

Notes to the Condensed Consolidated Interim Financial Statements

1 GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries (together, the “Group”) are principally engaged in provision of property and facility management services, property agency and related services for buildings, carparks management services, cleaning and management of waste disposal services, recycling and environmental disposal services, security guarding & event services, insurance solutions services, trading of environmental products and provision of related engineering and consultancy services, trading of building materials, landscaping services in Hong Kong and provision of mechanical and electrical engineering services in Hong Kong, Mainland China and Macau. The ultimate holding company of the Company is FSE Holdings Limited (“FSE Holdings”) incorporated in the Cayman Islands. The directors consider Mrs. Doo Cheng Sau Ha, Amy to be the ultimate controlling shareholder (the “Ultimate Controlling Shareholder”).

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

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

This condensed consolidated interim financial information has been approved for issue by the board of directors of the Company (the “Board”) on 24 February 2022.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 31 December 2021 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 2021, 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 2021.

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

For the six months ended 31 December 2021, the Group adopted the following new amendments to existing standards which are effective for the accounting periods of the Group beginning on 1 July 2021:

Amendments to HKFRS 4, HKFRS 7, HKFRS 9,
HKFRS 16 and HKAS 39

Interest Rate Benchmark Reform — Phase 2

Amendments to HKFRS 16

Covid-19-Related Rent Concessions beyond 30 June 2021

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

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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 have been issued but not yet effective for the Group's financial year beginning on 1 July 2021 and have not been early adopted by the Group:

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

The Group has already commenced an assessment of the impact of the above pronouncements to the Group and considered that there will not be any substantial changes to the Group's accounting policies and presentation of its 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 26 February 2021, the Company and FSE City Essential Services Limited (“FCESL”), a direct wholly-owned subsidiary of the Company, as the purchaser and FSE Management Company Limited (“FMC”), a fellow subsidiary of the Company, as a vendor entered into a conditional sale and purchase agreement, pursuant to which FMC agreed to sell, and the Company agreed nominate FCESL to purchase the entire issued share capital of Business Investments Limited (the “Business Investments Sale Share”) and its subsidiaries and a 20% indirectly owned interest in a joint venture company (the “Business Investments Group”) at an initial sum of consideration of HK\$840.6 million, subject to subsequent adjustment by reference to the change in the net tangible asset value (“NTAV”) of the Business Investments Group from 31 December 2020 to the date of completion of the acquisition (the “Business Investments Acquisition”). The initial sum of consideration was satisfied by the Company through (i) a non-cash consideration of HK\$442.6 million settled through a disposal of the entire issued share capital of certain property holding companies of the Group (the “Property Holdcos”) and a property (the “Disposal Property”) to FMC and (ii) a payment of HK\$398.0 million in cash, funded by the Group’s internal resources. The Property Holdcos comprise Best Culture Holdings Limited and its subsidiary, Fultech Development Limited, Heritage Star Limited and its subsidiary, Optimum Result Holdings Limited and its subsidiary and Top Line Investment Limited. The Business Investments Group is principally engaged in the provision of security guarding & event services, insurance solutions and landscaping services in Hong Kong.

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

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

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 *(Continued)*

The following are reconciliations of the effects arising from the accounting of common control combination in accordance with AG 5 on the Group's condensed consolidated income statements and condensed consolidated statements of comprehensive income in connection with the Business Investments Group for the six months ended 31 December 2020.

(i) Effect on the condensed consolidated income statement for the six months ended 31 December 2020 (unaudited):

