to win more accounts from its competitors, even though they are typically foreign brokers with multinational backgrounds and larger operations.



A professional broker to help corporate insurance buyers get a better deal as their needs are becoming more complex and they are extremely price conscious.

Nova continues to do what it does best, such as insurance related to construction projects. There are numerous new commercial and residential developments and infrastructure projects in the pipeline that present additional business opportunities for Nova.


Due to mergers and acquisitions in the global brokerage space over the past few years, the number of sizable international insurance brokers has been reduced. Nova is perfectly positioned to fill this gap, as it has the experience and proven track record with a local flair. Through Nova's global network of brokers, it can serve the insurance needs of clients around the world.

In the coming year, Nova will further leverage its market niche and expertise to win more clients in the industries it is well experienced in, such as construction, property management, hospitality, jewelry, non-government organisations and employee benefits such as group medical and MPF schemes. Nova will also focus on specialty products with higher yields such as cyber insurance, professional indemnity insurance, directors & officers liability insurance and trade credit insurance.

Management Discussion and Analysis

5. Environmental Solutions

Increasing public awareness of the importance of a sustainable environment is driving demand for environmentally friendly services and products. The enactment of the Building Energy Efficiency Ordinance (Cap. 610 of the Laws of Hong Kong) in 2012 and the Hong Kong Government's pledge to achieve carbon neutrality by 2050 in the "Hong Kong Climate Action Plan 2050" published in 2021 continue to support the business development of the Group's environmental services.



Our seawater and freshwater treatment and odor removal products have driven steady growth in our environmental engineering business.

For our Group's environmental solutions business, its seawater and freshwater treatment and odor removal products, such as electrochlorination and biotech deodorisation systems, respectively, have driven steady growth in its environmental engineering business. Despite the fierce competition in HVAC water treatment services, its patented nanobubble ozonation and the use of real-time monitoring systems offers good opportunities to enlarge its market share.

Regarding the ELV business, with more property developers adopting IT infrastructure and advanced technologies in their projects to enhance building sustainability and energy control, good opportunities to generate business revenues and profit in the ELV business segment are emerging.

The Group's environmental solutions business will keep up with the market trends and facilitate the identification of new products. It will continue to work with vendors to customize systems according to specific customer needs and smart city blueprints, using advanced technologies and smart solutions such as AI and IoT, intelligent intellectual property/information technology-based systems and various 5G mobile applications to strengthen the building management and environmental monitoring system to enhance building sustainability and environmental quality, thereby increasing customer satisfaction.

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

With the technological advancement and focus on green concepts, our building materials trading business has new opportunities to promote new products with new features in these areas. Strategic collaboration with the Group's environment solutions team will help its building material trading business keep up with market trends and facilitate the identification of new products.



The greening policies, and urban planning initiatives will be highly beneficial to our landscape services business.

Management Discussion and Analysis

E&M Services Segment

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



The development of the Greater Bay Area will certainly enhance the economic and social growth in 11 cities in China, bringing us new business opportunities.

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

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

With the introduction of the new Light Public Housing (“LPH”) using the MiC approach, the overall public housing production will increase substantially by 50% to 158,000 units (including 30,000 LPH units) in the next five years (from 2023-2024 to 2027-2028) as compared to the previous five-year period (from 2022-2023 to 2026-2027). In addition, three sites are identified to build subsidised sales flats under a new pilot scheme on public-private partnership.

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

Hospital Development – To prepare for the challenges brought by the aging population, the Hong Kong Government earmarked HK\$200 billion in 2016 for a ten-year hospital development plan. On top of the HK\$200 billion invested in the first 10-year plan, the Hong Kong Government has committed to an extra HK\$300 billion capital works programme to support the second 10-year hospital development plan, which will include the development of a hospital network in the Northern Metropolis, and to improve the clinic facilities of the Department of Health.

Management Discussion and Analysis

Railway Development – The Hong Kong Government strives to implement new and extension of railway projects in a proactive manner. Current plans include a new line – Northern Link and five-line extensions and new stations – Tung Chung line extension, Oyster Bay station, Tuen Ma line extension, Hung Shui Kiu station, Hong Kong station track extension. Proposals being studied include four new lines and two-line extensions and new stations. The Hong Kong Government also worked with the Airport Authority Hong Kong to fully realise the “Airport City” vision and to create at Lantau an Aerotropolis connecting the Greater Bay Area and the world.

District Cooling System – Use of District Cooling Systems (“DCS”) is also one of the Hong Kong Government’s initiatives and commitment to low-carbon development. Apart from the additional DCS in the West Kowloon Cultural District, providing DCS in new development areas – Tung Chung East and Kwu Tung North have also been under tendering or construction process. Other new development areas including the Northern Metropolis will also incorporate DCS to further reduce energy consumption.



With the increasing demand of professional construction services, the Group will focus on the public and private housing development, hospital development and infrastructure projects.

Convention and Exhibition – To support Hong Kong as a premier venue for large-scale international convention and exhibition activities, the Government will take forward the AsiaWorld-Expo Phase 2 project and the Wan Chai North redevelopment project near the Hong Kong Convention and Exhibition Centre.

The Culture, Sports and Tourism Bureau will map out a 10-year development blueprint for 30 sports and recreation facilities, including Hong Kong’s second sports park to be developed in Whitehead, Ma On Shan, and large-scale sports and recreation facilities in the Northern Metropolis.

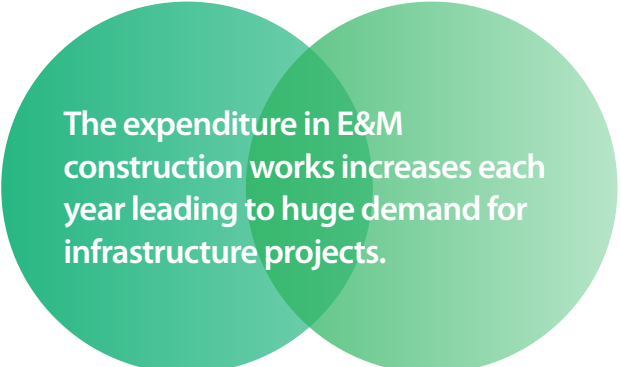
Technology Park and Manufacturing Centre–To encourage and enhance Innovation and Technology (I&T), the Hong Kong Government will collaborate with Shenzhen in the development of Shenzhen-Hong Kong I&T Co-operation Zone under the “one zone, two parks” model. In addition, the infrastructure works of the Hong Kong-Shenzhen Innovation and Technology Park (“HSITP”) in the Lok Ma Chau Loop has commenced in June 2018, with the objective of providing the first batch of land parcels for superstructure development in 2022. The Hong Kong Government will expedite the development of San Tin Technopole in the Northern Metropolis, and the expansion works of the Science Park and Cyberport will be completed in phases from 2025 onward.

The Government will construct the second Advanced Manufacturing Centre at the Tai Po InnoPark, to initiate Hong Kong’s re-industrialisation as stated in the 2022 Policy Address. This will bring up other facilities development surrounding the InnoPark.

