Management Discussion and Analysis

BUSINESS REVIEW

During the six months ended 31 December 2020 (the "period under review"), the Group recorded revenue amounting to HK$2,758.8 million, representing an increase of HK$338.5 million or 14.0%, as compared with HK$2,420.3 million for the six months ended 31 December 2019 (the "same period last year"). Profit attributable to shareholders for the period under review was HK$329.1 million, representing an increase of HK$185.1 million or 128.5% as compared with HK$144.0 million for the same period last year, mainly resulted from (i) an increase in new contracts awarded in facility/property management, and ad-hoc cleaning and disinfection projects following the outbreak of COVID-19; and (ii) the receipt of subsidies under the Employment Support Scheme (the "ESS Scheme") of the Hong Kong SAR Government; which are offset by (i) the loss recognised by the Group during the period under review in relation to its disposal of laundry business and (ii) a decrease in gross profit from the Group's E&M engineering and environmental services segment, mostly due to the significant cost savings of E&M engineering installation projects in Hong Kong and Macau in the prior year which are not repeated in the period under review. Details of the subsidies recognised by the Group are set out in Note 7 to the condensed consolidated interim financial statements.

E&M ENGINEERING & ENVIRONMENTAL SERVICES SEGMENT

E&M Engineering

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

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

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

As at 31 December 2020, the Group's E&M engineering projects encompassed a wide range of buildings and facilities, including government buildings and facilities, offices, shopping malls, convention and exhibition centres, hotels, integrated resorts, sports park, residential properties, universities, hospitals and airport facilities.

During the period under review, the Group submitted tenders for 393 E&M engineering projects (with a contract sum equal to or exceeding HK$1 million for each project, if awarded) with a total tender sum of HK$12,125 million and was awarded new contracts with a total value of HK$1,519 million, which included 86 contracts (with a net contract sum equal to or exceeding HK$1 million for each project) with a total net contract sum of HK$1,422 million. Among these contracts, 3 of them are major projects (with net contract sum equal to or exceeding HK$100 million for each project), which include a public housing development at Tai Po, 11 SKIES commercial development in Chek Lap Kok and Chow Tai Fook Finance Tower in Shenzhen Qianhai.

Environmental Services

The Group's environmental services business continues to provide environmental assessment and energy efficient solutions to assist its customers in achieving their environmental protection and energy conservation objectives.

During the period under review, the Group submitted tenders for 15 environmental service contracts (with a contract sum equal to or exceeding HK$1 million for each contract, if awarded) with a total tender sum of HK$55 million and was awarded new contracts with a total value of HK$38 million, which included 4 projects (with a net contract sum equal to or exceeding HK$1 million for each project) with a total net contract sum of HK$11 million.

As at 31 December 2020, this business segment has a total gross value of contract sum of HK$10,676 million with a total outstanding contract sum of HK$7,570 million.

INTEGRATED PROPERTY & FACILITY SERVICES SEGMENT

Cleaning Services

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

Regarding its cleaning service business, growing public awareness for clean and hygienic environment with better lifestyle and better home is boosting the demand of prestige service providers. Waihong, as a major player in the cleaning service market, specialises in providing the highest professional standard services efficiently and effectively for fulfilling different customers' needs.

Faced with the downturn of Hong Kong's economy, the demands for specialist cleaning services are full of challenges and opportunities. Waihong has successfully entered into the market segments of the government's Housing Authority and Hospital Authority through its management competence and effort during 2020. Such breakthrough has helped Waihong obtain several mega contracts from government and private markets during the period under review. Moreover, as a result of tremendous amount of new sterilisation service orders received, Waihong was able to gain a considerable amount of revenue and profit during the period of COVID-19 outbreak. Newly-built commercial buildings, residential properties and public facilities are expected to be increasingly established in the coming years. Waihong will benefit from the corresponding increase in demands for quality cleaning and hygiene services in the market. By capitalising on its extensive experience, systematic and customised services with distinctive brand, Waihong has competitive advantages to secure new service contracts and attain a high renewal rate for its existing contracts.