	The Group (before business combination under common control) HK\$'000	Effect of business combination under common control of the Business Investments Group HK\$'000	Adjustments (Note) HK\$'000	Consolidated HK\$'000
Revenue	2,758,825	396,883	(3,017)	3,152,691
Cost of services and sales	(2,204,918)	(217,439)	3,017	(2,419,340)
Gross profit	553,907	179,444	–	733,351
General and administrative expenses	(170,885)	(29,420)	18	(200,287)
Other (expenses)/income, net	(29,186)	909	(18)	(28,295)
Operating profit	353,836	150,933	–	504,769
Finance income	1,092	321	–	1,413
Finance costs	(3,111)	(26)	–	(3,137)
Share of results of associates and joint ventures	445	80	–	525
Profit before income tax	352,262	151,308	–	503,570
Income tax expenses	(23,150)	(8,968)	–	(32,118)
Profit for the period	329,112	142,340	–	471,452
Attributable to:				
Shareholders of the Company	329,075	142,340	–	471,415
Non-controlling interests	37	–	–	37
	329,112	142,340	–	471,452
Earnings per share for profit attributable to ordinary shareholders of the Company (expressed in HK\$)				
Basic and diluted	0.72	0.32	–	1.04

Note: The adjustments represent the elimination of revenue and expenses charged between the Group and the Business Investments Group.

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

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

- (ii) Effect on the condensed consolidated statement of comprehensive income for the six months ended 31 December 2020 (unaudited):

	The Group (before business combination under common control) HK\$'000	Effect of business combination under common control of the Business Investments Group HK\$'000	Consolidated HK\$'000
Profit for the period	329,112	142,340	471,452
Other comprehensive income:			
<i>Items that may be subsequently reclassified to condensed consolidated income statement:</i>			
Currency translation differences	12,469	–	12,469
<i>Item that will not be subsequently reclassified to condensed consolidated income statement:</i>			
Remeasurement gains on defined benefit retirement scheme, net of tax	882	1,079	1,961
Remeasurement gains on long service payment liabilities, net of tax	3,400	2,731	6,131
Other comprehensive income, net of tax	16,751	3,810	20,561
Total comprehensive income for the period	345,863	146,150	492,013
Attributable to:			
Shareholders of the Company	345,826	146,150	491,976
Non-controlling interests	37	–	37
	345,863	146,150	492,013

No other significant adjustments were made by the Group during the period to the net profit or loss of any entities of the Group and the Business Investments Group as a result of the business combination under common control to achieve consistency of accounting policies.

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 2021.

There have been no changes in the risk management policies since the Group's financial year ended 30 June 2021.

3.2 Fair value estimation

At 31 December 2021 and 30 June 2021, 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 2021.

5 REVENUE AND SEGMENT INFORMATION

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

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

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

	For the six months ended	
	2021	2020
	HK\$'000	(restated) HK\$'000
Revenue		
Property & facility management services	343,384	328,226
City essential services		
— Cleaning services	674,977	612,262
— Technical support & maintenance services		
— Renovations, system retrofit and repairing ⁽ⁱ⁾	363,717	379,084
— Routine maintenance ⁽ⁱⁱ⁾	58,156	56,541
— Security guarding & event services		
— Rendering of services	318,805	332,517
— Sales of goods ⁽ⁱⁱⁱ⁾	7,057	4,113
— Insurance solutions	50,831	44,933
— Environmental solutions		
— Rendering of services ^(iv)	70,385	51,782
— Sales of goods ^(v)	47,485	37,316
— Laundry services ^(vi)	–	29,094
	1,591,413	1,547,642
E&M services	1,416,166	1,276,823
Total^(vii)	3,350,963	3,152,691

Notes:

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

Notes to the Condensed Consolidated Interim Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Notes: *(Continued)*

- (vi) Up to 31 December 2020 when the Group disposed of its laundry business as described in Note 16(b).
- (vii) An analysis of the Group's contracting revenue recognised based on percentage of actual costs incurred over total estimated costs of individual contracting work is as follows:

	For the six months ended 31 December	
	2021	2020 (restated)
	HK\$'000	HK\$'000
Technical support & maintenance services		
— Renovations, system retrofit and repairing	54,097	65,405
Environmental solutions		
— Rendering of services	31,750	8,358
E&M services	1,416,166	1,276,823
Total	1,502,013	1,350,586

Following the acquisition of security guarding & event services, insurance solutions and landscaping services businesses as described in Note 2(c) and the anticipated rapid growth in the Group's Extra Low Voltage ("ELV") business starting from this financial year, the Group's CODM has reorganised the Group's businesses into three major business segments as described below to align more closely with the market dynamics and the Group's strategic direction. As a result of such changes occurred during the year ended 30 June 2021 and six months ended 31 December 2021 respectively, the Group's prior period corresponding segment information that is presented for comparative purpose has been restated accordingly.