Management Discussion and Analysis

Macau – In Macau, there is a constant demand for renovation and improvement works for hotels and casinos. In addition, the robust demand for public and private residential housing, the development of Galaxy Macau Phase 4 and Studio City Phase 2, the renovation work of existing casinos and hotel areas, and the renewal of gaming licences of its six major casino operators for the next 10 years in November 2022 are expected to create emerging business opportunities for the Group in the coming few years.

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



The expenditure in E&M construction works increases each year leading to huge demand for infrastructure projects.

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

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

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

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



Hong Kong government targets to maintain an annual construction works expenditure of over HK\$100 billion in the next few years.

Management Discussion and Analysis

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



With the growing demand for sustainability and ESG from corporate clients and property investors, the Group's E&M services business is committed to creating a greener society.

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

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

institutions and trade associations does not only promote the company branding, but also shows the Group's commitment in achieving professionalism within and get abreast of modern developments with the construction industry.

Technology and Operational Efficiency – With increasing construction volumes, rising construction costs and ageing skilled workforce in recent years, together with multiple incidents in individual large-scale projects, the construction industry in Hong Kong has been facing enormous pressure and challenges. The Group has been endeavoring to support the "Construction 2.0" initiative (Innovation, Professionalisation and Revitalisation) as launched by the Development Bureau in 2019 to capitalise on future development opportunities and scale new heights. The 2022 Policy Address highlights that the Development Bureau and the Transport and Logistics Bureau are reviewing the labour shortage situation and will draw up relevant solutions in the near future.

Impact of the COVID-19 outbreak and its remedial measures

Since the outbreak of COVID-19, its impact on the global economy has been far-reaching and we have taken various proactive measures and made contingency plans to manage the operational and financial risks it poses to the Group. These include flexible work and lunch hours, IT enhancements to sustain business operations, providing our front-line employees with personal protective equipment including masks, rapid antigen test (RAT) kits, disposable gloves and protective gowns, body temperature testing for anyone entering our work areas, and placing hand sanitizer stations in easily accessible parts of our work areas to promote use by our staff, contractors and visitors.

Management Discussion and Analysis

Our property and facility management, cleaning, security guarding and insurance solutions businesses faced relatively little disruption. The COVID-19 outbreak created additional work on existing property and facility management contracts, and more ad-hoc demand for intensive disinfection cleaning services and security services. In addition, COVID-19 resulted in increased premium rates for certain types of insurance due to poor claims experience caused by the pandemic, which had a positive impact on our insurance solutions business. Nevertheless, in order to manage the risks associated with the pandemic, our cleaning and property and facility management services operations have taken various precautionary measures, including the following:



Our property and facility management, cleaning, security guarding and insurance solutions businesses faced relatively little disruption by the pandemic.

- Established policies to assign some staff to other offices or to work from home in the event of any reported cases of COVID-19, and designated different office entrances and exits for different groups of staff to reduce their interaction at our cleaning services operation; and
- Implemented a clear sanitation management procedure for property owners and tenants, users of public and private facilities, and employees of the property and facility management services operation, including immediate sanitation action if a suspected case of COVID-19 is reported in the work area.

Under the current circumstances, our environmental services business remains stable as usual. However, our landscape business with hotels and serviced apartments has been affected by the freeze in tourism in Hong Kong. Our building materials and trading business has also been affected by the current weak retail market. Our landscape and building material trading businesses have applied stringent cost control measures to mitigate the adverse impact caused by the pandemic mentioned above.

The material impact of the fifth wave of COVID-19 on our E&M business came to an end in the second half of 2022. Cross-border activities and land ports have reopened, so logistics and material supplies are returning to normal. With the relaxation of anti-pandemic measures in Mainland China, both Hong Kong and Macau are opening for travel, including the resumption of cross-border rail, ferry and coach operations.

Nevertheless, COVID-19 is still affecting the world, so we will closely monitor its latest development and the effectiveness of the remedial measures we have adopted and make timely adjustments as needed.

CONCLUSION

Despite the challenges and operational difficulties we faced during this financial year, particularly as a result of the COVID-19 outbreak, the Group's operations remained stable during the period under review. Going forward, the Group will endeavor to maintain a strong financial position in order to remain ready for new investment opportunities as they arise. We are confident that the Group will continue to grow.

Report on Review of Interim Financial Information



羅兵咸永道

To the Board of Directors of FSE Lifestyle Services Limited

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 42 to 76, which comprises the condensed consolidated statement of financial position of FSE Lifestyle Services Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 31 December 2022 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 21 February 2023

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Condensed Consolidated Income Statement — Unaudited

		For the six months ended 31 December	
		2022	2021
		HK\$'000	HK\$'000
	Notes		
Revenue	5	3,712,118	3,350,963
Cost of services and sales		(3,177,082)	(2,854,549)
Gross profit		535,036	496,414
General and administrative expenses		(225,395)	(215,282)
Other income, net	6	19,170	689
Operating profit	7	328,811	281,821
Finance income		3,380	777
Finance costs		(7,464)	(2,361)
Share of results of associates and joint ventures		656	1,326
Profit before income tax		325,383	281,563
Income tax expenses	8	(45,303)	(42,632)
Profit for the period		280,080	238,931
Attributable to:			
Shareholders of the Company		279,537	238,498
Non-controlling interests		543	433
		280,080	238,931
Earnings per share for profit attributable to ordinary shareholders of the Company (expressed in HK\$)			
Basic and diluted	9	0.61	0.52

The notes on pages 48 to 76 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Comprehensive Income — Unaudited

	For the six months ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
Profit for the period	280,080	238,931
Other comprehensive (loss)/income:		
<i>Item that may be subsequently reclassified to condensed consolidated income statement:</i>		
Currency translation differences	(4,743)	4,908
<i>Items that will not be subsequently reclassified to condensed consolidated income statement:</i>		
Remeasurement gains/(losses) on defined benefit retirement scheme, net of tax	74	(50)
Remeasurement gains/(losses) on long service payment liabilities, net of tax	3,037	(1,276)
Other comprehensive (loss)/income for the period, net of tax	(1,632)	3,582
Total comprehensive income for the period	278,448	242,513
Attributable to:		
Shareholders of the Company	277,905	242,080
Non-controlling interests	543	433
	278,448	242,513

The notes on pages 48 to 76 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position — Unaudited

	Notes	As at 31 December 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	47,744	40,680
Right-of-use assets	11	98,924	115,563
Other intangible assets	11	178,793	180,823
Interests in associates		135	199
Interests in joint ventures		1,219	1,219
Deferred income tax assets		17,732	12,230
Pension assets		3,728	3,553
		348,275	354,267
Current assets			
Trade and other receivables	12	1,986,624	2,015,769
Contract assets		576,130	438,717
Inventories		20,883	23,514
Cash and bank balances	13	712,612	767,037
		3,296,249	3,245,037
Total assets		3,644,524	3,599,304
EQUITY			
Ordinary shares	14	45,000	45,000
Convertible preference shares	14	140,900	140,900
Reserves		388,555	227,554
Shareholders' funds		574,455	413,454
Non-controlling interests		23,863	23,320
Total equity		598,318	436,774

The notes on pages 48 to 76 are an integral part of these condensed consolidated interim financial statements.

