

Notes to the Condensed Consolidated Interim Financial Statements

1 GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in provision of mechanical and electrical engineering services, trading of building materials, trading of environmental products and provision of related engineering and consultancy services in Hong Kong, Mainland China and Macau, cleaning and management of waste disposal services, recycling and environmental disposal services, and provision of property and facility management services, property agency and related services for buildings, carparks management services and guarding services in Hong Kong. The ultimate holding company of the Company is FSE Holdings Limited ("FSE Holdings") incorporated in the Cayman Islands. The directors consider Mr. Doo Wai Hoi, William 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 26 February 2021.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 31 December 2020 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 2020, 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 2020.

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

For the six months ended 31 December 2020, the Group adopted the following new amendments to existing standards which are effective for the accounting periods of the Group beginning on 1 July 2020 and relevant to the Group's operations:

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

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

Notes to the Condensed Consolidated Interim Financial Statements

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

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

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

		Effective for accounting periods beginning on or after
Amendments to HKFRS 4, HKFRS 7, HKFRS 9, HKFRS 16 and HKAS 39	Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements 2018–2020 Cycle	Annual Improvements to HKFRS	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17 and its amendment	Insurance Contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

Notes to the Condensed Consolidated Interim Financial Statements

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

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

On 18 October 2019, the Company and FSE Property Management Group Limited ("FPMGL"), a wholly-owned subsidiary of the Company, as the purchaser and FSE Management Company Limited ("FMC"), a fellow subsidiary of the Company, as a vendor entered into a conditional sale and purchase agreement, pursuant to which FMC agreed to sell, and the Company agreed to purchase (or to procure a wholly-owned subsidiary to purchase) the entire issued share capital (the "Sale Share") of Legend Success Investments Limited and its subsidiaries (the "Target Group") at an initial sum of consideration of HK\$704.9 million, subject to subsequent adjustment by reference to the change in the net tangible asset value ("NTAV") of the Target Group from 30 June 2019 to the date of completion of the acquisition. Pursuant thereto, the Company has nominated FPMGL to buy the Sale Share. The initial sum of consideration was satisfied by the Company through (i) the payment of HK\$564.0 million in cash and (ii) a non-cash consideration of HK\$140.9 million through the issuance and allotment by the Company of 43,676,379 non-voting redeemable convertible preference shares of HK\$0.10 each at the issue price of HK\$3.2260 per share to FMC, credited as fully paid. The Group's payment for the initial cash consideration for this transaction was mainly financed by a bank loan with a principal amount of HK\$563.9 million drawn in December 2019, which bears interest at 0.7% per annum over Hong Kong Interbank Offered Rate. After the Group's repayment of HK\$300 million of this bank loan since its drawdown in December 2019 up to 31 December 2020, its carrying amount at 31 December 2020, net of unamortised transaction costs, was HK\$263.7 million. The convertible preference shares are convertible into 43,676,379 ordinary shares of the Company at an initial price of HK\$3.2260 per share, subject to adjustments, at any time within 10 years following its issuance date of 16 December 2019. The acquisition was completed on 16 December 2019 (the "Completion Date") and a positive NTAV adjustment of HK\$38.5 million was made to the consideration for this transaction, which thus in aggregate amounts to HK\$743.4 million. The total amount of such consideration has been charged directly to the Group's reserves. A final cash payment of the consideration of HK\$38.5 million was made on 13 February 2020 with reference to the unaudited net tangible asset value of the Target Group as at the Completion Date of the acquisition. The Target Group (or the "Acquired Group") is principally engaged in the provision of property and facility management services, property agency and related services for buildings, car parks management services and guarding services in Hong Kong.

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

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 2020.

There have been no changes in the risk management policies since the Group's financial year ended 30 June 2020.

3.2 Fair value estimation

At 31 December 2020, 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 this 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 2020.

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 electrical and mechanical ("E&M") engineering services income, environmental services income, income from trading of building materials and integrated property & facility services income. An analysis of the Group's revenue is as follows:

	For the six months ended	
	31 December	
	2020	2019
		(restated)
	HK\$'000	HK\$'000
Revenue		
Contracting services	1,668,520	1,413,231
Maintenance services	73,211	72,405
Sales of goods	35,828	34,988
Integrated property & facility services	981,266	899,712
Total	2,758,825	2,420,336

Notes to the Condensed Consolidated Interim Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Following the acquisition of the property and facility management services business as described in Note 2(c), the Group's CODM has reorganised the Group's businesses into two major business segments as described below to align more closely with the market dynamics and the Group's strategic direction. As a result of such changes occurred during the year ended 30 June 2020, the Group's prior period corresponding segment information that is presented for comparative purpose has been restated accordingly.