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

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

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

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

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

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

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

As at 31 December 2021 and 30 June 2021, unallocated assets and unallocated liabilities represented the assets and liabilities not arising from the operations of the operating segments.

Prior period's corresponding segment information that is presented for comparative purposes has been restated to conform with AG 5 issued by the HKICPA as a result of the acquisition of the Business Investments Group which is detailed in Note 2(c).

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

Notes to the Condensed Consolidated Interim Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

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

The segment assets and liabilities as at 31 December 2021 and capital expenditure for the six months ended 31 December 2021 are as follows:

	Property & facility management services HK\$'000	City essential services HK\$'000	E&M services HK\$'000	Total HK\$'000
Segment assets	374,477	1,338,631	1,429,852	3,142,960
Unallocated assets				5,660
Total assets				3,148,620
Segment liabilities	161,153	691,805	1,590,560	2,443,518
Unallocated liabilities				443,628
Total liabilities				2,887,146
Total capital expenditure	16,296	17,585	5,352	39,233

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) For the six months ended 31 December 2020 and as at 30 June 2021

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:

	Property & facility management services HK\$'000	City essential services HK\$'000	E&M services HK'000	Inter- segment elimination HK\$'000	Total HK\$'000
Revenue — External, as restated	328,226	1,547,642	1,276,823	–	3,152,691
Revenue — Internal, as restated	1,261	56,635	–	(57,896)	–
Total revenue, as restated	329,487	1,604,277	1,276,823	(57,896)	3,152,691
Timing of revenue recognition					
Over time, as restated	329,487	1,534,011	1,276,823	(45,582)	3,094,739
At a point of time, as restated	–	70,266	–	(12,314)	57,952
Total revenue, as restated	329,487	1,604,277	1,276,823	(57,896)	3,152,691
Operating profit before unallocated corporate expenses, as restated	115,137	311,485	90,378	–	517,000
Unallocated corporate expenses					(12,231)
Operating profit, as restated					504,769
Finance income, as restated					1,413
Finance costs, as restated					(3,137)
Share of results of associates and joint ventures, as restated					525
Profit before income tax, as restated					503,570
Income tax expenses, as restated (Note 8)					(32,118)
Profit for the period, as restated					471,452

Notes to the Condensed Consolidated Interim Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) For the six months ended 31 December 2020 and as at 30 June 2021 *(Continued)*

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: *(Continued)*

	Property & facility management services HK\$'000	City essential services HK\$'000	E&M services HK'000	Inter- segment elimination HK\$'000	Total HK\$'000
Other items, as restated					
Depreciation and amortisation, as restated	5,919	20,988	14,930	–	41,837
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, net					
— Property, plant and equipment (Note 11)	–	1,600	–	–	1,600
— Other intangible assets (Note 11)	–	845	–	–	845
— Trade and other receivables (Note 7)	–	374	–	–	374
Provision for inventories (Note 7)	–	7,141	–	–	7,141

The segment assets and liabilities as at 30 June 2021 and capital expenditure for the six months ended 31 December 2020, as restated, are as follows:

	Property & facility management services HK\$'000	City essential services HK\$'000	E&M services HK'000	Total HK\$'000
Segment assets, as restated	337,461	1,260,068	1,418,656	3,016,185
Unallocated assets				34,040
Total assets				3,050,225
Segment liabilities, as restated	185,922	705,673	1,623,717	2,515,312
Unallocated liabilities				435,399
Total liabilities				2,950,711
Total capital expenditure, as restated	483	24,621	3,372	28,476

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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	
	2021	2020
	HK\$'000	(restated) HK\$'000
Revenue		
Hong Kong	2,922,752	2,868,148
Mainland China	270,467	153,130
Macau	157,744	131,413
Total	3,350,963	3,152,691