	Note	As at 31 December 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		263,568	263,478
Lease liabilities		42,770	55,987
Long service payment liabilities		40,636	44,040
Deferred income tax liabilities		20,977	21,284
Pension liabilities		1,276	1,031
		369,227	385,820
Current liabilities			
Trade and other payables	15	1,973,581	2,013,922
Contract liabilities		467,326	499,766
Borrowings		129,055	140,000
Current portion of lease liabilities		41,511	44,607
Taxation payable		65,506	78,415
		2,676,979	2,776,710
Total liabilities		3,046,206	3,162,530
Total equity and liabilities		3,644,524	3,599,304
Net current assets		619,270	468,327
Total assets less current liabilities		967,545	822,594

The notes on pages 48 to 76 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity — Unaudited

	Ordinary shares (Note 14) HK\$'000	Convertible preference shares (Note 14) HK\$'000	Reserves HK\$'000	Equity attributable to shareholders of the Company HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
As at 1 July 2021	45,000	140,900	(108,386)	77,514	22,000	99,514
Profit for the period	–	–	238,498	238,498	433	238,931
Other comprehensive income/(loss):						
Currency translation differences	–	–	4,908	4,908	–	4,908
Remeasurement losses on defined benefit retirement scheme, net of tax	–	–	(50)	(50)	–	(50)
Remeasurement losses on long service payment liabilities, net of tax	–	–	(1,276)	(1,276)	–	(1,276)
Total comprehensive income for the period	–	–	242,080	242,080	433	242,513
Transactions with shareholders:						
Equity contribution from a non-controlling shareholder	–	–	–	–	351	351
Dividend to ordinary shareholders	–	–	(72,450)	(72,450)	–	(72,450)
Distribution to convertible preference shareholder (Note 10)	–	–	(8,454)	(8,454)	–	(8,454)
As at 31 December 2021	45,000	140,900	52,790	238,690	22,784	261,474
As at 1 July 2022	45,000	140,900	227,554	413,454	23,320	436,774
Profit for the period	–	–	279,537	279,537	543	280,080
Other comprehensive (loss)/income:						
Currency translation differences	–	–	(4,743)	(4,743)	–	(4,743)
Remeasurement gains on defined benefit retirement scheme, net of tax	–	–	74	74	–	74
Remeasurement gains on long service payment liabilities, net of tax	–	–	3,037	3,037	–	3,037
Total comprehensive income for the period	–	–	277,905	277,905	543	278,448
Transactions with shareholders:						
Dividend to ordinary shareholders	–	–	(108,450)	(108,450)	–	(108,450)
Distribution to convertible preference shareholder (Note 10)	–	–	(8,454)	(8,454)	–	(8,454)
As at 31 December 2022	45,000	140,900	388,555	574,455	23,863	598,318

The notes on pages 48 to 76 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows — Unaudited

		For the six months ended 31 December	
		2022	2021
		HK\$'000	HK\$'000
	Notes		
Cash flows from operating activities			
Cash generated from operations	16(a)	184,371	247,610
Decrease/(increase) in trust cash		7,713	(11,965)
Hong Kong profits tax paid		(61,592)	(78,138)
Mainland China and Macau income tax paid		(3,069)	(5,313)
Interest paid		(7,374)	(2,245)
Net cash generated from operating activities		120,049	149,949
Cash flows from investing activities			
Purchase of property, plant and equipment		(16,344)	(8,349)
Interest received		3,380	777
Dividend received from associates		720	1,320
Proceeds from disposal of property, plant and equipment		207	460
Net cash used in investing activities		(12,037)	(5,792)
Cash flows from financing activities			
Dividend paid to ordinary shareholders		(108,450)	(72,450)
Payments of principal portion of lease liabilities		(24,622)	(17,584)
Repayment of bank borrowings		(20,000)	(233,920)
Distribution paid to convertible preference shareholder		(8,454)	(8,454)
Proceeds from bank borrowings, net		9,055	233,380
Equity contribution from a non-controlling shareholder	16(b)	–	351
Proceeds from issuance of shares to a non-controlling shareholder		–	3
Net cash used in financing activities		(152,471)	(98,674)
Net (decrease)/increase in cash and cash equivalents during the period		(44,459)	45,483
Cash and cash equivalents at the beginning of the period		727,303	517,274
Exchange differences	16(c)	(2,253)	783
Cash and cash equivalents at the end of the period		680,591	563,540
Representing:			
Cash and bank balances as stated in the condensed consolidated statement of financial position		712,612	608,121
Less: Trust cash	13	(32,021)	(44,581)
Cash and cash equivalents at the end of the period		680,591	563,540

The notes on pages 48 to 76 are an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

1 GENERAL INFORMATION

FSE Lifestyle Services Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands on 22 June 2015. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the 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 and 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 (“FSE Holdings”) incorporated in the Cayman Islands. The directors consider Mrs. Doo Cheng Sau Ha, Amy to be the ultimate controlling shareholder (the “Ultimate Controlling Shareholder”).

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

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

This condensed consolidated interim financial information has been approved for issue by the board of directors of the Company (the “Board”) on 21 February 2023.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 31 December 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The interim financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2022, which has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The significant accounting policies applied are consistent with those set out in the annual report for the year ended 30 June 2022.

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

For the six months ended 31 December 2022, the Group adopted the following new amendments and improvements to existing standards which are effective for the accounting periods of the Group beginning on 1 July 2022:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations
Annual Improvements Project	Annual Improvements to HKFRSs 2018–2020

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 ACCOUNTING POLICIES *(Continued)*

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

The following new standard and amendments to existing standards have been issued but not yet effective for the Group's financial year beginning on 1 July 2022 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
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
HKFRS 17 and its Amendments	Insurance Contracts	1 January 2023
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to Hong Kong Interpretation 5	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

Notes to the Condensed Consolidated Interim Financial Statements

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 30 June 2022.

There have been no changes in the risk management policies since the Group's financial year ended 30 June 2022.

3.2 Fair value estimation

At 31 December 2022 and 30 June 2022, the carrying amounts of Group's financial assets and liabilities approximate their fair values due to the short-term maturities of these assets and liabilities.

4 ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to its consolidated financial statements for the year ended 30 June 2022.