During the period under review, Waihong submitted tenders for 185 cleaning service contracts (with a contract sum equal to or exceeding HK$1 million for each service contract) with a total tender sum of HK$2,221 million and was awarded service contracts with a total value of HK$455 million, which included 53 service contracts (with a net contract sum equal to or exceeding HK$1 million for each service contract) with a total contract sum of HK$437 million. Among these 53 service contracts, 7 of them were major service contracts (with net contract sum equal to or more than HK$20 million for each service contract), which included 2 government properties in Kowloon, a hospital in the Northern District, a residential estate and a shopping mall in Shatin, a golf and tennis academy in Sai Kung and an exhibition centre in Wan Chai.

Management Discussion and Analysis

Laundry Services

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

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

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

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

Property and Facility Management Services

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

Urban and Kiu Lok are experts in six core property and facility management pillars: (i) residential property assets management; (ii) facilities management and operations, including both public and private sectors; (iii) commercial, retail and industrial premises operations, (iv) project management; (v) leasing and tenancy management and (vi) car park operations and management. Their property asset and facility services cover all kinds of property and facility assets including government offices and quarters, academic campus and educational institutes, service apartments, Grade A intelligent buildings and commercial complexes, modern industrial premises, composite residential developments to regional car parks and various kinds of public and private facility assets.

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

During the period under review, Urban and Kiu Lok submitted tenders for 11 service contracts (with a contract sum equal to or exceeding HK$1 million for each service contract) with a total tender sum of HK$227 million and was awarded 13 service contracts (with a net contract sum equal to or exceeding HK$1 million for each service contract) with a total contract sum of HK$188 million. Among these 13 service contracts, 2 of them were major service contracts (with net contract sum equal to or more than HK$20 million) for carparks of shopping malls.

As at 31 December 2020, this business segment has a total gross value of contract sum of HK$4,687 million with total outstanding contract sums of HK$1,645 million for its cleaning services and HK$1,601 million for its property and facility management services businesses, respectively.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

During the period under review, the Group's revenue increased by HK$338.5 million or 14.0% to HK$2,758.8 million from HK$2,420.3 million for the same period last year, reflecting higher revenue from its E&M engineering & environmental services segment and integrated property & facility services segment amounting to HK$257.0 million and HK$81.5 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			
	2020		2019 (restated)	
	HK$'M	**% of total revenue**	HK$'M	% of total revenue
E&M engineering & environmental services*	**1,777.6**	**64.4%**	1,520.6	62.8%
Integrated property & facility services*	**981.2**	**35.6%**	899.7	37.2%
Total	**2,758.8**	**100.0%**	2,420.3	100.0%

* Segment revenue does not include inter-segment revenue.

	For the six months ended 31 December			
	2020 HK$'M	2019 HK$'M	Change HK$'M	% Change
Hong Kong	**2,474.3**	2,096.1	378.2	18.0%
Mainland China	**153.1**	207.1	(54.0)	(26.1%)
Macau	**131.4**	117.1	14.3	12.2%
Total	**2,758.8**	2,420.3	338.5	14.0%

- *E&M (electrical and mechanical) engineering & environmental services:* This segment continued to be the key revenue driver of the Group and contributed 64.4% (Six months ended 31 December 2019: 62.8% (restated)) of the Group's total revenue. Segment revenue of HK$1,777.6 million (Six months ended 31 December 2019: HK$1,520.6 million) for the period under review composed of revenue from the provision of E&M engineering and environmental services amounting to HK$1,743.5 million (Six months ended 31 December 2019: HK$1,484.1 million) and HK$34.1 million (Six months ended 31 December 2019: HK$36.5 million) respectively. Segment revenue increased by 16.9% or HK$257.0 million to HK$1,777.6 million from HK$1,520.6 million, mainly reflecting an increase in revenue contribution from Hong Kong and Macau by HK$296.7 million and HK$14.3 million respectively, partly offset by a reduction in revenue contribution from Mainland China amounting to HK$54.0 million. The increased revenue contribution from Hong Kong and Macau mainly reflected a number of E&M engineering installation and renovation projects, including 11 SKIES and District Cooling System at Kai Tak Development Phase III in Hong Kong and St. Regis Service Apartment in Macau, which had substantial progress this period, partly offset by lower revenue contribution from the Tianjin Chow Tai Fook Financial Centre project which had substantial progress in same period last year. It should be noted that, under contract terms, only the management fees and reimbursable costs are reflected in the revenue of the Kai Tak Sports Park project.

