

Notes to the Condensed Consolidated Interim Financial Statements

1 GENERAL INFORMATION

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

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

		Effective for accounting periods beginning on or after
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 17 and its Amendments	Insurance Contracts	1 January 2023
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to Hong Kong Interpretation 5	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

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3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

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

3.2 Fair value estimation

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

4 ESTIMATES

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

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

5 REVENUE AND SEGMENT INFORMATION

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

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

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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

Notes:

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

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5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Notes: *(Continued)*

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

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

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

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

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

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

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

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

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

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5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

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

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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

The segment assets and liabilities as at 31 December 2022 are as follows:

	Property & facility management services HK\$'000	City essential services HK\$'000	E&M services HK\$'000	Total HK\$'000
Segment assets	431,450	1,575,355	1,629,815	3,636,620
Unallocated assets				7,904
Total assets				3,644,524
Segment liabilities	167,752	775,935	1,619,595	2,563,282
Unallocated liabilities				482,924
Total liabilities				3,046,206

Notes to the Condensed Consolidated Interim Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

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

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

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

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

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

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

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5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

6 OTHER INCOME, NET

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

Note:

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

7 OPERATING PROFIT

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

Note:

- (i) Included in general and administrative expenses.

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

8 INCOME TAX EXPENSES

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

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

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

(a) Basic

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

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

(b) Diluted

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

10 DIVIDEND AND DISTRIBUTION

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

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

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

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

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12 TRADE AND OTHER RECEIVABLES

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

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

The total balance at 31 December 2022 included receivables of approximately HK\$22 million which relate to a claim being lodged by the Group against the main contractor for a project being terminated. Based on legal advice, the Group considers it has good grounds to recover such receivables.

12 TRADE AND OTHER RECEIVABLES *(Continued)*

Expected credit losses

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

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

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

13 CASH AND BANK BALANCES

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

Note:

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

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14 SHARE CAPITAL

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

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

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

14 SHARE CAPITAL *(Continued)*

Note (a):

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

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

The convertible preference shares are classified as equity instruments, considered that: (i) the Company has no contractual obligation to deliver cash or another financial asset to the holder of the convertible preference shares; and (ii) the convertible preference shares are non-derivative that includes no contractual obligation for the Company to deliver a variable number of ordinary shares.

Notes to the Condensed Consolidated Interim Financial Statements

15 TRADE AND OTHER PAYABLES

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

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

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

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

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

16 NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

Notes to the Condensed Consolidated Interim Financial Statements

16 NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

(b) Equity contribution from a non-controlling shareholder

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

(c) Exchange differences

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

(d) Major non-cash transactions

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

(e) Funds held on behalf of third parties

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

17 RELATED PARTY TRANSACTIONS

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

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

Name	Relationship
Ackland Limited	Note i
China Fame Enterprise Limited	Note i
Convention Plaza Apartments Limited	Note i
Corporate Ally Limited	Note i
Ease King Investment Limited	Note i
Fast Solution Limited	Note i
FSE Management Company Limited	Note i
FSE Property (Hong Kong) Limited	Note i
Fung Seng Diamond Co Limited	Note i
Great City Developments Limited	Note i
Kingdom of Morocco (Consulate General-HK) Company Limited	Note i
Nova Risk Services Holdings Limited	Note i
Ocean Front Investments Limited	Note i
Prime Star Investment Limited	Note i
Prosperity Property Investment Limited	Note i
Silver Asia Investments Limited	Note i
Success Ocean Limited	Note i
Top Line Investment Limited	Note i
上海上實南洋大酒店有限公司	Note i
上海華美達廣場有限公司	Note i
上海豐昌物業管理有限公司	Note i
Anway Limited	Note ii
AOS Management Limited	Note ii
ATL Logistics Centre Hong Kong Limited	Note ii
Atrend Fashion Limited	Note ii
Beamland Limited	Note ii
Bright Link Engineering Limited	Note ii
Bright Moon Company Limited	Note ii
Broadway-Nassau Investments Limited	Note ii
Build King Civil Engineering Limited	Note ii