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

- (i) E&M engineering & environmental services — Provision of engineering and consultancy services and trading of building materials and environmental products; and
- (ii) Integrated property & facility services — Provision of cleaning and waste disposal services, recycling and environmental disposal services, laundry services (Note), property and facility management services, property agency and related services for buildings, carparks management services and guarding services.

Note:

Up to 31 December 2020 when the Group disposed of its laundry business as described in Note 16(b).

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 an associate 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, investment property, right-of-use assets, other intangible assets, interests in an associate, 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 2020, unallocated assets and unallocated liabilities represented the assets and liabilities not arising from the operations of the operating segments.

Capital expenditure comprises mainly additions to property, plant and equipment and 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 2020

The segment results for the six months ended 31 December 2020 and other segment items included in the condensed consolidated income statement are as follows:

	E&M engineering & environmental services HK\$'000	Integrated property & facility services HK'000	Inter-segment elimination HK\$'000	Total HK\$'000
Revenue — External	1,777,559	981,266	–	2,758,825
Revenue — Internal	1,433	1,406	(2,839)	–
Total revenue	1,778,992	982,672	(2,839)	2,758,825
Timing of revenue recognition				
Over time	1,743,164	982,672	(2,839)	2,722,997
At a point of time	35,828	–	–	35,828
Total revenue	1,778,992	982,672	(2,839)	2,758,825
Operating profit before unallocated corporate expenses	139,780	226,287	–	366,067
Unallocated corporate expenses				(12,231)
Operating profit				353,836
Finance income				1,092
Finance costs				(3,111)
Share of results of an associate and joint ventures				445
Profit before income tax				352,262
Income tax expenses (Note 8)				(23,150)
Profit for the period				329,112
Other items				
Depreciation and amortisation	21,795	17,777	–	39,572
Losses related to disposal of subsidiaries (Note 16(b))				
— Impairment losses				
— Property, plant and equipment (Note 11)	–	22,859	–	22,859
— Right-of-use assets (Note 11)	–	2,941	–	2,941
— Loss on disposal of subsidiaries	–	420	–	420
— Total	–	26,220	–	26,220
Other impairment losses				
— Property, plant and equipment (Note 11)	1,600	–	–	1,600
— Other receivables (Note 6)	1,200	–	–	1,200
— Other intangible assets (Note 11)	845	–	–	845
— Trade receivables (Note 7)	–	473	–	473
Provision for inventories (Note 7)	7,141	–	–	7,141

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 2020 *(Continued)*

The segment assets and liabilities as at 31 December 2020 and capital expenditure for the six months ended 31 December 2020 are as follows:

	E&M engineering & environmental services HK\$'000	Integrated property & facility services HK\$'000	Total HK\$'000
Segment assets	1,990,672	921,163	2,911,835
Unallocated assets			246,477
Total assets			3,158,312
Segment liabilities	1,690,164	417,134	2,107,298
Unallocated liabilities			333,689
Total liabilities			2,440,987
Total capital expenditure	18,811	9,567	28,378

Notes to the Condensed Consolidated Interim Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) For the six months ended 31 December 2019 and as at 30 June 2020

The segment results for the six months ended 31 December 2019 and other segment items included in the condensed consolidated income statement are as follows:

	E&M engineering & environmental services HK\$'000	Integrated property & facility services HK'000	Inter-segment elimination HK\$'000	Total HK\$'000
Revenue — External, as restated	1,520,624	899,712	–	2,420,336
Revenue — Internal, as restated	4,120	3,049	(7,169)	–
Total revenue, as restated	1,524,744	902,761	(7,169)	2,420,336
Timing of revenue recognition				
Over time, as restated	1,489,756	902,761	(7,169)	2,385,348
At a point of time, as restated	34,988	–	–	34,988
Total revenue, as restated	1,524,744	902,761	(7,169)	2,420,336
Operating profit before				
unallocated corporate expenses, as restated	119,172	69,488	–	188,660
Unallocated corporate expenses				(13,762)
Operating profit				174,898
Finance income				3,297
Finance costs				(2,503)
Share of results of an associate and joint ventures				467
Profit before income tax				176,159
Income tax expenses (Note 8)				(32,125)
Profit for the period				144,034
Other items				
Depreciation and amortisation, as restated	21,929	20,159	–	42,088