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

	As at	
	31 December	30 June
	2021	2021
	HK\$'000	HK\$'000
Non-current assets, other than deferred tax assets and pension assets		
Hong Kong	271,100	262,955
Mainland China	28,875	26,836
Macau	307	415
Total	300,282	290,206

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6 OTHER INCOME/(EXPENSES), NET

	For the six months ended	
	31 December	
	2021	2020
	HK\$'000	(restated) 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)
Ex-gratia payment from the government for retirement of motor vehicles	411	—
Government grants ⁽ⁱ⁾	388	358
Gain/(loss) on disposal of property, plant and equipment, net	283	(4,567)
Sundries	934	1,168
Exchange (losses)/gains, net	(1,327)	3,465
Rental income	—	1,146
Total	689	(28,295)

Note:

- (i) During the six months ended 31 December 2021, the Group has received government grants from the Macau Special Administrative Region (the “Macau SAR Government”) as financial support for its businesses. Under this scheme, one-off government grants are provided to eligible businesses based on the amounts of their operating costs in the past three years. 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 and/or licensed goods vehicles. Under this scheme, one-off government grants 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 unfilled conditions or other contingencies attaching to these grants.

7 OPERATING PROFIT

	Notes	For the six months ended 31 December	
		2021 HK\$'000	2020 (restated) HK\$'000
Operating profit is stated after charging/(crediting):			
Staff costs (including Directors' emoluments) ⁽ⁱ⁾		1,362,389	986,450
Subcontracting fees		991,282	893,225
Raw materials and consumables used		532,084	522,849
Cost of inventories sold		32,400	31,414
Depreciation of right-of-use assets	11	17,906	21,069
Depreciation of property, plant and equipment	11	9,199	19,367
Expenses relating to short-term leases		7,561	1,627
Amortisation of other intangible assets ⁽ⁱⁱ⁾	11	2,131	1,209
(Reversal of impairment loss)/impairment loss on trade and other receivables, net		(1,924)	374
(Reversal of provision)/provision for inventories		(722)	7,141
Depreciation of investment property	11	–	192

Notes:

- (i) Government grants have been received by the Group from (a) the Anti-epidemic Fund (the "Fund") set up by the HKSAR Government under the Employment Support Scheme (the "ESS Scheme"), the Support for Engineering, Architectural, Surveying, Town Planning and Landscape sectors (the "Support Measure Scheme") and the Hong Kong Institute of Human Resource Management ("HKIHRM") Job Creation Scheme (the "Job Creation Scheme") and (b) 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 contribution and applied during the specified period. Under the Support Measure Scheme, employers of fresh graduates and new assistant professionals of the engineering, architectural, surveying, town planning and landscape sectors are eligible to apply for salary government grants from the Fund. Under the Job Creation Scheme, employers who are HKIHRM members which created job positions are eligible to apply for salary government grants from the Fund. Under the Macau Scheme, one-off government grants were provided to each eligible business depending on the number of employees they hired. During the six months ended 31 December 2021, the Group has recognised HK\$22.3 million in relation to grants received under the ESS Scheme, the Support Measure Scheme and Job Creation Scheme (Six months ended 31 December 2020: HK\$333.1 million in relation to grants under the ESS Scheme and Macau Scheme) as deductions in its staff costs in the consolidated income statement.

During the six months ended 31 December 2020, 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. The Group was granted reduction in such obligations totalling HK\$7.2 million 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, repair and maintenance expenses, utility expenses, motor vehicles expenses, etc.

Notes to the Condensed Consolidated Interim Financial Statements

8 INCOME TAX EXPENSES

	For the six months ended 31 December	
	2021	2020 (restated)
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	43,029	40,458
Mainland China income tax	1,640	252
Macau taxation	3,110	351
Deferred income tax credit	(5,147)	(8,943)
Total	42,632	32,118

Hong Kong profits tax has been provided at the rate of 16.5% (Six months ended 31 December 2020: 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 2021 and 2020.

