

Management Discussion and Analysis

BUSINESS REVIEW

During the six months ended 31 December 2023 (the “Period”), the Group recorded revenue amounting to HK\$4,114.5 million, representing an increase of HK\$402.4 million or 10.8%, as compared with HK\$3,712.1 million for the six months ended 31 December 2022 (the “same period last year”). Profit attributable to shareholders for the Period was HK\$255.4 million, representing a decrease of HK\$24.1 million or 8.6% as compared with HK\$279.5 million for the same period last year, mainly resulted from (i) lower contributions from the security guarding & event services, insurance solutions and environmental solutions businesses; (ii) a decrease in government grants and (iii) higher corporate finance costs, partly offset by the effect of the strong performance of the E&M business. Details of the government grants recognised by the Group are set out in Note 6 to the condensed consolidated interim financial statements.

Summary of government grants

	For the six months ended 31 December	
	2023 HK\$'M	2022 HK\$'M
Recognised as deduction of staff costs included in “Cost of services and sales”	8.2	23.2
Recognised as deduction of staff costs included in “General and administrative expenses”	1.0	4.5
Recognised as “Other income”	15.2	17.4
Total	24.4	45.1
Non-controlling interests	-	(0.1)
Net	24.4	45.0

Results excluding government grants

If excluding the effects of government grants in the Group’s results for both periods to better illustrate the Group’s financial results without such effects, the Group would record a decrease in adjusted net profit for the Period of 1.5% to HK\$231.0 million (i.e. after excluding government grants of HK\$24.4 million from its profit attributable to shareholders of the Company of HK\$255.4 million) as compared to its adjusted net profit of HK\$234.5 million for the same period last year (i.e. after excluding government grants of HK\$45.0 million from its profit attributable to shareholders of the Company of HK\$279.5 million), despite the growth in its revenue mentioned above.

Gross value of contract sum and outstanding contract sum

	As at 31 December 2023	
	Gross value of contract sum HK\$'M	Outstanding contract sum HK\$'M
Property & facility management services	1,802	872
City essential services	10,667	6,638
E&M services	11,902	5,542
Total	24,371	13,052



Property & Facility Management Services

Number of staff
Over

5,100

Service contracts
Over

300

FSE Lifestyle’s unique market differentiation lies in their integration of services, strong pool of professional talents and partnership approach with our clients. We are pioneer in the introduction of modern international standards and innovative service models in property and facility management in Hong Kong.

The Group’s property and facility management services business, comprising Urban, International Property Management and Kiu Lok (together, the “Property & Facility Management Group”), is one of the largest among all independent players in the residential, non-residential and car park property and facility management markets in Hong Kong, after excluding service companies owned by property developers. The companies provide comprehensive and recognised professional management services for their clients.

Our Property & Facility Management Group has expertise in six core property and facility management areas: (i) residential property asset management; (ii) facilities management and operations, including both public and private sectors; (iii) commercial, retail and industrial premises operations; (iv) project management; (v) leasing and tenancy management and (vi) car park operations and management. Its property asset and facility services cover all kinds of property and facility assets

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including high end residential properties, government facilities, offices and quarters, academic campus and educational institutes, service apartments, Grade A intelligent buildings and commercial complexes, modern industrial premises, composite residential developments to regional car parks and various kinds of public and private facility assets.

Our Property & Facility Management Group's unique market differentiation lies in their integration of services, strong pool of professional talents and partnership approach with our clients. In addition, innovation keeps our Property & Facility Management Group at the forefront of the industry. It is a pioneer in the introduction of modern international standards and innovative service models in property and facility management in Hong Kong, including the industry first internet-based operations system Sm@rtUrban and drone applications which cover most of the operational functions in property and facility management, in addition to Urban's receipt of ISO 9001 in 1997 – the first private property and facility management company obtaining such certificate in Hong Kong.

During the Period, our Property & Facility Management Group submitted tenders for 29 service contracts (with a contract sum not less than HK\$1 million for each service contract) with a total tender sum of HK\$3,255 million and, combining the submitted tenders from previous months, was awarded 12 service contracts (with a net contract sum not less than



HK\$1 million for each service contract) with a total contract sum of HK\$91 million. Among these 12 service contracts, one of them was a major service contract (with net contract sum not less than HK\$20 million for each service contract) for a residential estate in Tuen Mun.