Management Discussion and Analysis

- *Integrated property & facility services:* This segment, which presently principally provides services in Hong Kong, contributed 35.6% (Six months ended 31 December 2019: 37.2% (restated)) of the Group's total revenue. Segment revenue of HK$981.2 million (Six months ended 31 December 2019: HK$899.7 million (restated)) for the period under review comprises provision of cleaning services, laundry services and property and facility management services amounting to HK$612.3 million (Six months ended 31 December 2019: HK$550.7 million)), HK$29.1 million (Six months ended 31 December 2019: HK$71.4 million) and HK$339.8 million (Six months ended 31 December 2019: HK$277.6 million) respectively and grew HK$81.5 million or 9.1%. Such growth was mainly attributable to (i) contributions from a number of new general cleaning service contracts, which encompassed a wide range of buildings and facilities, including shopping malls, government buildings, residential and commercial properties and an exhibition centre, (ii) additional ad-hoc intensive disinfection cleaning contracts following the outbreak of COVID-19 and (iii) higher revenue from the property and facility management services business, mainly driven by a newly awarded property management contract for the government buildings in the New Territories and epidemic-induced additional works, partly offset by a reduction in revenue from the laundry business resulted from the plummeting tourist arrivals and lower hotel room occupancy rates following the outbreak of COVID-19.

Gross profit

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

	For the six months ended 31 December			
	2020		2019 (restated)	
	HK$'M	**% of total gross profit**	HK$'M	% of total gross profit
E&M engineering & environmental services	**226.4**	**40.9%**	223.0	59.8%
Integrated property & facility services	**327.5**	**59.1%**	149.9	40.2%
Total	**553.9**	**100.0%**	372.9	100.0%

	For the six months ended 31 December			
	2020		2019 (restated)	
	Gross profit HK$'M	**Gross profit margin %**	Gross profit HK$'M	Gross profit margin %
E&M engineering & environmental services	**226.4**	**12.7**	223.0	14.7
Integrated property & facility services	**327.5**	**33.4**	149.9	16.7
Total	**553.9**	**20.1**	372.9	15.4

During the period under review, the Group's E&M engineering & environmental services segment and integrated property & facility services segment contributed 40.9% (Six months ended 31 December 2019: 59.8%) and 59.1% (Six months ended 31 December 2019: 40.2%) of its gross profit respectively. The Group's gross profit increased by HK$181.0 million or 48.5% to HK$553.9 million for the six months ended 31 December 2020 from HK$372.9 million for the same period last year, with an overall gross profit margin increased to 20.1% from 15.4%. The increase in gross profit was driven by the integrated property & facility services segment recording an increase in the gross profit of HK$177.6 million to HK$327.5 million from HK$149.9 million, with its gross profit margin increased to 33.4% from 16.7%, mostly attributable to an increase in new contracts awarded in facility/property management, and ad-hoc cleaning and disinfection projects following the outbreak of COVID-19 and the receipt of COVID-19 related government grants.

Management Discussion and Analysis

The gross profit of the E&M engineering & environmental segment remained stable with its gross profit margin decreased to 12.7% from 14.7%, mostly due to the significant cost savings of E&M engineering installation projects in Hong Kong and Macau in the prior year which are not repeated in the period under review.