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	
	2021	2020 (restated)
	HK\$'000	HK\$'000
Profit attributable to shareholders of the Company	238,498	471,415
Less: Preferred distribution to the holder of convertible preference shares	(4,262)	(4,262)
Earnings used in the basic earnings per share calculation	234,236	467,153
Weighted average number of ordinary shares in issue (shares in thousands)	450,000	450,000
Basic earnings per share (HK\$)	0.52	1.04

(b) Diluted

During the six months ended 31 December 2019, the Company issued convertible preference shares, with details set out in Note 14, which are treated as contingently issuable potential ordinary shares under HKAS 33 "Earnings per Share". Since the conditions for their conversion were not met as at 31 December 2021 and 2020, 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 2021 and 2020. As a result, the diluted earnings per share equals to the basic earnings per share for the six months ended 31 December 2021 and 2020.

10 DIVIDEND AND DISTRIBUTION

At a meeting held on 24 February 2022, the Board has resolved to declare the payment of an interim dividend of HK20.9 cents (Six months ended 31 December 2020: HK28.9 cents) per ordinary share to the ordinary shareholders of the Company for the six months ended 31 December 2021, equivalent to a total amount of HK\$94.05 million (Six months ended 31 December 2020: HK\$130.05 million). The interim dividend will be paid in cash.

At a meeting held on 27 September 2021, the Board has resolved to pay a preferred distribution calculated at 6.0% per annum on the issue amount of the Company's convertible preference shares of HK\$140.9 million, equivalent to a total amount of HK\$8.5 million (Six months ended 31 December 2020: HK\$8.5 million). The preferred distribution was paid in December 2021.

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 2020				
Opening net book value as at 1 July 2020				
As previously reported	371,873	10,850	72,177	76,503
Acquisition of the Business Investments Group	4,037	–	1,874	32,619
As restated	375,910	10,850	74,051	109,122
Exchange differences	372	–	722	–
Additions, as restated	8,108	–	20,071	297
Disposals	(4,992)	–	–	–
Depreciation and amortisation charges, as restated	(19,367)	(192)	(21,069)	(1,209)
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, as restated	335,347	10,658	70,834	107,365
Six months ended 31 December 2021				
Opening net book value as at 1 July 2021	45,157	–	58,820	185,079
Exchange differences	80	–	170	–
Additions	8,349	–	30,884	–
Disposals	(177)	–	–	–
Depreciation and amortisation charges	(9,199)	–	(17,906)	(2,131)
Closing net book value as at 31 December 2021	44,210	–	71,968	182,948

Notes to the Condensed Consolidated Interim Financial Statements

12 TRADE AND OTHER RECEIVABLES

	As at 31 December 2021 HK\$'000	As at 30 June 2021 HK\$'000
Trade receivables		
Third parties	598,275	567,493
Related companies (Note 17(c))	214,851	178,668
	813,126	746,161
Less: Provision for impairment		
Third parties	(9,377)	(10,047)
Related companies (Note 17(c))	(45)	(45)
	803,704	736,069
Retention receivables		
Third parties	200,914	163,825
Related companies (Note 17(c))	185,576	218,580
	386,490	382,405
Other receivables and prepayments		
Third parties	203,826	199,310
Related companies (Note 17(c))	18,875	20,258
	222,701	219,568
Less: Provision for impairment		
Third parties	–	(1,261)
	222,701	218,307
Accrued contract revenue	310,076	334,463
Less: Provision for impairment	(149)	(149)
	309,927	334,314
Total	1,722,822	1,671,095

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

12 TRADE AND OTHER RECEIVABLES *(Continued)*

Expected credit losses

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

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

	As at 31 December 2021 HK\$'000	As at 30 June 2021 HK\$'000
Current to 90 days	713,045	673,882
91 to 180 days	52,060	24,178
Over 180 days	38,599	38,009
Total	803,704	736,069

13 CASH AND BANK BALANCES

	As at 31 December 2021 HK\$'000	As at 30 June 2021 HK\$'000
Time deposits with original maturities within three months	77,724	12,007
Trust cash ⁽ⁱ⁾	44,581	32,616
Other cash at banks and on hand	485,816	505,267
Total	608,121	549,890

Note:

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

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			
	2021		2020	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each				
As at 1 July and 31 December	900,000,000	90,000	900,000,000	90,000
Convertible preference shares of HK\$0.1 each (Note a)				
As at 1 July and 31 December	100,000,000	10,000	100,000,000	10,000
Total	1,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK\$0.1 each				
As at 1 July and 31 December	450,000,000	45,000	450,000,000	45,000
Convertible preference shares of HK\$0.1 issued at HK\$3.2260 each (Note a)				
As at 1 July and 31 December	43,676,379	140,900	43,676,379	140,900
Total	493,676,379	185,900	493,676,379	185,900

As at 31 December 2021 and 30 June 2021, the total nominal amount of the Company's issued shares was HK\$49,367,638, comprising HK\$45,000,000 for ordinary shares and HK\$4,367,638 for convertible preference shares.

14 SHARE CAPITAL *(Continued)*

Note (a):

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

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

Notes to the Condensed Consolidated Interim Financial Statements

15 TRADE AND OTHER PAYABLES

	As at 31 December 2021 HK\$'000	As at 30 June 2021 HK\$'000
Trade payables		
Third parties	303,359	321,029
Other payables		
Third parties	402,056	379,333
Related companies (Note 17(c))	6,388	4,416
	408,444	383,749
Bills payable		
Third parties	3,424	3,565
Retention payables		
Third parties	270,089	260,699
Accrued expenses	347,601	399,394
Provision for contracting costs	502,180	548,854
Total	1,835,097	1,917,290

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 2021 HK\$'000	As at 30 June 2021 HK\$'000
1 to 90 days	259,925	294,591
91 to 180 days	12,023	9,668
Over 180 days	31,411	16,770
Total	303,359	321,029

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	
		2021	2020
		HK\$'000	(restated) HK\$'000
Profit before income tax		281,563	503,570
Depreciation of right-of-use assets	11	17,906	21,069
Depreciation of property, plant and equipment	11	9,199	19,367
Long service payment liabilities			
Expenses recognised in the condensed consolidated income statement		2,950	3,191
Benefit paid		(378)	(827)
Finance costs		2,361	3,137
Amortisation of other intangible assets	11	2,131	1,209
Unrealised exchange differences		1,222	(2,730)
Pension costs on defined benefits plan		298	276
(Reversal of impairment loss)/impairment loss on trade and other receivables, net	7	(1,924)	374
Share of results of associates and joint ventures		(1,326)	(525)
Finance income		(777)	(1,413)
(Reversal of provision)/provision for inventories	7	(722)	7,141
(Gain)/loss on disposal of property, plant and equipment	6	(283)	4,567
Losses related to disposal of subsidiaries	6	–	26,220
Impairment loss on property, plant and equipment	11	–	1,600
Impairment loss on other intangible assets	11	–	845
Depreciation of investment property	11	–	192
Operating cash flows before changes in working capital		312,220	587,263
Change in working capital:			
Inventories		1,751	17,072
Net contract assets and liabilities		67,596	17,957
Trade and other receivables		(43,767)	110,424
Trade and other payables		(90,093)	(185,496)
Pension assets		(97)	(235)
Cash generated from operations		247,610	546,985

Notes to the Condensed Consolidated Interim Financial Statements

16 NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

(b) Proceeds from 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 city essential services segment before its disposal.

The following tables summarise the book value of net assets of NCL being disposed of by the Group and the losses it recognised during the 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 income tax assets	1,318	–	1,318
Inventories	2,877	–	2,877
Book value of net assets disposed	30,220	(25,800)	4,420
			HK\$'000
Analysis of losses related to disposal of subsidiaries			
Cash consideration			4,000
Less: Net assets disposed			(4,420)
Loss on disposal of subsidiaries			(420)
Impairment losses			(25,800)
Total losses related to disposal of subsidiaries			(26,220)

(c) Equity contribution from a non-controlling shareholder

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

(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.

16 NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

(e) Major non-cash transactions

During the six months ended 31 December 2021, the Group acquired right-of-use assets and recognised lease liabilities, including lease modifications, totalling HK\$30.9 million (Six months ended 31 December 2020: HK\$20.1 million).