As at 31 December 2023, the property & facility management services segment has a total gross value of contract sum of HK\$1,802 million with total outstanding contract sum of HK\$872 million.



We would like to express our gratitude to Urban Group for providing excellent property management services to Fung Lai Court. Their staff members have shown dedicated attitude in serving the residents, and their efforts deserve commendation. Additionally, we appreciate their organisation of various activities that promote harmonious relationships among the residents.

The Incorporated Owners of Fung Lai Court



City Essential Services

Number of staff
Over

18,300

Service contracts
Over

8,700

Building on FSE Lifestyle’s recognisable brands, high service quality and strong cross-selling synergies created by our business ecosystem, we continued to successfully promote our city essential services during the year.

Cleaning Services & Pest Control Services

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

Waihong’s unique market differentiation lies in its integration of services, enormous working teams comprising over 12,000 staff, a strong fleet management with over 80 municipal vehicles and full support towards customers. Waihong has applied advanced technology, including AI systems for smart toilets, electronic face recognition attendance system (Check-in Easy) and real-time

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work monitoring system (ComEasy). High degree of service commitments keeps Waihong ranked among the top two players in the cleaning service industry in Hong Kong. It is a market leader and competent in always providing all of its clients with the best quality services.



During the Period, Waihong submitted tenders for 206 cleaning service contracts (with a contract sum not less than HK\$1 million for each service contract) with a total tender sum of HK\$4,298 million and, combining the submitted tenders from previous months, was awarded 55 service contracts (with a net contract sum not less than HK\$1 million for each service contract) with a total contract sum of HK\$842 million. Among these 55 service contracts, nine of them were major service contracts (with net contract sum not less than HK\$20 million for each service contract), which included cleaning contracts for a museum and a commercial complex in Tsim Sha Tsui, a shopping mall in Tsuen Wan, a school in Pokfulam, a tertiary institution in Wan Chai, a sports academy in Sai Kung, a hospital in Kowloon City and a theme park in the Lantau Island.

Technical Support & Maintenance Services

The Group's technical support & maintenance services business, comprising Far East Engineering Services and

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

During the Period, the Group submitted tenders for 298 maintenance service contracts (with a contract sum not less than HK\$1 million for each contract) with a total tender sum of HK\$3,011 million and, combining the submitted tenders from previous months, was awarded 53 projects (with a net contract sum not less than HK\$1 million for each project) with a total net contract sum of HK\$626 million. Among these 53 projects, four of them were major projects (with net contract sum not less than HK\$20 million for each project), which included chiller replacement for a commercial building in Tsuen Wan, ventilation and air conditioning system installation for a hotel in Chek Lap Kok and renovation and system upgrading works for a hotel in Macau.



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Security Guarding & Event Services

The Group's security guarding & event services business comprises General Security and Perfect Event, which provides security guarding, escort and surveillance security, security system and technology, customer service ambassador and event services.

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

Perfect Event has steadily gained a foothold in its two core businesses in (i) providing its customers service ambassadors to a variety of events such as exhibitions, concerts, pop music award ceremonies as well as high end private club festive events and (ii) providing its customers technological support enhancements for events. Although Perfect Event is young, it has a very solid foundation from General Security in management and back-office support, vast operations experiences, as well as a list of potential clients who are already well familiar with the reputation and quality of General Security.

During the Period, General Security and Perfect Event submitted tenders for 43 security guarding and event services contracts (with a contract sum not less than HK\$1 million for each contract) with a total tender sum of HK\$764 million and, combining the submitted tenders from previous months, was awarded 22 service contracts (with a net contract sum not less than HK\$1 million for each service contract) with a total contract sum of HK\$374 million. Among these 22 service contracts, four of them were major service contracts (with net contract sum not less than HK\$20 million for each service contract) including three residential estates in Shatin, Yuen Long and Tai Kok Tsui and a racing club in Shatin.

Insurance Solutions

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

Nova offers five core risk and insurance services:

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

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

During the Period, Nova has secured placement for a number of sizeable construction projects. Nova also managed to arrange policy period extension for a huge project after its losses caused by the Black Rainstorm on 7 and 8 September 2023 in Hong Kong and get some new accounts, including a public transportation company, listed companies, schools and educational institutions and non-governmental organisations. The vast majority of Nova's business involved general insurance, construction and employee benefits-related insurance. Each year Nova has to submit renewal quotations for all these policies to its clients and will only be awarded the renewal contracts when its terms and conditions are competitive. Nova's retention ratio in securing renewed contracts has always been over 90%, reflecting its competitiveness and high level of services.