General and administrative expenses

General and administrative expenses for the period under review decreased by 14.5% to HK$170.9 million compared to HK$199.9 million for the same period last year. Such decrease of HK$29.0 million mostly reflected a successful cost savings campaign, reduced depreciation of leasehold improvement and the COVID-19 related government grants during the period under review.

Other (expenses)/income, net

Other net expenses of HK$29.2 million was recorded by the Group during the period under review as compared to other net income of HK$1.9 million recorded in the same period last year. The net expenses recorded during the period under review mainly represented the Group's losses related to disposal of its laundry business of HK$26.2 million.

Finance income

For the period under review, the Group recorded finance income of HK$1.1 million compared to HK$3.3 million recorded in the same period last year. The decrease mainly reflected lower average market interest rates on the Group's bank deposits placed in Hong Kong.

Finance costs

The Group's finance costs of HK$3.1 million (Six months ended 31 December 2019: HK$2.5 million) for the period under review included interest expenses of HK$2.3 million for the Group's bank loan financing its acquisition of the property and facility management services business in December 2019 (Six months ended 31 December 2019: HK$0.8 million for the Group's bank loan financing its acquisition of property and facility management business and HK$0.3 million for the property and facility management services business' short-term bank borrowings which were fully repaid) and finance costs on lease liabilities of HK$0.8 million (Six months ended 31 December 2019: HK$1.4 million).

Income tax expenses

The effective tax rate of the Group reduced by 11.7% to 6.6% (Six months ended 31 December 2019: 18.3%), mainly attributable to 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			
	2020	2019 (restated)	Change	% Change
	HK$'M	HK$'M	HK$'M	
E&M engineering & environmental services	**131.3**	102.2	29.1	28.5%
Integrated property & facility services	**212.3**	56.4	155.9	276.4%
Unallocated corporate expenses and finance costs*	**(14.5)**	(14.6)	0.1	(0.7%)
Total	**329.1**	144.0	185.1	128.5%

* Unallocated corporate expenses and finance costs comprise the Company's corporate expenses of HK$12.2 million (Six months ended 31 December 2019: HK$13.8 million) and interest expenses of HK$2.3 million (Six months ended 31 December 2019: HK$0.8 million). The corporate expenses in the period under review included legal and professional fees of HK$10.0 million incurred for the Group's contemplated acquisition of a group of businesses engaged in the provision of security guarding & event services, insurance solutions and landscaping services, whereas the amount for the same period of last year included legal and professional fees of HK$11.6 million incurred for the acquisition of property and facility management services business.

As a result of the foregoing, the Group's profit for the period under review increased by 128.5% or HK$185.1 million to HK$329.1 million compared to HK$144.0 million in the same period last year. The increase mainly resulted from (i) an increase in new contracts awarded in facility/property management, and ad-hoc cleaning and disinfection projects following the outbreak of COVID-19; and (ii) the receipt of subsidies under the ESS Scheme of the Hong Kong SAR Government; which are offset by (i) the loss recognised by the Group during the period under review in relation to its disposal of laundry business and (ii) a decrease in gross profit from the Group's E&M engineering and environmental services segment, mostly due to the significant cost savings of E&M engineering installation projects in Hong Kong and Macau in the prior year which are not repeated in the period under review. Details of the subsidies recognised by the Group are set out in Note 7 to the condensed consolidated interim financial statements. The net profit margin of the Group improved to 11.9% for the period under review from 6.0% for the same period last year.

Other comprehensive income/(loss)

The Group recorded other comprehensive income for the period under review of HK$16.8 million (Six months ended 31 December 2019: other comprehensive loss of HK$4.0 million), reflected a favourable exchange reserve movement of HK$12.5 million (Six months ended 31 December 2019: unfavourable exchange movement of HK$3.4 million) recorded during the period under review following an appreciation of the Renminbi ("RMB") for conversion of the Group's net investments in Mainland China and remeasurement gains on defined benefit retirement scheme of HK$0.9 million (Six months ended 31 December 2019: HK$1.0 million) and long service payment liabilities of HK$3.4 million (Six months ended 31 December 2019: losses of HK$1.6 million).