During the six months ended 31 December 2020, the Group settled dividends of the Business Investments Group of HK\$267.2 million to its previous shareholder, FMC, through current account with it.

(f) Funds held on behalf of third parties

As at 31 December 2021, the Group held cash and bank balances totalling HK\$1,115.8 million (30 June 2021: HK\$1,093.7 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 2021 and 2020.

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

Name	Relationship
Ackland Limited	Note i
Convention Plaza Apartments Limited	Note i
Corporate Ally Limited	Note i
Ease King Investment Limited	Note i
Fast Solution Limited	Note i
FSE Management Company Limited	Note i
FSE Property (Hong Kong) Limited	Note i
Fung Seng Diamond Co Limited	Note i
Great City Developments Limited	Note i
Nova Risk Services Holdings Limited	Note i
Ocean Front Investments Limited	Note i
Perfect Modern Limited	Note i
Power Estate Investments Limited	Note i
Prime Star Investment Limited	Note i
Prosperity Property Investment Limited	Note i
Silver Asia Investments Limited	Note i
Success Ocean Limited	Note i
Top Line Investment Limited	Note i
上海華美達廣場有限公司	Note i
Anway Limited	Note ii
AOS Management 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
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 Civil Engineering Limited	Note ii
Build King Construction Limited	Note ii
Cheer Globe Limited	Note ii
CHI Studio Company Limited	Note ii
Chow Tai Fook Enterprises Limited	Note ii
Chow Tai Fook Jewellery and Watch (Macau) Limited	Note ii
Chow Tai Fook Jewellery Company Limited	Note ii
Chow Tai Fook Jewellery Group Limited	Note ii
CiF Solutions Limited	Note ii
Cititop Limited	Note ii
CTF Watch (HK) Limited	Note ii
Daily Land Limited	Note ii
Diamond International Limited	Note ii
Discovery Park Commercial Services Limited	Note ii
Donut Cafe Company Limited	Note ii
Ever Light Limited	Note ii
Ever Right Limited	Note ii
Full Asset Enterprise Limited	Note ii
GH Hotel Company Limited	Note ii
Global Winner Limited	Note ii
Good Sense Development Limited	Note ii
Head Step Limited T/A Pentahotel HK Kowloon	Note ii
Hip Hing Builders Company Limited	Note ii
Hip Hing Construction Company Limited	Note ii
Hip Hing Engineering Company Limited	Note ii
Hip Hing Joint Venture	Note ii
Hip 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

17 RELATED PARTY TRANSACTIONS *(Continued)*

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

Name	Relationship
K11 AFLM LIMITED	Note ii
K11 Art Mall Properties Company Limited	Note ii
K11 Artus Limited	Note ii
K11 Concepts Limited	Note ii
K11 Gentry Club Limited	Note ii
K11 IP Licence & Creation Company Limited	Note ii
K11 Property Management Company Limited	Note ii
K11 Retail & Corporate Sales Company Limited	Note ii
Kai Tak Sports Park Limited	Note ii
Kid World Services Limited	Note ii
Kiu Lok Properties Services (China) Limited	Note ii
Luxba Limited	Note ii
Maronne Limited	Note ii
Max Moral Limited	Note ii
Nature Discovery Park Limited	Note ii
New Gain Limited	Note ii
New Town Project Management Limited	Note ii
New World China Land Limited	Note ii
New World Construction Company Limited	Note ii
New World 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 Strategic Investment Limited	Note ii
New World TMT Limited	Note ii
New World Tower Company Limited	Note ii
NW Project Management Limited	Note ii
NWS Holdings Limited	Note ii
Park New Astor Hotel Limited	Note ii
Paterson Plaza Properties Limited	Note ii
Polytown Company Limited	Note ii
Pride Success Fashion Trading Limited	Note ii
Pridemax Limited	Note ii
Renaissance Harbour View Hotel HK	Note ii
Rosewood Hotels (HK) Limited	Note ii