During the Period, Nova submitted tenders for 10 service contracts (with a contract sum not less than HK\$1 million for each service contract) with a total tender sum of HK\$23 million and was awarded nine service contracts (with a net contract sum not less than HK\$1 million for each service contract) with a total contract sum of HK\$20 million.

Environmental Solutions

The Group's environmental solutions division provides Environment Solutions, Smart Solutions and Green Solutions to its clients in order to achieve environmental protection, energy conservation, sustainability, enhance environmental quality and operational efficiency and the long-term goals of carbon neutrality to fight against climate change.

This division is divided into three business lines:

(i) "Environment Solutions" in comprehensive HVAC water treatment services, environmental assessment in air and water quality, deodorisation system and electro-chlorination system to assist its customers in achieving their environmental protection and energy conservation objectives. Its HVAC water treatment service is well-known for the professionalism in the industry with over 40 years of history and it has a water treatment company which is under the list of approved specialist contractors for public works in fountain installation. As innovation is at the heart of this business, it has a patented application of using nanobubble ozonation to sterilize fresh water at cooling towers, swimming pools, public toilets, and water features. Its laboratory is accredited by Hong Kong Laboratory Accreditation Scheme ("HOKLAS") which is able to test a wide range of chemical and microbial parameters. For air quality related business, it is one of the eight accredited indoor air quality certificate issuing bodies in Hong Kong.

(ii) "Smart Solutions" to provide advanced information and communication infrastructure by providing Extra Low Voltage ("ELV") building technology with smart facility systems (i.e. smart office and smart toilet) to enhance operational efficiency, as well as a full range of services covering material supply, electrical installation, design and engineering and project management for electrical vehicle ("EV") charging system.

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(iii) “Green Solutions” in landscape management and maintenance services to a diversified business portfolio, including but not limited to property developers and managers, and trading of a wide range of environmental products such as eco-friendly and anti-bacterial tiles, building controls equipment and other building materials to improve environmental quality and promote carbon neutrality. Its landscape business offers a wide range of one-stop green solutions to its clients. It provides landscape design and performs landscape projects and various tree works. It also supplies festival plants to its client.

During the Period, the Group submitted tenders for 31 environmental and landscape service contracts (with a contract sum not less than HK\$1 million for each contract) with a total tender sum of HK\$94 million and, combining the submitted tenders from previous months, was awarded seven environmental and landscape service contracts (with a net contract sum not less than HK\$1 million for each contract) with a total contract sum of HK\$13 million and three ELV service contracts (with a net contract sum not less than HK\$1 million for each contract) with a total contract sum of HK\$67 million. In addition, the Group submitted six quotations for building material trading (with a quotation sum not less than HK\$1 million for each quotation) with a total quotation sum



of HK\$17 million and, combining the submitted quotations from previous months, was accepted one order (with a sum not less than HK\$1 million for each order) with a total sum of HK\$1 million.

As at 31 December 2023, the city essential services segment has a total gross value of contract sum of HK\$10,667 million with a total outstanding contract sum of HK\$6,638 million.



We would like to thank General Security for their excellent service provided to the Chubby Hearts Hong Kong project. In particular, the communication for the project are clear, timely and professional. We found the security personnel to be smart, friendly, efficient and helpful. Together, we made this event an unforgettable and secure experience for all visitors.

Orient Unlimited Limited

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E&M Services

Number of staff
Over

1,300

Service contracts
Over

100

FSE Lifestyle's E&M services comprises Young's Engineering Group, Majestic Engineering Group and FSE Engineering Group, these companies have maintained its position as one of the leading E&M companies in Hong Kong.

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

The Group's E&M services business' unique market differentiation lies in its integration of all E&M services, a strong pool of professional talents, a well-established network of suppliers and subcontractors, and a team-based partnership approach towards its clients. Innovation by using advanced technology keeps it at the forefront of the E&M industry. It is also recognised

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as one of the industry pioneers in adoption of green building design, Modular Integrated Construction (“MiC”), Multi-trade Integrated Mechanical, Electrical and Plumbing (“MiMEP”), Design for Manufacture and Assembly (“DfMA”) in its projects. With such competitive edges over its competitors, the Group has strong confidence in securing and undertaking integrated E&M projects in Hong Kong, Mainland China and Macau.