Management Discussion and Analysis

Liquidity and financial resources

The Group's finance and treasury functions are centrally managed and controlled at its headquarters in Hong Kong. As at 31 December 2020, the Group had total cash and bank balances of HK$822.0 million (30 June 2020: HK$700.9 million), of which 88%, 8% and 4% (30 June 2020: 92%, 6% and 2%) were denominated in Hong Kong dollars, RMB and other currencies respectively, and total borrowings of HK$263.7 million (30 June 2020: HK$463.2 million) denominated in Hong Kong dollars. The Group's net cash balance increased by HK$320.6 million to HK$558.3 million as at 31 December 2020 as compared to HK$237.7 million as at 30 June 2020 mainly reflecting the net cash inflow from the Group's operating activities, partly offset by its distribution of the Company's final dividend for the year ended 30 June 2020 of HK$64.8 million and preferred distribution on the convertible preference shares of HK$8.5 million. The Group's net gearing ratio was maintained at zero as at 31 December 2020 (30 June 2020: 0%). This ratio is calculated as net debt divided by total equity. Net debt is calculated as total bank borrowings less cash and cash equivalents.

Adopting a prudent financial management approach in implementing its treasury policies, the Group maintained a healthy liquidity position throughout the reporting period. As at 31 December 2020, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and/or trade financing of HK$2,521.5 million (30 June 2020: HK$2,556.4 million). As at 31 December 2020, HK$804.2 million (30 June 2020: HK$959.1 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 2020, the Group's total debt decreased to HK$263.7 million from HK$463.2 million as at 30 June 2020. All the bank borrowings of HK$263.7 million as at 31 December 2020 will mature in December 2021. It is denominated in Hong Kong Dollar and bears interest at floating rates.

Foreign currency exposure

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

As part of the Group's business is carried out in Mainland China, some of its assets and liabilities are denominated in RMB. The majority of these assets and liabilities had arisen from the net investments in Mainland China operations with net assets of HK$184.8 million (30 June 2020: HK$169.7 million) as at 31 December 2020. 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 8.4% (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 2020, if the Hong Kong dollars had strengthened/weakened by another 8.4% against the RMB with all other variables unchanged, the Group's other comprehensive income would have been HK$15.5 million lower/higher.

Management Discussion and Analysis

Use of net proceeds from listing

Between 10 December 2015 (date of listing of the Company) and 31 December 2020, the net proceeds of HK$264.5 million received from the Company's Initial Public Offering ("IPO") or Global Offering (referred to the prospectus issued by the Company on 26 November 2015) and the revised use of unutilised proceeds of HK$133.5 million as stated in the Company's announcement dated 26 June 2018 were applied in the manner as shown in the table below:

	Original use of proceeds from Global Offering HK$'M	Utilised amount as at 26 June 2018 HK$'M	Revised use of proceeds pursuant to the Company's announcement dated 26 June 2018 HK$'M	Aggregated utilised amount from 27 June 2018 to 30 June 2020 HK$'M	Aggregated utilised amount from 1 July 2020 to 31 December 2020 HK$M	Unutilised amount as at 31 December 2020 HK$'M
Investment in/acquisition of companies engaged in the installation and maintenance of ELV system	81.6	5.9	–	–	–	–
Development of environmental management business	51.0	3.6	20.0	20.0	–	–
Operation of E&M engineering projects on hand and prospective projects	47.4	47.4	88.1	88.1	–	–
Staff-related additional expenses	20.0	20.0	–	–	–	–
Development and enhancement of design capability	19.3	18.3	16.0	16.0	–	–
Enhancement of quality testing laboratory	12.2	4.9	7.3	3.7	0.8	2.8
Upgrade of corporate information technology system and software	8.0	5.9	2.1	2.1	–	–
General working capital	25.0	25.0	–	–	–	–
Total	264.5	131.0	133.5	129.9	0.8	2.8