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
Roxy Limited	Note ii
Sunfield Investments Limited	Note ii
Sunny Goal Limited	Note ii
Techni Development Investment Limited	Note ii
The Artizen Management Co Limited	Note ii
The Dynasty Club Limited	Note ii
Treasure High Limited	Note ii
Treasure Tower Holdings Limited	Note ii
Urban Parking Limited	Note ii
Vibro (H.K.) Limited	Note ii
Vibro Construction Company Limited	Note ii
Vibro-Tysan-Chun Wo JV	Note ii
Victoria Educational Group 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
Wise City Investment Limited	Note ii
北京崇文•新世界房地產發展有限公司	Note ii
周大福創地置業(武漢)有限公司	Note ii
天津新世界環渤海房地產開發有限公司	Note ii
天津新世界百貨有限公司	Note ii
寧波公泰置業有限公司	Note ii
寧波新立房地產開發有限公司	Note ii
廊坊新世界房地產開發有限公司	Note ii
廣州市新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

Notes:

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

17 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with related parties

Save as disclosed elsewhere in the condensed consolidated interim financial statements, the Group had the following transactions with related companies during the six months ended 31 December 2021 and 2020.

	For the six months ended	
	31 December	
	2021	2020
	HK\$'000	(restated) HK\$'000
Contract revenue (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	7,115	1,060
Other related companies (Note ii)	988,231	875,438
Total	995,346	876,498
Cleaning and laundry service income (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	30	30
Other related companies (Note ii)	71,560	72,445
Total	71,590	72,475
Premises management service fee and building manager remuneration (Note iii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	698	529
Other related companies (Note ii)	7,842	12,735
Total	8,540	13,264
Security service income (Note iv)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	2,883	–
Other related companies (Note ii)	115,259	115,447
Total	118,142	115,447
Insurance solutions consultancy fee income from related companies (Note v)	1,057	2,923
Landscaping services income from related companies (Note vi)	4,643	3,527
Disposal of equipment to a related company (Note vii)	–	400
Rental expenses/additions or modifications of right-of-use assets (Note viii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	31,859	6,499
Other related companies (Note ii)	831	1,093
Total	32,690	7,592
Management fee expenses to a related company commonly controlled by the Ultimate Controlling Shareholder (Note ix)	–	3,459
Appointment fees to related companies (Note x)	1,315	1,286
Contracting service expenses to a related company (Note xi)	2,436	1,434
Miscellaneous service fees expenses to related companies (Note xii)	–	15

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

17 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

	As at 31 December 2021 HK\$'000	As at 30 June 2021 HK\$'000
Trade receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	224	1,239
Other related companies (Note i)	214,582	177,384
Total	214,806	178,623
Retention receivables due from related companies (Note i)	185,576	218,580
Other receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	–	80
Other related companies (Note i)	18,875	20,178
Total	18,875	20,258
Contract assets due from related companies (Note i)	283,058	237,034
Contract liabilities		
Related companies commonly controlled by the Ultimate Controlling Shareholder	–	232
Other related companies (Note i)	245,538	172,127
Total	245,538	172,359
Other payables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	2,482	912
Other related companies (Note i)	3,906	3,504
Total	6,388	4,416
Lease liabilities		
Related companies commonly controlled by the Ultimate Controlling Shareholder	32,455	16,015
Other related companies (Note i)	537	–
Total	32,992	16,015

Note:

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

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	
	2021	2020
	HK\$'000	(restated) HK\$'000
Fees	1,552	791
Salaries and other emoluments	42,276	38,927
Contributions to defined contribution schemes	1,953	1,592
Total	45,781	41,310

18 CAPITAL COMMITMENTS

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

	As at	As at
	31 December	30 June
	2021	2021
	HK\$'000	HK\$'000
Property, plant and equipment	1,833	1,681
Right-of-use assets	639	–
Total	2,472	1,681

19 COMPARATIVE AMOUNTS

As explained in Notes 2(c) and 5 to the condensed consolidated interim financial statements, due to the Group's application of merger accounting for business combinations under common control during the year ended 30 June 2021 and a change in the grouping of operating segments determined by the Group's CODM during the six months ended 31 December 2021, certain comparative amounts have been restated to conform with the current period's accounting treatments and presentation.