Notes to the Condensed Consolidated Interim Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) For the six months ended 31 December 2019 and as at 30 June 2020 *(Continued)*

The segment assets and liabilities as at 30 June 2020 and capital expenditure for the six months ended 31 December 2019 are as follows:

	E&M engineering & environmental services HK\$'000	Integrated property & facility services HK\$'000	Total HK\$'000
Segment assets, as restated	2,119,499	818,217	2,937,716
Unallocated assets			253,533
Total assets			3,191,249
Segment liabilities, as restated	1,858,711	354,347	2,213,058
Unallocated liabilities			533,475
Total liabilities			2,746,533
Total capital expenditure, as restated	10,296	9,411	19,707

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	
	2020 HK\$'000	2019 HK\$'000
Revenue		
Hong Kong	2,474,282	2,096,107
Mainland China	153,130	207,086
Macau	131,413	117,143
Total	2,758,825	2,420,336

Notes to the Condensed Consolidated Interim Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

The non-current assets excluding deferred 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 2020 HK\$'000	As at 30 June 2020 HK\$'000
Non-current assets, other than deferred tax assets and pension assets		
Hong Kong	430,529	475,101
Mainland China	28,800	27,904
Macau	29,571	29,492
Total	488,900	532,497

6 OTHER (EXPENSES)/INCOME, NET

	For the six months ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Losses related to disposal of subsidiaries (Note 16(b))		
— Impairment losses		
— Property, plant and equipment (Note 11)	(22,859)	—
— Right-of-use assets (Note 11)	(2,941)	—
— Loss on disposal of subsidiaries	(420)	—
— Total	(26,220)	—
Other impairment losses		
— Property, plant and equipment (Note 11)	(1,600)	—
— Other receivables	(1,200)	—
— Other intangible assets (Note 11)	(845)	—
(Loss)/gain on disposal of property, plant and equipment, net	(4,567)	635
Exchange gains/(losses), net	2,957	(614)
Rental income	1,146	1,176
Government grants ⁽ⁱ⁾	358	—
Ex-gratia payment from the government for retirement of motor vehicles	—	225
Sundries	785	505
Total	(29,186)	1,927

Note:

- (i) During the six months ended 31 December 2020, the Group has received government grants from the Anti-epidemic Fund set up by the Government of the Hong Kong Special Administrative Region (the "HKSAR Government") under a One-off Subsidy Scheme as financial support for its businesses. Under this scheme, one-off subsidies are provided to eligible businesses depending on their industries, which have business commenced before 1 January 2020 and is still in operation at the time of application. There are no unfulfilled conditions or other contingencies attaching to these grants.

Notes to the Condensed Consolidated Interim Financial Statements

7 OPERATING PROFIT

	Notes	For the six months ended 31 December	
		2020 HK\$'000	2019 HK\$'000
Operating profit is stated after charging/(crediting):			
Subcontracting fees		893,225	828,713
Staff costs (including Directors' emoluments) ⁽ⁱ⁾		762,028	834,329
Raw materials and consumables used		522,440	387,113
Cost of inventories sold		28,053	21,324
Depreciation of right-of-use assets	11	20,096	20,148
Depreciation of property, plant and equipment	11	18,637	20,990
Provision/(reversal of provision) for inventories		7,141	(18)
Expenses relating to short-term lease		1,446	5,414
Amortisation of other intangible assets ⁽ⁱⁱ⁾	11	647	758
Impairment loss on trade receivables		473	2
Depreciation of investment property	11	192	192
Reversal of impairment loss on trade receivables		(1,299)	(46)

Notes:

- (i) Government grants have been received by the Group from (a) the Anti-epidemic Fund set up by the HKSAR Government under the Employment Support Scheme (the "ESS Scheme") and (b) the Government of the Macau Special Administrative Region (the "Macau SAR Government") under its subsidy scheme (the "Macau Scheme") as financial support. The ESS Scheme was eligible for all employers who had been making Mandatory Provident Fund ("MPF") contribution. Eligible employers were required to provide an undertaking not to make redundancies during the subsidy period from June 2020 to November 2020. Otherwise, depending on the headcount reduction percentage, the employers would have to pay penalties to the HKSAR Government. The grants were disbursed to employers in two tranches during 2020. Under the Macau Scheme, one-off subsidies were provided to each eligible business depending on the number of employees they hired. During the six months ended 31 December 2020, the Group has recognised HK\$236.9 million (Six months ended 31 December 2019: Nil) in relation to these grants as deductions in its staff costs in the condensed consolidated income statement. In addition, for the purpose of easing the burden of enterprises in PRC during the period of prevention and containment of the spread of COVID-19, the Social Security Bureaus of the Government of China has reduced the obligations on social security contributions for the employers of enterprises in PRC during 2020. During the six months ended 31 December 2020, the Group was granted reduction in such obligations totalling HK\$7.2 million (Six months ended 31 December 2019: Nil) which would otherwise be recorded as part of the Group's staff costs if no such reduction was granted.
- (ii) 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, utility expenses, motor vehicles expenses, etc.

Notes to the Condensed Consolidated Interim Financial Statements

8 INCOME TAX EXPENSES

	For the six months ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Current income tax		
Hong Kong profits tax	31,357	29,903
Mainland China taxation	252	167
Macau taxation	351	(378)
Deferred income tax (credit)/expenses	(8,810)	2,433
Total	23,150	32,125

Hong Kong profits tax has been provided at the rate of 16.5% (Six months ended 31 December 2019: 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 2020 and 2019.

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	
	2020 HK\$'000	2019 HK\$'000
Profit attributable to shareholders of the Company	329,075	144,023
Less: Preferred distribution to the holder of convertible preference shares	(4,262)	(371)
Earnings used in the basic earnings per share calculation	324,813	143,652
Weighted average number of ordinary shares in issue (shares in thousands)	450,000	450,000
Basic earnings per share (HK\$)	0.72	0.32

(b) Diluted

During the six months ended 31 December 2019, the Company issued convertible preference shares, with details set out in Notes 2(c) and 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 2020 and 2019, 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 2020 and 2019. As a result, the diluted earnings per share equals to the basic earnings per share for the six months ended 31 December 2020 and 2019.

Notes to the Condensed Consolidated Interim Financial Statements

10 DIVIDEND AND DISTRIBUTION

At a meeting held on 26 February 2021, the Board has resolved to declare the payment of an interim dividend of HK28.9 cents (Six months ended 31 December 2019: HK12.8 cents) per ordinary share to the ordinary shareholders of the Company for the six months ended 31 December 2020, equivalent to a total amount of HK\$130.05 million (For the six months ended 31 December 2019: HK\$57.60 million). The interim dividend will be paid in cash.

At a meeting held on 25 September 2020, 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 (For the six months ended 31 December 2019: Nil). The preferred distribution was paid in December 2020.

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

	Property, plant and equipment HK\$'000	Investment property HK\$'000	Right-of-use assets HK\$'000	Other intangible assets HK\$'000
Six months ended 31 December 2019				
Opening net book value as at				
1 July 2019	406,957	11,235	99,345	78,137
Exchange differences	(102)	–	(82)	–
Additions	10,719	–	8,688	300
Disposals	(31)	–	–	(420)
Depreciation and amortisation charges	(20,990)	(192)	(20,148)	(758)
Closing net book value as at				
31 December 2019	396,553	11,043	87,803	77,259
Six months ended 31 December 2020				
Opening net book value as at				
1 July 2020	371,873	10,850	72,177	76,503
Exchange differences	372	–	722	–
Additions	8,010	–	20,071	297
Disposals	(4,992)	–	–	–
Depreciation and amortisation charges	(18,637)	(192)	(20,096)	(647)
Losses related to disposal of subsidiaries (Note 16(b))				
— Impairment losses	(22,859)	–	(2,941)	–
— Net book value after impairment losses	(225)	–	–	–
Other impairment losses	(1,600)	–	–	(845)
Closing net book value as at				
31 December 2020	331,942	10,658	69,933	75,308