The Group has utilised HK$261.7 million of the net proceeds from Global Offering, of which HK$0.8 million was utilised during the period under review with the actual usage consistent with the usage as intended and previously disclosed by the Company. The Group expects that the remaining balance of the IPO proceeds in the amount of HK$2.8 million will be utilised in accordance with the manner as shown in the table above within 3 years up to 2023. The Group held the unutilised net proceeds mainly in short-term deposits or time deposits with licensed banks and authorised financial institutions in Hong Kong.

Capital commitments

As at 31 December 2020, the Group had capital commitments of HK$1.1 million (30 June 2020: HK$0.5 million) in relation to the purchase of equipment.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2020 and 30 June 2020.

Convertible preference shares

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

The convertible preference shares are (i) convertible into 43,676,379 ordinary shares of the Company at an initial price of HK$3.2260 per share (subject to adjustments upon occurrence of certain prescribed events, including consolidation, subdivision or reclassification of shares in the capital of the Company, capitalisation of profits or reserves etc., in each case if not also made available to the holder(s) of the convertible preference shares), provided that any conversion shall not result in the Company failing to comply with any public float requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, within a period of 10 years after their date of issue of 16 December 2019 (the "Issue Date") and (ii) redeemable by the Company at its sole discretion at a redemption price equals to the Issue Price together with all outstanding preferred distributions accrued to the date fixed for redemption at any time after 10 years following the Issue Date. The convertible preference shares are treated as contingently issuable potential ordinary shares under Hong Kong Accounting Standard ("HKAS") 33 "Earnings per Share" and, since the conditions for their conversion were not met as at 31 December 2020, the effect of their conversion is not included in the calculation of the diluted earnings per share for six months ended 31 December 2020 and 2019 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 2020 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 2020 would be HK$0.67 per share, calculated as the Group's profit attributable to shareholders of the Company of HK$329.1 million divided by the weighted average number of the Company's ordinary shares in issue of 493.7 million (after taking into account the weighted average number of incremental number of ordinary shares that would be issued from the conversion of the convertible preference shares on its Issue Date of 43.7 million). The convertible preference shares confer their holder(s) the right to receive preferred distributions from the Issue Date at a rate of 6.0% per annum on its Issue Price, payable annually in arrears. As (i) the Company may at its sole discretion redeem either in whole or in part the convertible preference shares for the time being outstanding (i.e. it has no obligation to settle them in cash unless it elects at its sole discretion to redeem) and (ii) the convertible preference shares are only convertible within a period of 10 years after the Issue Date but redeemable only after 10 years following the Issue Date, an analysis on the Company's share price at which it would be equally financially advantageous for the convertible preference share holder(s) to convert or redeem the convertible preference shares based on their implied rate of return at a range of dates in the future is not applicable. Based on the financial and liquidity position of the Group (with details set out in the paragraphs headed "Liquidity and financial resources" of this section), to the best knowledge of the Company, the Company expects that it will be able to meet its redemption obligations under the outstanding convertible preference shares issued by it.

Management Discussion and Analysis

Proposed acquisition

On 26 February 2021, FSE City Essential Services Limited (the "Buyer Co"), a wholly-owned subsidiary of the Company, as the purchaser and FSE Management Company Limited ("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 which are principally engaged in the provision of security guarding & event services, insurance solutions and landscaping services in Hong Kong. Details of this transaction are set out in Note 19 to the condensed consolidated interim financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group had a total of 14,098 employees (31 December 2019: 13,326), including 4,961 (31 December 2019: 5,078) casual workers and employees whose relevant costs are directly reimbursed by or charged to our customers or sub-contractors. Staff costs for the period under review, including salaries and benefits, was HK$762.0 million (Six months ended 31 December 2019: HK$834.3 million). The decrease mainly reflects various grants received by the Group from the Hong Kong, Mainland China and Macau governments recognised as deductions in its staff costs.