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

During the Period, the Group’s E&M services business submitted tenders for 93 E&M engineering projects (with a contract sum not less than HK\$1 million for each project) with a total tender sum of HK\$9,881 million and, combining the submitted tenders from previous months, was awarded 13 contracts (with a net contract sum not less than HK\$1 million for each project) with a total net contract sum of HK\$1,034 million. Among these contracts, five of them were major



projects (with net contract sum not less than HK\$100 million for each project), which included four residential projects in Tuen Mun, Discovery Bay, Kai Tak and Southern District of Hong Kong and a new public market in Tin Shui Wai.

As at 31 December 2023, the E&M services segment has a total gross value of contract sum of HK\$11,902 million with a total outstanding contract sum of HK\$5,542 million.



Please accept our sincere compliments for delivering quality building services to the Victoria Dockside to satisfy NWD’s customer demands. We are very proud of your team because you have demonstrated New World Construction’s culture – Work seriously for quality. It is truly commendable and deserves appreciation.

New World Construction Company Limited

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FINANCIAL REVIEW



Revenue

During the Period, the Group's revenue increased by HK\$402.4 million or 10.8% to HK\$4,114.5 million from HK\$3,712.1 million for the same period last year, reflecting higher revenue from the city essential services segment and the E&M services segment amounting to HK\$293.2 million and HK\$136.2 million respectively, partly offset by lower revenue from the property & facility management services segment amounting to HK\$27.0 million.

For the six months ended 31 December

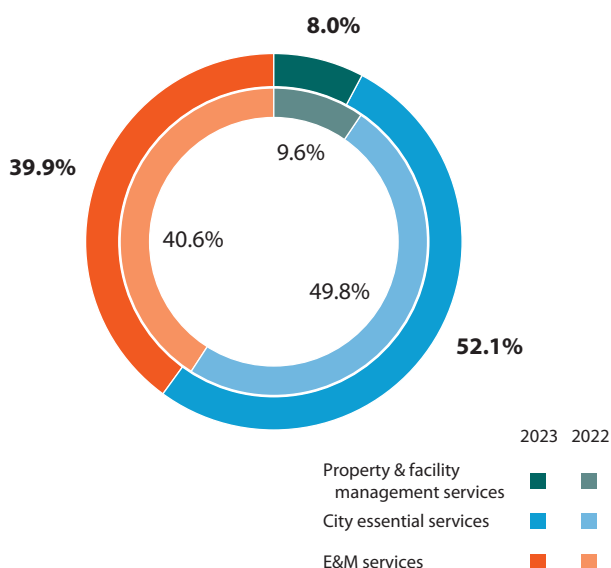
	2023 HK\$'M	2022 HK\$'M	% Change
Property & facility management services*	329.8	356.8	(7.6%)
City essential services*	2,142.6	1,849.4	15.9%
E&M services*	1,642.1	1,505.9	9.0%
Total	4,114.5	3,712.1	10.8%

* Segment revenue does not include inter-segment revenue.

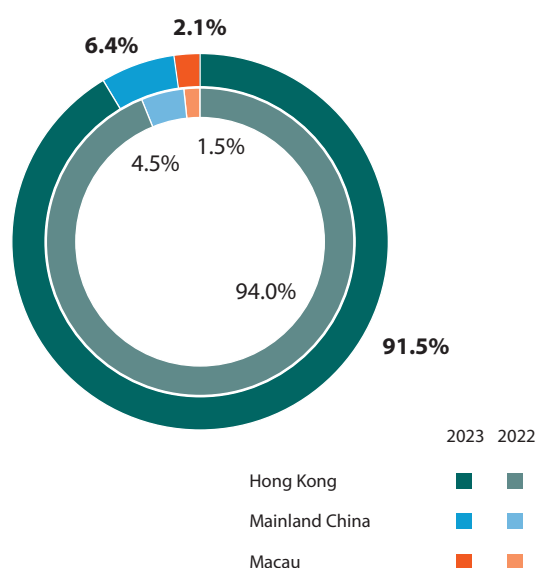
The Group's revenue from the property & facility management services segment and the city essential services segment in aggregate contributed 60.1% (2022: 59.4%), whereas the revenue from E&M services segment contributed 39.9% (2022: 40.6%).