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 the 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 and ELV system services, trading of environmental and building materials and landscaping services) and E&M services income. An analysis of the Group's revenue is as follows:

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

	For the six months ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
Revenue		
Property & facility management services	356,802	343,384
City essential services		
— Cleaning services	826,803	674,977
— Technical support & maintenance services		
— Renovations, system retrofit and repairing ⁽ⁱ⁾	402,798	363,717
— Routine maintenance ⁽ⁱⁱ⁾	58,728	58,156
— Security guarding & event services		
— Rendering of services	322,383	318,805
— Sales of goods ⁽ⁱⁱⁱ⁾	9,191	7,057
— Insurance solutions	61,333	50,831
— Environmental solutions		
— Rendering of services ^(iv)	133,961	70,385
— Sales of goods ^(v)	34,176	47,485
	1,849,373	1,591,413
E&M services	1,505,943	1,416,166
Total^(vi)	3,712,118	3,350,963

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.

Notes to the Condensed Consolidated Interim Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Notes: *(Continued)*

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

	For the six months ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
Technical support & maintenance services		
— Renovations, system retrofit and repairing	123,122	54,097
Environmental solutions		
— Rendering of services	83,527	31,750
E&M services	1,505,943	1,416,166
Total	1,712,592	1,502,013

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 and ELV system services, trading of environmental and building materials products and landscaping services; and
- (iii) E&M services — Provision of engineering and consultancy services on installation.

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

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

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

As at 31 December 2022 and 30 June 2022, unallocated assets and unallocated liabilities represented the assets and liabilities not arising from the operations of the operating segments.

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

Notes to the Condensed Consolidated Interim Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) For the six months ended and as at 31 December 2022

The segment results for the six months ended 31 December 2022 and other segment items included in the condensed consolidated income statement are as follows:

	Property & facility management services HK\$'000	City essential services HK\$'000	E&M services HK\$'000	Inter-segment elimination HK\$'000	Total HK\$'000
Revenue — External	356,802	1,849,373	1,505,943	–	3,712,118
Revenue — Internal	1,976	30,267	–	(32,243)	–
Total revenue	358,778	1,879,640	1,505,943	(32,243)	3,712,118
Timing of revenue recognition					
Over time	358,778	1,806,555	1,505,943	(27,814)	3,643,462
At a point of time	–	73,085	–	(4,429)	68,656
Total revenue	358,778	1,879,640	1,505,943	(32,243)	3,712,118
Operating profit before unallocated corporate expenses	76,841	143,997	111,147	–	331,985
Unallocated corporate expenses					(3,174)
Operating profit					328,811
Finance income					3,380
Finance costs					(7,464)
Share of results of associates and joint ventures					656
Profit before income tax					325,383
Income tax expenses (Note 8)					(45,303)
Profit for the period					280,080
Other items					
Depreciation and amortisation	6,175	15,800	13,931	–	35,906
Reversal of impairment losses on trade and other receivables, net (Note 7)	–	(180)	–	–	(180)
Reversal of provision for inventories (Note 7)	–	(328)	–	–	(328)
Additions to non-current assets (other than financial instruments and deferred income tax assets)	941	14,959	8,854	–	24,754

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) For the six months ended and as at 31 December 2022 *(Continued)*

The segment assets and liabilities as at 31 December 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	431,450	1,575,355	1,629,815	3,636,620
Unallocated assets				7,904
Total assets				3,644,524
Segment liabilities	167,752	775,935	1,619,595	2,563,282
Unallocated liabilities				482,924
Total liabilities				3,046,206

Notes to the Condensed Consolidated Interim Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) For the six months ended 31 December 2021 and as at 30 June 2022

The segment results for the six months ended 31 December 2021 and other segment items included in the condensed consolidated income statement are as follows:

	Property & facility management services HK\$'000	City essential services HK\$'000	E&M services HK\$'000	Inter-segment elimination HK\$'000	Total HK\$'000
Revenue — External	343,384	1,591,413	1,416,166	–	3,350,963
Revenue — Internal	1,921	44,189	–	(46,110)	–
Total revenue	345,305	1,635,602	1,416,166	(46,110)	3,350,963
Timing of revenue recognition					
Over time	345,305	1,554,461	1,416,166	(41,260)	3,274,672
At a point of time	–	81,141	–	(4,850)	76,291
Total revenue	345,305	1,635,602	1,416,166	(46,110)	3,350,963
Operating profit before unallocated corporate expenses	69,443	123,533	91,030	–	284,006
Unallocated corporate expenses					(2,185)
Operating profit					281,821
Finance income					777
Finance costs					(2,361)
Share of results of associates and joint ventures					1,326
Profit before income tax					281,563
Income tax expenses (Note 8)					(42,632)
Profit for the period					238,931
Other items					
Depreciation and amortisation	6,085	16,190	6,961	–	29,236
Reversal of impairment losses on trade and other receivables, net (Note 7)	(1,261)	(663)	–	–	(1,924)
Reversal of provision for inventories (Note 7)	–	(722)	–	–	(722)
Additions to non-current assets (other than financial instruments and deferred income tax assets)	16,296	17,585	5,352	–	39,233

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) For the six months ended 31 December 2021 and as at 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

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

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

	For the six months ended 31 December	
	2022 HK\$'000	2021 HK\$'000
Revenue		
Hong Kong	3,488,626	2,922,752
Mainland China	166,678	270,467
Macau	56,814	157,744
Total	3,712,118	3,350,963

Notes to the Condensed Consolidated Interim Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	As at 31 December 2022 HK\$'000	As at 30 June 2022 HK\$'000
Non-current assets, other than deferred income tax assets and pension assets		
Hong Kong	292,415	302,903
Mainland China	27,140	27,054
Macau	7,260	8,527
Total	326,815	338,484

6 OTHER INCOME, NET

	For the six months ended 31 December	
	2022 HK\$'000	2021 HK\$'000
Government grants ⁽ⁱ⁾	17,447	388
Ex-gratia payment from the government for retirement of motor vehicles	485	411
Gain on disposal of property, plant and equipment, net	135	283
Exchange gains/(losses), net	127	(1,327)
Sundries	976	934
Total	19,170	689

Note:

- (i) During the six months ended 31 December 2022, the Group was entitled to government grants under various schemes from the Government of the Hong Kong Special Administrative Region (the "HKSAR Government") and the Government of the Macau Special Administrative Region (the "Macau SAR Government") as financial support for its businesses, amounting to HK\$45.1 million in total (Six months ended 31 December 2021: HK\$22.7 million). Out of which, (i) HK\$17.4 million was recognised as "Other income, net" (Six months ended 31 December 2021: HK\$0.4 million) and (ii) HK\$27.7 million (Six months ended 31 December 2021: HK\$22.3 million) was net off in its staff costs (Note 7).

7 OPERATING PROFIT

	Notes	For the six months ended 31 December	
		2022 HK\$'000	2021 HK\$'000
Operating profit is stated after charging/(crediting):			
Staff costs (including Directors' emoluments)		1,516,607	1,362,389
Subcontracting fees		1,115,236	991,282
Raw materials and consumables used		585,514	532,084
Depreciation of right-of-use assets	11	24,791	17,906
Cost of inventories sold		22,530	32,400
Depreciation of property, plant and equipment	11	9,085	9,199
Amortisation of other intangible assets ⁽ⁱ⁾	11	2,030	2,131
Expenses relating to short-term leases		972	7,561
Reversal of provision for inventories		(328)	(722)
Reversal of impairment loss on trade and other receivables, net		(180)	(1,924)

Note:

- (i) Included in general and administrative expenses.