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

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

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

OUTLOOK

E&M Engineering & Environmental Services Segment

1. **Installation Services**

   In Hong Kong, the government targets to maintain an annual works expenditure of over $100 billion in the next few years as stated in its 2020 Policy Address. According to the construction expenditure forecast provided by the Construction Industry Council in September 2020, expenditure in E&M construction works each year will amount to over HK$25 billion for the public sector and over HK$23 billion for the private sector over the next five years.

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

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

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

For private residential and commercial developments, the proposed major developments include urban renewal redevelopment projects, the developments at the Kai Tak Development Area, Yau Tong and Ap Lei Chau, together with the railway property developments including West Kowloon High Speed Rail Station, LOHAS Park Station, Wong Chuk Hang Station, Ho Man Tin Station, etc. The Hong Kong Government will also examine the development of Tseung Kwan O Area 137 for residential and commercial development and other relevant purposes.

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

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

On top of the HK$200 billion invested in the first 10-year plan, the Hong Kong Government has committed to an extra HK$300 billion capital works programme to support the second 10-year hospital development plan, improve the clinic facilities of the Department of Health, and upgrade and increase healthcare training facilities. In addition, the Hong Kong Government has decided to finance HK$5 billion for the construction of a Chinese medicine hospital and the Government Chinese Medicines Testing Institute at Pak Shing Kok in Tseung Kwan O which is expected to be operated in 2024.

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

Management Discussion and Analysis

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

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

The Hong Kong Government also requested the Airport Authority Hong Kong to create at Lantau an Aerotropolis connecting the Greater Bay Area and the world. These include the construction of a three-runway system (2022), the expansion of the existing Terminal 2 (2024), the development of a high value-added logistics centre at the South Cargo Precinct (2023), the 11 SKIES development projects (2021–2027) and the development of phase two of AsiaWorld-Expo at the Hong Kong International Airport.

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

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

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

Since the establishment of the new ELV division, the Group has been awarded several ELV projects including four projects on Sai Yuen Lane, Sheung Heung Road, Luk Hop Street and Waterloo Road, two public housing projects on Texaco Road in Tsuen Wan and Tung Chung Area 27, an office development project at King's Road in North Point, an Aviation Training Centre at Chek Lap Kok, Inland Revenue Tower at Kai Tak, Immigration Headquarter at Tseung Kwan O Area 67, Kai Tak Sports Park and 11 SKIES commercial development at Chep Lap Kok.

Management Discussion and Analysis

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

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

The filibustering in the Legislative Council delaying award of new public works contracts may have been passed. The Legislative Council will gradually approve and release new public works contracts for tendering in coming years, and the Group is strived to secure major new public works.

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

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

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

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

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

Management Discussion and Analysis

2. Maintenance Services

As reflected in the statistics available, currently about 500 new buildings will be constructed each year and over 65% of the existing buildings (approximately 42,000) aged over 20 years in Hong Kong including 1,700 commercial buildings, 1,600 industrial buildings and 24,000 residential buildings. Thus, the maintenance section of the Group's E&M engineering services envisages a growing demand for the term maintenance contracts from different prestigious commercial and residential buildings, hospitals, the public sector and educational institutions seeking the service of quality contractors to assist them in maintaining their properties in the best possible condition. Large-scale alteration and addition and system retrofit works are also set to provide favourable returns to the maintenance section.

3. Environmental Services

Increasing public awareness of the importance of sustainable environment has fuelled the demand for environmental engineering services and products. The Building Energy Efficiency Ordinance (Chapter 610 of the Laws of Hong Kong) enacted in 2012 continues to support the business development of the Group's environmental consultancy services. Its seawater and fresh water treatment and odour removal products such as electro-chlorination and biotech deodorisation systems respectively have brought steady growth to its environmental engineering segment.