Notes to the Condensed Consolidated Interim Financial Statements

12 TRADE AND OTHER RECEIVABLES

	As at 31 December 2020 HK\$'000	As at 30 June 2020 HK\$'000
Trade receivables		
Third parties	455,673	457,108
Related companies (Note 17(c))	89,343	98,144
	545,016	555,252
Less: Provision for impairment		
Third parties	(8,625)	(9,451)
	536,391	545,801
Retention receivables		
Third parties	167,952	154,622
Related companies (Note 17(c))	216,992	193,991
	384,944	348,613
Other receivables and prepayments		
Third parties	181,345	154,683
Related companies (Note 17(c))	7,392	8,468
	188,737	163,151
Accrued contract revenue	341,354	445,546
Less: Provision for impairment	(149)	(149)
	341,205	445,397
Total	1,451,277	1,502,962

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

Expected credit losses

The Group determines the provision for expected credit losses by grouping together trade and other receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. For trade and other receivables relating to accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. 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 for because they have been undergoing financial difficulties.

Notes to the Condensed Consolidated Interim Financial Statements

12 TRADE AND OTHER RECEIVABLES *(Continued)*

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

	As at 31 December 2020 HK\$'000	As at 30 June 2020 HK\$'000
Current to 90 days	472,907	500,949
91 to 180 days	46,376	35,902
Over 180 days	17,108	8,950
Total	536,391	545,801

13 CASH AND BANK BALANCES

	As at 31 December 2020 HK\$'000	As at 30 June 2020 HK\$'000
Time deposits with original maturities within three months	197,941	194,353
Other cash at banks and on hand	624,013	506,593
Total	821,954	700,946

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			
	2020		2019	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each				
As at 1 July	900,000,000	90,000	1,000,000,000	100,000
Re-designation	–	–	(100,000,000)	(10,000)
As at 31 December	900,000,000	90,000	900,000,000	90,000
Convertible preference shares of HK\$0.1 each (Note i)				
As at 1 July	100,000,000	10,000	–	–
Re-designation	–	–	100,000,000	10,000
As at 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\$3.226 each (Note i)				
As at 1 July	43,676,379	140,900	–	–
Issued for the acquisition of the Acquired Group (Note i)	–	–	43,676,379	140,900
As at 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 2020 and 30 June 2020, 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.

Notes to the Condensed Consolidated Interim Financial Statements

14 SHARE CAPITAL *(Continued)*

Note

(i) 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\$3.226 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.

Notes to the Condensed Consolidated Interim Financial Statements

15 TRADE AND OTHER PAYABLES

	As at 31 December 2020 HK\$'000	As at 30 June 2020 HK\$'000
Trade payables		
Third parties	191,143	196,948
Related companies (Note 17(c))	258	492
	191,401	197,440
Other payables		
Third parties	313,879	242,396
Related companies (Note 17(c))	3,325	6,924
	317,204	249,320
Bills payable		
Third parties	26,428	2,000
Retention payables		
Third parties	251,017	242,469
Accrued expenses	234,556	253,417
Provision for contracting costs	584,874	694,680
Total	1,605,480	1,639,326

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 2020 HK\$'000	As at 30 June 2020 HK\$'000
1 to 90 days	171,007	178,001
91 to 180 days	9,315	9,465
Over 180 days	11,079	9,974
Total	191,401	197,440

Notes to the Condensed Consolidated Interim Financial Statements

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	
		2020 HK\$'000	2019 HK\$'000
Profit before income tax		352,262	176,159
Losses related to disposal of subsidiaries	6	26,220	–
Depreciation of right-of-use assets	11	20,096	20,148
Depreciation of property, plant and equipment	11	18,637	20,990
Provision/(reversal of provision) for inventories	7	7,141	(18)
Loss/(gain) on disposal of property, plant and equipment	6	4,567	(635)
Finance costs		3,111	2,503
Long service payment liabilities			
Expenses recognised in the condensed consolidated income statement		2,604	2,185
Benefit paid		(387)	(1,625)
Impairment loss on property, plant and equipment	11	1,600	–
Impairment loss on other receivables	6	1,200	–
Impairment loss on other intangible assets	11	845	–
Amortisation of other intangible assets	11	647	758
Impairment loss on trade receivables	7	473	2
Depreciation of investment property	11	192	192
Pension costs/(income) on defined benefits plan		179	(6)
Unrealised exchange differences		(2,730)	517
Reversal of impairment loss on trade receivables	7	(1,299)	(46)
Finance income		(1,092)	(3,297)
Share of results of an associate and joint ventures		(445)	(467)
Operating cash flows before changes in working capital		433,821	217,360
Change in working capital:			
Inventories		17,007	(12,608)
Net contract assets and liabilities		17,957	(127,495)
Trade and other receivables		77,801	85,607
Trade and other payables		(61,655)	(104,180)
Pension assets		(31)	–
Cash generated from operations		484,900	58,684