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

8 INCOME TAX EXPENSES

	For the six months ended 31 December	
	2022 HK\$'000	2021 HK\$'000
Current income tax		
Hong Kong profits tax	48,491	43,029
Macau taxation	3,253	3,110
Mainland China income tax	(24)	1,640
Deferred income tax credit	(6,417)	(5,147)
Total	45,303	42,632

Hong Kong profits tax has been provided at the rate of 16.5% (Six months ended 31 December 2021: 16.5%) on the estimated assessable profit. Taxation on Mainland China and Macau profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the jurisdictions in which the Group operates. These rates range from 12% to 25% for the six months ended 31 December 2022 and 2021.

Notes to the Condensed Consolidated Interim Financial Statements

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

(a) Basic

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

	For the six months ended 31 December	
	2022 HK\$'000	2021 HK\$'000
Profit attributable to shareholders of the Company	279,537	238,498
Less: Preferred distribution to the holder of convertible preference shares	(4,262)	(4,262)
Earnings used in the basic earnings per share calculation	275,275	234,236
Weighted average number of ordinary shares in issue (shares in thousands)	450,000	450,000
Basic earnings per share (HK\$)	0.61	0.52

(b) Diluted

On 16 December 2019, the Company issued convertible preference shares, with details set out in Note 14, which are treated as contingently issuable potential ordinary shares under HKAS 33 "Earnings per Share". Since the conditions for their conversion were not met as at 31 December 2022 and 2021, therefore, the effect of their conversion is not included in the calculation of the diluted earnings per share for the six months ended 31 December 2022 and 2021. As a result, the diluted earnings per share equals to the basic earnings per share for the six months ended 31 December 2022 and 2021.

10 DIVIDEND AND DISTRIBUTION

At a meeting held on 21 February 2023, the Board has resolved to declare the payment of an interim dividend of HK24.5 cents (Six months ended 31 December 2021: HK20.9 cents) per ordinary share to the ordinary shareholders of the Company for the six months ended 31 December 2022, equivalent to a total amount of HK\$110.25 million (Six months ended 31 December 2021: HK\$94.05 million). The interim dividend will be paid in cash.

At a meeting held on 5 September 2022, the Board has resolved to pay a preferred distribution calculated at 6.0% per annum on the issue amount of the Company's convertible preference shares of HK\$140.9 million, equivalent to a total amount of HK\$8.5 million (Six months ended 31 December 2021: HK\$8.5 million). The preferred distribution was paid in December 2022.

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

	Property, plant and equipment HK\$'000	Right-of- use assets HK\$'000	Other intangible assets HK\$'000
Six months ended 31 December 2021			
Opening net book value as at 1 July 2021	45,157	58,820	185,079
Exchange differences	80	170	–
Additions	8,349	30,884	–
Disposals	(177)	–	–
Depreciation and amortisation charges	(9,199)	(17,906)	(2,131)
Closing net book value as at 31 December 2021	44,210	71,968	182,948
Six months ended 31 December 2022			
Opening net book value as at 1 July 2022	40,680	115,563	180,823
Exchange differences	(123)	(258)	–
Additions	16,344	8,410	–
Disposals	(72)	–	–
Depreciation and amortisation charges	(9,085)	(24,791)	(2,030)
Closing net book value as at 31 December 2022	47,744	98,924	178,793

Notes to the Condensed Consolidated Interim Financial Statements

12 TRADE AND OTHER RECEIVABLES

	As at 31 December 2022 HK\$'000	As at 30 June 2022 HK\$'000
Trade receivables		
Third parties	675,097	627,627
Related companies (Note 17(c))	168,154	214,551
	843,251	842,178
Less: Provision for impairment		
Third parties	(9,274)	(9,454)
Related companies (Note 17(c))	(45)	(45)
	833,932	832,679
Retention receivables		
Third parties	206,217	202,585
Related companies (Note 17(c))	197,802	187,782
	404,019	390,367
Other receivables and prepayments		
Third parties	295,563	274,219
Related companies (Note 17(c))	63,796	24,565
	359,359	298,784
Accrued contract revenue	389,463	494,088
Less: Provision for impairment	(149)	(149)
	389,314	493,939
Total	1,986,624	2,015,769

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

The total balance at 31 December 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.

12 TRADE AND OTHER RECEIVABLES *(Continued)*

Expected credit losses

The Group applies the HKFRS 9 “Financial Instruments” simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables, retention receivables, accrued contract revenue and contract assets have been grouped based on shared credit risk characteristics and the days past due, except for amounts relating to accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities, which are assessed individually. The expected loss rates are based on the payment profiles of revenue and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The expected credit loss is minimal as the majority of the trade and other receivables are due from a number of independent customers for whom there is no recent history of default, except for certain trade and other receivables with full impairment provision being provided because they have been undergoing financial difficulties.

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

	As at 31 December 2022 HK\$’000	As at 30 June 2022 HK\$’000
Current to 90 days	732,568	769,641
91 to 180 days	46,351	35,868
Over 180 days	55,013	27,170
Total	833,932	832,679

13 CASH AND BANK BALANCES

	As at 31 December 2022 HK\$’000	As at 30 June 2022 HK\$’000
Time deposits with original maturities within three months	353,557	76,000
Trust cash ⁽ⁱ⁾	32,021	39,734
Other cash at banks and on hand	327,034	651,303
Total	712,612	767,037

Note:

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

Notes to the Condensed Consolidated Interim Financial Statements

14 SHARE CAPITAL

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

	For the six months ended 31 December			
	2022		2021	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each				
As at 1 July and 31 December	900,000,000	90,000	900,000,000	90,000
Convertible preference shares of HK\$0.1 each (Note a)				
As at 1 July and 31 December	100,000,000	10,000	100,000,000	10,000
Total	1,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK\$0.1 each				
As at 1 July and 31 December	450,000,000	45,000	450,000,000	45,000
Convertible preference shares of HK\$0.1 issued at HK\$3.2260 each (Note a)				
As at 1 July and 31 December	43,676,379	140,900	43,676,379	140,900
Total	493,676,379	185,900	493,676,379	185,900

As at 31 December 2022 and 30 June 2022, the total nominal amount of the Company's issued shares was HK\$49,367,638, comprising HK\$45,000,000 for ordinary shares and HK\$4,367,638 for convertible preference shares.

14 SHARE CAPITAL *(Continued)*

Note (a):

On 16 December 2019 (the "Issue Date"), the Company issued and allotted a total of 43,676,379 non-voting redeemable convertible preference shares of HK\$0.1 each to 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.