Notes to the Condensed Consolidated Interim Financial Statements

17 RELATED PARTY TRANSACTIONS *(Continued)*

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

Name	Relationship
Build King Construction Limited	Note ii
Build King Interior & Construction Limited	Note ii
Calpella Limited	Note ii
Cheer Globe Limited	Note ii
CHI Studio Company Limited	Note ii
Chow Tai Fook Energy Company Limited	Note ii
Chow Tai Fook Enterprises Limited	Note ii
Chow Tai Fook Jewellery Company Limited	Note ii
Chow Tai Fook Jewellery Group Limited	Note ii
Cititop Limited	Note ii
CTF Watch (HK) Limited	Note ii
Daily Land Limited	Note ii
Diamond International Limited	Note ii
Discovery Park Commercial Services Limited	Note ii
Donut Cafe Company Limited	Note ii
Ever Right Limited	Note ii
Foregain Company Limited	Note ii
Full Asset Enterprises Limited	Note ii
GH Hotel Company Limited	Note ii
GHK Hospital Limited	Note ii
Global Winner Limited	Note ii
Good Sense Development Limited	Note ii
Head Step Limited T/A Pentahotel HK Kowloon	Note ii
Hip Hing Builders Company Limited	Note ii
Hip Hing Construction Company Limited	Note ii
Hip Hing Engineering Company Limited	Note ii
Hip Hing Joint Venture	Note ii
Hip Hing Joint Venture (VEC)	Note ii
Hip Seng Builders Limited	Note ii
Hip Seng Construction Company Limited	Note ii
Hong Kong Convention and Exhibition Centre (Management) Limited	Note ii
Hong Kong Golf & Tennis Academy Management Company Limited	Note ii
Hong Kong Island Development Limited	Note ii
Hong Kong Multiple Intelligence Education Company Limited	Note ii
Hyatt Regency Hong Kong	Note ii
Joy Century Limited	Note ii

17 RELATED PARTY TRANSACTIONS *(Continued)*

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

Name	Relationship
K11 AFLM Limited	Note ii
K11 Art Mall Properties Company Limited	Note ii
K11 Artus Limited	Note ii
K11 Concepts Limited	Note ii
K11 Gentry Club Limited	Note ii
K11 Property Management Company Limited	Note ii
K11 Retail & Corporate Sales Company Limited	Note ii
Kai Tak Sports Park Limited	Note ii
Kid World Services Limited	Note ii
Kiu Lok Properties Services (China) Limited	Note ii
KOHO Facility Management Limited	Note ii
Loyalton Limited	Note ii
Luxba Limited	Note ii
Maronne Limited	Note ii
Max Moral Limited	Note ii
Nature Discovery Park Limited	Note ii
New Gain Limited	Note ii
New Town Project Management Limited	Note ii
New World China Land Limited	Note ii
New World Construction Company Limited	Note ii
New World Corporate Services Limited	Note ii
New World Department Stores Limited	Note ii
New World Development (China) Limited	Note ii
New World Development Company Limited	Note ii
New World Facilities Management Company Limited	Note ii
New World Group Charity Foundation Limited	Note ii
New World Hotel Management Limited	Note ii
New World Property Management Company Limited	Note ii
New World Strategic Investment Limited	Note ii
New World TMT Limited	Note ii
New World Tower Company Limited	Note ii
NW Project Management Limited	Note ii
NWS Holdings Limited	Note ii
Park New Astor Hotel Limited	Note ii
Paterson Plaza Properties Limited	Note ii
Polytown Company Limited	Note ii

Notes to the Condensed Consolidated Interim Financial Statements

17 RELATED PARTY TRANSACTIONS *(Continued)*

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

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

Notes:

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

17 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with related parties

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

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

Notes to the Condensed Consolidated Interim Financial Statements

17 RELATED PARTY TRANSACTIONS *(Continued)*

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

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

Notes:

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

17 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

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

Note:

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

Notes to the Condensed Consolidated Interim Financial Statements

17 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Key management compensation

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

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

18 CAPITAL COMMITMENTS

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

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