Notes to the Condensed Consolidated Interim Financial Statements

16 NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

(b) Disposal of subsidiaries

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

The following table summarises the book value of net assets of NCL being disposed of by the Group and the losses it recognised during the six months ended 31 December 2020 related to its disposal of NCL:

	Before impairment losses HK\$'000	Impairment losses HK\$'000	After impairment losses HK\$'000
Net assets disposed			
Property, plant and equipment (Note 11)	23,084	(22,859)	225
Right-of-use assets (Note 11)	2,941	(2,941)	–
Deferred tax assets	1,318	–	1,318
Inventories	2,877	–	2,877
Book value of net assets disposed	30,220	(25,800)	4,420

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

(c) Cash consideration for acquisition of a business

On 16 December 2019, the Group acquired the Acquired Group at a total consideration of HK\$743.4 million upon which the initial sum of consideration of HK\$704.9 million was satisfied by the Company through (i) the payment of HK\$564.0 million in cash and (ii) a non-cash consideration of HK\$140.9 million through the issuance and allotment by the Company of non-voting redeemable convertible preference shares. A final cash payment of the consideration of HK\$38.5 million was made on 13 February 2020 and thus resulted in a total cash consideration for the acquisition amounting to HK\$602.5 million. Details of the transactions are set out in Note 2(c) to the condensed consolidated interim financial statements.

(d) 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 rate.

Notes to the Condensed Consolidated Interim Financial Statements

16 NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

(e) Major non-cash transaction

On 16 December 2019, the Company issued HK\$140.9 million of convertible preference shares as part of its consideration for the acquisition of the Acquired Group. Details of the transaction are set out in Note 2(c) to the condensed consolidated interim financial statements.

During the six months ended 31 December 2020, the Group acquired right-of-use assets and recognised lease liabilities totalling HK\$20.1 million.

(f) Funds held on behalf of third parties

As at 31 December 2020, the Group held cash and bank balances totalling HK\$1,047.6 million (30 June 2020: HK\$995.1 million) in trust for owners of certain buildings which were under its management. These funds have not been included in the 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 2020 and 2019.

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

Name	Relationship
Beamland Limited	Note i
General Security (H.K.) Limited	Note i
Great City Developments Limited	Note i
Hong Kong Island Landscape Company Limited	Note i
Nova Insurance Consultants Limited	Note i
Nova Risk Services Holdings Limited	Note i
Perfect Modern Limited	Note i
Power Estate Investments Limited	Note i
Success Ocean Limited	Note i
上海華美達廣場有限公司	Note i
上海豐昌物業管理有限公司	Note i
AOS Management Limited	Note ii
ATL Logistics Centre Hong Kong Limited	Note ii
Atrend Fashion Limited	Note ii
Bright Link Engineering Limited	Note ii
Bright Moon Company Limited	Note ii
Broadway-Nassau Investments Limited	Note ii
Build King Construction Limited	Note ii
Calpella Limited	Note ii
Cheer Globe Limited	Note ii
CHI Studio Company Limited	Note ii
Chow Tai Fook Enterprises 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
Chow Tai Fook Jewellery and Watch (Macau) Limited	Note ii
Chow Tai Fook Jewellery Company Limited	Note ii
Chow Tai Fook Jewellery Group Limited	Note ii
CiF Solution Limited	Note ii
Cititop Limited	Note ii
Daily Land Limited	Note ii
Diamond International Limited	Note ii
Discovery Park Commercial Services Limited	Note ii
Donut Cafe Company Limited	Note ii
Donut Village Company Limited	Note ii
Earning Yield Limited	Note ii
Ever Light Limited	Note ii
Ever Right Limited	Note ii
GH Hotel Company Limited	Note ii
GHK Hospital Limited	Note ii
Global Winner 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 Co., Limited	Note ii
Hong Kong Island Development Limited	Note ii
Hong Kong Multiple Intelligence Education Company Limited	Note ii
Hyatt Regency Hong Kong	Note ii
Joy Century Limited	Note ii
K11 Art Mall Properties Company Limited	Note ii
K11 Artus Limited	Note ii
K11 Concepts Limited	Note ii
K11 IP Licence & Creation Company Limited	Note ii
K11 Property Management Company Limited	Note ii
K11 Retail & Corporate Sales Company Limited	Note ii
K11 Select Limited	Note ii
Kai Tak Sports Park Limited	Note ii
Kid World Services Limited	Note ii
Kiu Lok Properties Services (China) Limited	Note ii
Loyalton Limited	Note ii