Notes to the Condensed Consolidated Interim Financial Statements

15 TRADE AND OTHER PAYABLES

	As at 31 December 2022 HK\$'000	As at 30 June 2022 HK\$'000
Trade payables		
Third parties	350,954	264,445
Other payables		
Third parties	348,712	322,333
Related companies (Note 17(c))	5,832	4,487
	354,544	326,820
Retention payables		
Third parties	273,903	275,621
Accrued expenses	373,177	430,824
Provision for contracting costs	621,003	715,474
Bills payable		
Third parties	–	738
Total	1,973,581	2,013,922

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

	As at 31 December 2022 HK\$'000	As at 30 June 2022 HK\$'000
1 to 90 days	300,381	223,214
91 to 180 days	33,773	21,811
Over 180 days	16,800	19,420
Total	350,954	264,445

In carrying out the ordinary course of business, the Group is subject to the risk of being named as defendant in legal actions, claims and disputes in connection with its business activities. The nature of the legal proceedings initiated against the Group mainly includes claims for compensation by the Group's existing or former employees for work related injuries. The Group maintains insurance cover and, in the opinion of the Directors, based on current available evidence, any such existing claims and legal proceedings against the Group are not expected to have significant adverse financial impact to the Group as at 31 December 2022.

Other than the above, as at 31 December 2022, the Group did not have any material contingent liabilities (30 June 2022: Nil).

16 NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Notes	For the six months ended	
		31 December	
		2022	2021
		HK\$'000	HK\$'000
Profit before income tax		325,383	281,563
Depreciation of right-of-use assets	11	24,791	17,906
Depreciation of property, plant and equipment	11	9,085	9,199
Finance costs		7,464	2,361
Amortisation of other intangible assets	11	2,030	2,131
Long service payment liabilities			
Expenses recognised in the condensed consolidated income statement		1,961	2,950
Benefit paid		(1,728)	(378)
Pension costs on defined benefits plan		179	298
Finance income		(3,380)	(777)
Share of results of associates and joint ventures		(656)	(1,326)
Reversal of provision for inventories	7	(328)	(722)
Reversal of impairment loss on trade and other receivables, net	7	(180)	(1,924)
Gain on disposal of property, plant and equipment, net	6	(135)	(283)
Unrealised exchange differences		(127)	1,222
Operating cash flows before changes in working capital		364,359	312,220
Change in working capital:			
Net contract assets and liabilities		(171,640)	67,596
Trade and other payables		(29,927)	(90,093)
Trade and other receivables		18,640	(43,767)
Inventories		2,959	1,751
Pension assets		(20)	(97)
Cash generated from operations		184,371	247,610

Notes to the Condensed Consolidated Interim Financial Statements

16 NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

(b) Equity contribution from a non-controlling shareholder

The cash inflow in the six months ended 31 December 2021 represents equity contribution from the non-controlling shareholder to Wise Plaza Limited, a 70%-owned subsidiary of the Group.

(c) Exchange differences

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

(d) Major non-cash transactions

During the six months ended 31 December 2022, the Group acquired right-of-use assets and recognised lease liabilities, including lease modifications, totaling HK\$8.4 million (Six months ended 31 December 2021: HK\$30.9 million).

(e) Funds held on behalf of third parties

As at 31 December 2022, the Group held cash and bank balances totalling HK\$1,013.8 million (30 June 2022: HK\$1,135.1 million) in trust for owners of certain buildings which were under its management. These funds have not been included in the condensed consolidated interim financial statements of the Group.

17 RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated interim financial information, the Group undertook the following transactions with related parties, which in the opinion of the directors of the Company, were carried out in the normal course of business during the six months ended 31 December 2022 and 2021.

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

Name	Relationship
Ackland Limited	Note i
China Fame Enterprise Limited	Note i
Convention Plaza Apartments Limited	Note i
Corporate Ally Limited	Note i
Ease King Investment Limited	Note i
Fast Solution 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) Company Limited	Note i
Nova Risk Services Holdings Limited	Note i
Ocean Front 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
上海上實南洋大酒店有限公司	Note i
上海華美達廣場有限公司	Note i
上海豐昌物業管理有限公司	Note i
Anway Limited	Note ii
AOS Management Limited	Note ii
ATL Logistics Centre Hong Kong Limited	Note ii
Atrend Fashion Limited	Note ii
Beamland Limited	Note ii
Bright Link Engineering Limited	Note ii
Bright Moon Company Limited	Note ii
Broadway-Nassau Investments Limited	Note ii
Build King Civil Engineering Limited	Note ii

Notes to the Condensed Consolidated Interim Financial Statements

17 RELATED PARTY TRANSACTIONS *(Continued)*

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

Name	Relationship
Build King Construction Limited	Note ii
Build King Interior & Construction Limited	Note ii
Calpella Limited	Note ii
Cheer Globe Limited	Note ii
CHI Studio Company Limited	Note ii
Chow Tai Fook Energy Company Limited	Note ii
Chow Tai Fook Enterprises Limited	Note ii
Chow Tai Fook Jewellery Company Limited	Note ii
Chow Tai Fook Jewellery Group 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
Ever Right Limited	Note ii
Foregain Company Limited	Note ii
Full Asset Enterprises Limited	Note ii
GH Hotel Company Limited	Note ii
GHK Hospital Limited	Note ii
Global Winner Limited	Note ii
Good Sense Development Limited	Note ii
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
Hong Kong Convention and Exhibition Centre (Management) Limited	Note ii
Hong Kong Golf & Tennis Academy Management Company Limited	Note ii
Hong Kong Island Development Limited	Note ii
Hong Kong Multiple Intelligence Education Company Limited	Note ii
Hyatt Regency Hong Kong	Note ii
Joy Century Limited	Note ii

17 RELATED PARTY TRANSACTIONS *(Continued)*

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

Name	Relationship
K11 AFLM Limited	Note ii
K11 Art Mall Properties Company Limited	Note ii
K11 Artus Limited	Note ii
K11 Concepts Limited	Note ii
K11 Gentry Club Limited	Note ii
K11 Property Management Company Limited	Note ii
K11 Retail & Corporate Sales Company Limited	Note ii
Kai Tak Sports Park Limited	Note ii
Kid World Services Limited	Note ii
Kiu Lok Properties Services (China) Limited	Note ii
KOHO Facility Management Limited	Note ii
Loyalton Limited	Note ii
Luxba Limited	Note ii
Maronne Limited	Note ii
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 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

Notes to the Condensed Consolidated Interim Financial Statements

17 RELATED PARTY TRANSACTIONS *(Continued)*

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

Name	Relationship
Pride Success Fashion Trading Limited	Note ii
Pridemax Limited	Note ii
Renaissance Harbour View Hotel HK	Note ii
Rosewood Hotels (Hong Kong) Limited	Note ii
Roxy Limited	Note ii
Sunfield Investments Limited	Note ii
Sunny Goal Limited	Note ii
Techni Development Investment Limited	Note ii
The Artizen Management Company Limited	Note ii
The Dragon Seed Company Limited	Note ii
The Town Club (HK) Limited	Note ii
Treasure High Limited	Note ii
Treasure Tower Holdings Limited	Note ii
Urban Parking Limited	Note ii
Vibro (H.K.) Limited	Note ii
Vibro Construction Company Limited	Note ii
Vibro-Tysan-Chun Wo JV	Note ii
Victoria Educational Organisation Limited	Note ii
Wan Fau Sin Koon Service & Dev Co., Limited	Note ii
Wealth Master Corporation Limited	Note ii
Win Win Way Construction Company Limited	Note ii
Wise City Investment Limited	Note ii
天津新世界百貨有限公司	Note ii
天津新世界環渤海房地產開發有限公司	Note ii
北京崇文·新世界房地產發展有限公司	Note ii
深圳天得房地產開發有限公司	Note ii
新世界協中建築有限公司	Note ii
新世界發展(武漢)有限公司	Note ii
寧波新立房地產開發有限公司	Note ii
廣州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

Notes:

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

17 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with related parties

Save as disclosed elsewhere in the condensed consolidated interim financial statements, the Group had the following transactions with related companies during the six months ended 31 December 2022 and 2021.