Our laboratory has been accredited by the Hong Kong Accreditation Service under the Hong Kong Laboratory Accreditation Scheme (HOKLAS) since 2015 which complement the work of the E&M engineering & environmental services segment. The Group has also been approved as an Accredited Indoor Air Quality ("IAQ") Certificate Issuing Body ("CIB"). The inspection works of IAQ further strengthen the Group's environmental consultancy services.

Integrated Property & Facility Services Segment

1. Cleaning Services

Following the enhancement in preventive infection measures for public and private facilities required during the period of COVID-19 outbreak in Hong Kong, there are currently tremendous demands of antiviral coating and sterilisation services in our society. Waihong also reaps benefit from providing numerous sterilisation service orders by its current clients and ad-hoc customers over the past year. Waihong's management believes that such kind of disinfection services would keep in high demand in the market until the pandemic is under control by effective vaccines around the world. Further, Waihong's management has invested more resources to strive for mega service contracts from different government departments after its success in entering the market segments of the government's Housing Authority and Hospital Authority. Waihong will seek for opportunities to provide more one-off service orders of antiviral coating and sterilisation services which generate higher profit and expand its market share in the government sector.

Towards global trend of smart city development embracing innovation and technology, Waihong has introduced some innovative technologies which comprise 11 units of robotic equipment used for different workplaces to enhance its productivity and a comprehensive electronic patrol system for operations teams to enhance its management efficiency. Waihong has partnered with some strategic business vendors to establish its competitive edges in the industry for further expanding its specialist and sterilisation services to clients by smart and advance systems. Further, Waihong has been promoting smart toilet systems to commercial buildings for enhancing their management standard and establishing strategic partnership with its prime clients through its value-added services provided. Waihong's management will continue to explore diversified services with innovative strategies to satisfy market demands.

Sustaining its service contracts with its current clients is one of Waihong's main development objectives. With a view to increase its competitiveness in keeping the current service contracts, Waihong's management has strived to lower its operating costs and introduced smart innovative equipment to attract clients for contract renewal.

Going forward, Waihong will reallocate its labour resources to reduce operations costs and seek for new business opportunities from relatively stable clients such as public institutions or government facilities. On one hand, Waihong's management is mindful of tightening its control on expenditure to cope with the current tough time. On the other hand, Waihong will improve its fleet by replacing some of its vehicles in the coming months for expanding its transport capacity for food waste and municipal solid waste collections, acting in concert with the government's Environmental Protection Department's environmental policies.

2. Property and Facility Management Services

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

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

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

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

Management Discussion and Analysis

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

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

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

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

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

Regarding our E&M engineering business, as a result of the government's measures to contain the spread of the virus, the works of our construction projects have already experienced disruptions mainly in the aspects below:

- disruptions to supply and distribution channels have caused delays in supply of construction materials and pre-fabricated parts particularly from Mainland China; and
- shortage of labour force as workers from Mainland China have to be quarantined for 14 days mandatorily. This labour shortage is especially severe in Macau as the majority of workers there comes from the Mainland China.

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

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

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

Our cleaning and property and facility management services businesses have faced relatively less disruptions. The COVID-19 outbreak has created more ad-hoc demands for intensive disinfection cleaning services and additional works from the existing property and facility management contracts. Nevertheless, for the sake of containing the risks arising from the epidemic, our cleaning and property and facility management services operations have implemented various precautionary measures including the followings:

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

Our environmental management services business remains as usual and stable under the current situation.

To cope with the resurgence of COVID-19 as reflected in the recent increase in its confirmed cases, we will closely monitor its latest development and the effectiveness of remedial measures we adopted and adjust them when required on a timely basis.

Conclusion

Despite the challenges and operational difficulties we face in this financial year, in particular those arising from the outbreak of COVID-19, the Group's operations remained stable and the Group was able to record a remarkable growth in its profit in the period under review. In addition, the Group shall endeavour to maintain a strong financial position so as to stay poised for new investment opportunities as and when they arise. We are confident that the Group will continue to grow.