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
Luxba Limited	Note ii
Maronne Limited	Note ii
Nature Discovery Park Limited	Note ii
New Gain Limited	Note ii
New Town Project Management Limited	Note ii
New World China Construction Limited	Note ii
New World China Land Limited	Note ii
New World Construction Company Limited	Note ii
New World Department Stores Limited	Note ii
New World Development (China) Limited	Note ii
New World Development Company Limited	Note ii
New World Facilities Management Company Limited	Note ii
New World Harbourview Hotel Co Limited	Note ii
New World Hotel Management Limited	Note ii
New World Project Management (China) Limited	Note ii
New World Property Management Company Limited	Note ii
New World TMT Limited	Note ii
New World Tower Company Limited	Note ii
NW Project Management Limited	Note ii
NWS Holdings Limited	Note ii
Park New Astor Hotel Limited	Note ii
Paterson Plaza Properties Limited	Note ii
Polytown Company Limited	Note ii
Pride Success Fashion Trading Limited	Note ii
Pridemax Limited	Note ii
Renaissance Harbour View Hotel HK	Note ii
Rosewood Hotels (HK) Limited	Note ii
Sky Connection Limited	Note ii
Space Enterprises Limited	Note ii
Sunfield Investments Limited	Note ii
Sunny Goal Limited	Note ii
Techni Development Investment Limited	Note ii
The Dynasty Club Limited	Note ii
Treasure Tower Holdings Limited	Note ii
Urban Parking Limited	Note ii
Vibro (H.K.) Limited	Note ii
Vibro Construction Company Limited	Note ii
Victoria Educational Organisation Limited	Note ii
Wallmax Limited	Note ii
Wealth Master Corporation Limited	Note ii
Win Win Way Construction Co., 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
Wise City Investment Limited	Note ii
北京崇文•新世界房地產發展有限公司	Note ii
北京祥和物業管理有限公司	Note ii
周大福創地置業(武漢)有限公司	Note ii
天津新世界環渤海房地產開發有限公司	Note ii
天津新世界百貨有限公司	Note ii
寧波公泰置業有限公司	Note ii
寧波新立房地產開發有限公司	Note ii
廊坊新世界房地產開發有限公司	Note ii
廣州市新御運營管理有限公司	Note ii
廣州永沛房地產開發有限公司	Note ii
新世界(瀋陽)房地產開發有限公司	Note ii
新世界協中建築有限公司	Note ii
新世界嘉業(武漢)有限公司	Note ii
新世界發展(武漢)有限公司	Note ii
深圳天得房地產開發有限公司	Note ii
清遠新世界旅遊發展有限公司	Note ii
湖南成功新世紀投資有限公司	Note ii
鄭州新世界百貨有限公司	Note ii

Notes:

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

Notes to the Condensed Consolidated Interim Financial Statements

17 RELATED PARTY TRANSACTIONS *(Continued)* (b) Transactions with related parties

	For the six months ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Contract revenue (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	1,060	925
Other related companies (Note ii)	875,438	604,225
Total	876,498	605,150
Facility service income (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	73	91
Other related companies (Note ii)	72,445	84,327
Total	72,518	84,418
Premises management service fee and building manager remuneration (Note iii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	1,790	435
Other related companies (Note ii)	12,735	8,145
Total	14,525	8,580
Handling fee income from a related company commonly controlled by the Ultimate Controlling Shareholder (Note iv)	18	20
Insurance broking service expenses to related companies commonly controlled by the Ultimate Controlling Shareholder (Note v)	20,971	14,383
Rental expenses/additions or modifications of right-of-use assets (Note vi)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	6,499	55
Other related companies (Note ii)	113	3,187
Total	6,612	3,242
Appointment fees to related companies (Note vii)	1,286	1,233
Disposal of plant and equipment to a related company (Note viii)	400	–
Security service expenses to a related company commonly controlled by the Ultimate Controlling Shareholder (Note ix)	1,711	1,457
Contracting service expenses to a related company (Note x)	1,434	–
Miscellaneous service fees (Note xi)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	1	33
Other related companies (Note ii)	–	103
Total	1	136