	For the six months ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
Contract revenue (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	1,446	7,115
Other related companies (Note ii)	1,324,267	988,231
Total	1,325,713	995,346
Cleaning service income (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	–	30
Other related companies (Note ii)	80,486	71,560
Total	80,486	71,590
Premises management service fee and building manager remuneration (Note iii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	844	698
Other related companies (Note ii)	7,750	7,842
Total	8,594	8,540
Security service income (Note iv)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	1,936	2,883
Other related companies (Note ii)	121,621	115,259
Total	123,557	118,142
Insurance solutions consultancy fee income from related companies (Note v)	2,579	1,057
Landscaping service income (Note vi)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	13	–
Other related companies (Note ii)	4,005	4,643
Total	4,018	4,643
Rental expenses/additions or modifications of right-of-use assets (Note vii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	478	31,859
Other related companies (Note ii)	25	831
Total	503	32,690

Notes to the Condensed Consolidated Interim Financial Statements

17 RELATED PARTY TRANSACTIONS *(Continued)*

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

	For the six months ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
Appointment fees to related companies (Note viii)	1,378	1,315
Contracting service expenses to a related company (Note ix)	2,722	2,436
Miscellaneous service fees expenses to related companies (Note x)	77	–

Notes:

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

17 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

	As at 31 December 2022 HK\$'000	As at 30 June 2022 HK\$'000
Trade receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	106	522
Other related companies (Note i)	168,003	213,984
Total	168,109	214,506
Retention receivables due from related companies (Note i)	197,802	187,782
Other receivables due from related companies (Note i)	63,796	24,565
Contract assets due from related companies (Note i)	366,973	290,471
Contract liabilities due to related companies (Note i)	209,861	246,475
Other payables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	3,258	454
Other related companies (Note i)	2,574	4,033
Total	5,832	4,487
Lease liabilities		
Related companies commonly controlled by the Ultimate Controlling Shareholder	54,674	63,905
Other related companies (Note i)	180	358
Total	54,854	64,263

Note:

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

Notes to the Condensed Consolidated Interim Financial Statements

17 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Key management compensation

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

	For the six months ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
Fees	1,666	1,552
Salaries and other emoluments	45,422	42,276
Contributions to defined contribution schemes	1,966	1,953
Total	49,054	45,781

18 CAPITAL COMMITMENTS

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

	As at	As at
	31 December	30 June
	2022	2022
	HK\$'000	HK\$'000
Property, plant and equipment	850	1,937

Interim Dividend

The Board has resolved to declare the payment of an interim dividend of HK24.5 cents (Six months ended 31 December 2021: HK20.9 cents) per ordinary share to the ordinary shareholders of the Company for the six months ended 31 December 2022. The interim dividend will be paid in cash to shareholders whose names appear on the register of ordinary shareholders of the Company at the close of business on Tuesday, 14 March 2023. It is expected that the dividend warrants will be posted to shareholders on or about Friday, 24 March 2023.

CLOSURE OF REGISTER OF ORDINARY SHAREHOLDERS

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

Ex-dividend date	9 March 2023
Latest time to lodge transfer documents for registration	4:30 pm on 10 March 2023
Closure of register of ordinary shareholders	13 and 14 March 2023
Record date	14 March 2023
Interim dividend payment date	on or about 24 March 2023

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

Other Information

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company was established by the Board for the purposes of, among other things, reviewing and providing supervision over the Group's financial reporting process and internal controls. It currently comprises four independent non-executive directors of the Company. The Audit Committee has reviewed the Group's unaudited condensed consolidated interim financial statements for the six months ended 31 December 2022 and discussed financial related matters with the management and the external auditors of the Company.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 December 2022 have been reviewed by the Company's external auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and enhance corporate value of the Group. Throughout the six months ended 31 December 2022, the Company had complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), with the exception of code provision F.2.2.

Code provision F.2.2 requires the chairman of the board to attend the annual general meeting. Dr. Cheng Kar Shun, Henry, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 18 October 2022 (the "2022 AGM") due to his prior commitment to another important engagement. Mr. Doo Wai Hoi, William, alternate director to Dr. Cheng Kar Shun, Henry, together with members of the Board who attended the 2022 AGM, were of sufficient caliber for answering questions at the 2022 AGM.

DIRECTORS' DEALINGS IN THE COMPANY'S SECURITIES

The Company has adopted its own Securities Dealing Code, which is no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, as the code for dealing in securities of the Company by its directors. All directors of the Company confirmed, following specific enquiry by the Company, that they had complied with the required standard set out in the Securities Dealing Code adopted by the Company throughout the six months ended 31 December 2022.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of directors since the publication of the 2021-2022 Annual Report are set out below:

1. Mr. Kwong Che Keung, Gordon retired as an independent non-executive director of NWS Holdings Limited with effect from 21 November 2022.
2. Mr. Doo Wai Hoi, William is a non-executive director of Lifestyle International Holdings Limited which was a listed public company in Hong Kong where its listing was withdrawn on 20 December 2022.
3. Mr. Hui Chiu Chung, Stephen is an independent non-executive director of Lifestyle International Holdings Limited which was a listed public company in Hong Kong where its listing was withdrawn on 20 December 2022.
4. Mr. Doo William Junior Guilherme was appointed a member of the National Committee of the Fourteenth Chinese People's Political Consultative Conference.

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position in ordinary shares of the Company

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

Note:

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

Other Information

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

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

Notes:

1. These shares are held by Sino Spring Global Limited (“Sino Spring”) as to 315,000,000 shares, Power Victory Global Limited (“Power Victory”) as to 90,000,000 shares and Frontier Star Limited (“Frontier Star”) as to 35,000,000 shares, the entire issued share capital of each of which is beneficially owned by Mrs. Doo, spouse of Mr. Doo. By virtue of Part XV of the SFO, Mr. Doo is taken to be interested in all the shares in which his spouse is interested.
2. These shares are held by Equal Merit Holdings Limited (“Equal Merit”), the entire issued share capital of which is solely and beneficially owned by Mr. Lam.
3. These shares are held by Master Empire Group Limited (“Master Empire”), the entire issued share capital of which is solely and beneficially owned by Mr. Doo Jr.
4. These shares are held by Lagoon Treasure Limited (“Lagoon Treasure”), the entire issued share capital of which is solely and beneficially owned by Mr. Lee.
5. The percentage of shareholding is calculated on the basis of 500,000,000 shares of FSE Holdings in issue as at 31 December 2022.