Notes to the Condensed Consolidated Interim Financial Statements

17 RELATED PARTY TRANSACTIONS *(Continued)*

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

Notes:

- (i) Revenue from provision of contracting services and facility 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 (Mr. Doo Wai Hoi, William).
- (iii) Premises management service fee and building manager remuneration was charged based on certain percentages of total expenditures of the properties in accordance with the management contracts.
- (iv) Handling fee income was charged at a rate mutually agreed between the parties.
- (v) Insurance broking service expenses were principally charged in accordance with the terms of the respective insurance policies.
- (vi) Rental expenses/additions or modification of rights-of-use assets were principally calculated in accordance with the terms of the respective rental agreements.
- (vii) Appointment fees were charged at prices and terms as agreed by both parties.
- (viii) Disposal of plant and equipment is at consideration mutually agreed between the parties.
- (ix) Security service expenses were charged at prices and terms as agreed by both parties.
- (x) Contracting service expenses were charged in accordance with the terms of the respective contracts.
- (xi) Miscellaneous service fees were charged based on fixed amounts mutually agreed by the parties.
- (xii) The above transactions with related parties are based upon mutually agreed terms and conditions.

Notes to the Condensed Consolidated Interim Financial Statements

17 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	As at 31 December 2020 HK\$'000	As at 30 June 2020 HK\$'000
Trade receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	565	20
Other related companies (Note i)	88,778	98,124
Total	89,343	98,144
Other receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	31	88
Other related companies (Note i)	7,361	8,380
Total	7,392	8,468
Contract assets due from related companies (Note i)	240,182	147,138
Contract liabilities due to related companies (Note i)	181,609	113,440
Retention receivables due from related companies (Note i)	216,992	193,991
Trade payables due to related companies commonly controlled by the Ultimate Controlling Shareholder	258	492
Other payables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	62	534
Other related companies (Note i)	3,263	6,390
Total	3,325	6,924
Lease liabilities		
Related companies commonly controlled by the Ultimate Controlling Shareholder	27,050	36,405
Other related companies (Note i)	394	1,482
Total	27,444	37,887

Note:

- (i) These related companies are companies of which the key management personnel are close members of the family of the Ultimate Controlling Shareholder (Mr. Doo Wai Hoi, William).

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	
	2020 HK\$'000	2019 HK\$'000
Fees	791	764
Salaries and other emoluments	33,915	21,358
Contributions to defined contribution schemes	1,194	917
Total	35,900	23,039

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 31 December 2020 HK\$'000	As at 30 June 2020 HK\$'000
	Property, plant and equipment	1,083

19 EVENTS AFTER THE REPORTING PERIOD

On 26 February 2021, FSE City Essential Services Limited (the "Buyer Co"), a wholly-owned subsidiary of the Company, as the purchaser and FMC, a fellow subsidiary of the Company, as the vendor entered into a conditional sale and purchase agreement, pursuant to which FMC agreed to sell, and the Buyer Co agreed to purchase, the entire issued share capital in Business Investments Limited and its subsidiaries ("Business Investments") at a total consideration of HK\$840.60 million (subject to adjustments, if any), comprising (i) a non-cash consideration of HK\$442.65 million settled through a proposed disposal of certain properties held by the Group to FMC; and (ii) a cash consideration of HK\$397.95 million, funded by the Group's internal resources. Business Investments is principally engaged in the provision of security guarding & event services, insurance solutions and landscaping services in Hong Kong. The completion of the transaction is subject to the fulfilment of certain conditions including the independent shareholders' approval. Upon completion of this acquisition transaction, the Group will account for it as a business combination under common control.

20 COMPARATIVE AMOUNTS

As explained in Note 5, due to a change in operating segments determined by the Group's CODM during the year ended 30 June 2020, certain comparative amounts have been restated to conform with the current period's presentation.