Save as disclosed above, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2022.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2022, the interests and short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long position in ordinary shares and underlying shares of the Company

Name	Capacity/nature of interest	Number of ordinary shares in issue	Number of underlying shares	Total number of ordinary shares interested in	Percentage of shareholding ⁽⁶⁾
FSE Holdings	Beneficial interest and interest of controlled corporation ⁽⁵⁾	337,500,000 ⁽¹⁾	43,676,379 ⁽²⁾	381,176,379 ⁽³⁾	84.71%
Sino Spring ⁽⁴⁾	Interest of controlled corporation	337,500,000	43,676,379	381,176,379	84.71%
Fung Seng Holdings (X) Limited ("Fung Seng") ⁽⁵⁾	Interest of controlled corporations	337,500,000	43,676,379	381,176,379	84.71%
Fungseng Prosperity Holdings Limited ("Fungseng Prosperity") ⁽⁵⁾	Interest of controlled corporations	337,500,000	43,676,379	381,176,379	84.71%
Doo Family Prosperity Holdings Limited ("Doo Family") ⁽⁵⁾	Interest of controlled corporations	337,500,000	43,676,379	381,176,379	84.71%
Mrs. Doo ⁽⁵⁾	Interest of controlled corporations	337,500,000	43,676,379	381,176,379	84.71%
FSE Management Company Limited ("FMC") ⁽²⁾	Beneficial interest	–	43,676,379	43,676,379	9.71%

Notes:

- These shares are held by FSE Holdings.
- These shares are issuable to FMC upon full conversion of a total of 43,676,379 non-voting redeemable convertible preference shares (the "CPS") issued by the Company to FMC on 16 December 2019. Upon exercise of the conversion rights attaching to each CPS, each CPS is convertible into one ordinary share of the Company (subject to adjustments upon occurrence of certain prescribed events, including consolidation, subdivision or reclassification of shares in the capital of the Company, capitalisation of profits or reserves etc., in each case if not also made available to holder(s) of CPS) within a period of 10 years from its date of issue. FMC is wholly owned by FSE Holdings. By virtue of Part XV of the SFO, FSE Holdings is deemed to be interested in all the shares in which FMC is interested.
- These shares comprise (a) the 337,500,000 ordinary shares in issue and held by FSE Holdings; and (b) the 43,676,379 ordinary shares issuable to FMC upon full conversion of the 43,676,379 CPS as referred to in Note 2 above.
- FSE Holdings is held as to 63% by Sino Spring, 18% by Power Victory, 7% by Frontier Star, 7% by Master Empire, 4% by Equal Merit and 1% by Lagoon Treasure. By virtue of Part XV of the SFO, Sino Spring is deemed to be interested in all the shares in which FSE Holdings is interested.
- Sino Spring, Power Victory and Frontier Star are wholly-owned subsidiaries of Fung Seng, which in turn is owned as to 75% by Fungseng Prosperity and 25% by Mrs. Doo. Fungseng Prosperity is a wholly-owned subsidiary of Doo Family which in turn is wholly owned by Mrs. Doo. By virtue of Part XV of the SFO, each of Fung Seng, Fungseng Prosperity, Doo Family and Mrs. Doo is deemed to be interested in all the shares in which Sino Spring is interested.

Other Information

6. The percentage of shareholding is calculated on the basis of 450,000,000 voting shares of the Company in issue as at 31 December 2022. On a fully diluted basis upon full conversion of the CPS assuming no change in the number of voting shares of the Company, the total number of voting shares of the Company in issue will be 493,676,379 and the percentage of shareholdings held by FSE Holdings and FMC will be 77.21% and 8.85% respectively and in each case, each of Sino Spring, Fung Seng, Fungseng Prosperity, Doo Family and Mrs. Doo is deemed to be interested in all the shares in which FSE Holdings is interested under Part XV of the SFO. These percentage shareholdings on a fully diluted basis are provided for illustrative purposes only. The terms of the CPS will not permit conversion if immediately after such conversion, the public float of the ordinary shares of the Company will fall below the minimum public float requirements of the Listing Rules.

Save as disclosed above, no other person was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position in the shares or underlying shares of the Company as at 31 December 2022.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 20 November 2015. No share option has been granted under the Scheme since its adoption. The number of options available for grant under the Scheme as at 1 July 2022 and 31 December 2022 was 45,000,000 without any sub-limit for any category of eligible participants.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2022.

Corporate Information

BOARD OF DIRECTORS

Non-executive Director

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

Executive Directors

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

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

Mr. Doo William Junior Guilherme *JP*

Mr. Lee Kwok Bong

Mr. Soon Kweong Wah

Mr. Wong Shu Hung

Dr. Cheng Chun Fai

Independent Non-executive Directors

Mr. Kwong Che Keung, Gordon

Mr. Hui Chiu Chung, Stephen *JP*

Mr. Lee Kwan Hung, Eddie

Dr. Tong Yuk Lun, Paul

Alternate Director

Mr. Doo Wai Hoi, William *BBS, JP*

(alternate to Dr. Cheng Kar Shun, Henry)

AUDIT COMMITTEE

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

Mr. Hui Chiu Chung, Stephen *JP*

Mr. Lee Kwan Hung, Eddie

Dr. Tong Yuk Lun, Paul

REMUNERATION COMMITTEE

Mr. Hui Chiu Chung, Stephen *JP (Chairman)*

Mr. Lee Kwan Hung, Eddie

Dr. Tong Yuk Lun, Paul

Mr. Lam Wai Hon, Patrick

Mr. Poon Lock Kee, Rocky

NOMINATION COMMITTEE

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

Mr. Hui Chiu Chung, Stephen *JP*

Dr. Tong Yuk Lun, Paul

Mr. Poon Lock Kee, Rocky

Mr. Doo William Junior Guilherme *JP*

SUSTAINABILITY COMMITTEE

Dr. Cheng Chun Fai *(Chairman)*

Mr. Lee Kwok Bong

Mr. Soon Kweong Wah

Mr. Lee Kwan Hung, Eddie

Dr. Tong Yuk Lun, Paul

Mr. Kwan Chun Kit, Terry

Mr. Tsang Tin Ngai

COMPANY SECRETARY

Mr. Chan Ju Wai

Corporate Information

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor
22/F Prince's Building
Central
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
BNP Paribas Hong Kong Branch
Chong Hing Bank Limited
Crédit Agricole Corporate and Investment Bank,
Hong Kong Branch
Fubon Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
JPMorgan Chase Bank NA, Singapore
Nanyang Commercial Bank, Limited
Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
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STOCK CODE

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