During the Period, the Group's revenue contribution from Hong Kong, Mainland China and Macau was 91.5%, 6.4% and 2.1% (2022: 94.0%, 4.5% and 1.5%) respectively.

For the six months ended 31 December



For the six months ended 31 December



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- *Property & facility management services:* This segment contributed 8.0% (2022: 9.6%) of the Group's total revenue. The services were principally provided in Hong Kong.

Segment revenue decreased by 7.6% or HK\$27.0 million to HK\$329.8 million from HK\$356.8 million. It reflected a decrease in epidemic-induced ad hoc works for government buildings.

It should be noted that, under contract terms, about 20% of the property & facility management services segment's revenue is accounted for by only including management fee received. Should such revenue be recognised on the same basis as the rest of this segment's revenue derived from its lump sum contracts (i.e. with all direct operational costs for performing the related services borne by it) which are primarily facility management contracts, the property & facility management services segment's revenue for the Period would increase by HK\$1,600.0 million from its reported amount of HK\$329.8 million (2022: HK\$356.8 million) to about HK\$1,900.0 million (2022: HK\$1,900.0 million).

- *City essential services:* This segment contributed 52.1% (2022: 49.8%) of the Group's total revenue. The individual components of this services segment are as below:

	For the six months ended 31 December		% Change
	2023 HK\$'M	2022 HK\$'M	
Cleaning & pest control services	1,128.1	826.8	36.4%
Technical support & maintenance services	499.9	461.5	8.3%
Security guarding & event services	306.3	331.6	(7.6%)
Insurance solutions	58.1	61.3	(5.2%)
Environmental solutions	150.2	168.2	(10.7%)
Total	2,142.6	1,849.4	15.9%

Most of the revenue reflected an increase in contribution from Hong Kong (HK\$287.3 million) and Macau (HK\$6.0 million).

Segment revenue grew by 15.9% or HK\$293.2 million to HK\$2,142.6 million from HK\$1,849.4 million reflected (i) new general cleaning service contracts, including government buildings and facilities, shopping malls, clubhouse and residential and commercial properties (ii) higher revenue from its technical support and maintenance services for system replacement work for a

commercial building in Tsuen Wan, partly offset by reduced epidemic-induced ad hoc security guarding works.

- *E&M services:* This segment contributed 39.9% (2022: 40.6%) of the Group's total revenue and 82%, 15% and 3% (2022: 89%, 10% and 1%) of this segment's revenue were contributed from Hong Kong, Mainland China and Macau respectively. Higher revenue contribution was recorded in the Period from Mainland China (HK\$98.6 million), Macau (HK\$25.1 million) and Hong Kong (HK\$12.5 million).

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	For the six months ended 31 December		% Change
	2023 HK\$'M	2022 HK\$'M	
Hong Kong	1,351.9	1,339.4	0.9%
Mainland China	251.7	153.1	64.4%
Macau	38.5	13.4	187.3%
Total	1,642.1	1,505.9	9.0%

Segment revenue increased by 9.0% or HK\$136.2 million to HK\$1,642.1 million from HK\$1,505.9 million and mainly reflected the substantial progress of a number of E&M engineering installation projects during the Period including the redevelopment works of an office building in Wan Chai, Ningbo New World Plaza Comprehensive Development in Mainland China and W Macau - Studio City.

It should be noted that, under contract terms, only the management fees and reimbursable costs of the Kai Tak Sports Park project management project were accounted as revenue. Should such revenue be recognised on the same basis as the rest of this segment's revenue derived from its E&M installation contracts (i.e. with all direct project costs for performing the related installation services borne by it), this segment's revenue in the Period would increase by HK\$1,100.0 million from its reported amount of HK\$1,642.1 million (2022: HK\$1,505.9 million) to about HK\$2,700.0 million (2022: HK\$2,600.0 million).

Gross profit

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

	For the six months ended 31 December			
	2023		2022	
	Gross profit HK\$'M	Gross profit margin %	Gross profit HK\$'M	Gross profit margin %
Gross profit and gross profit margin including government grants				
Property & facility management services	107.5	32.6%	116.5	32.7%
City essential services	227.2	10.6%	245.6	13.3%
E&M services	181.7	11.1%	172.9	11.5%
Total	516.4	12.6%	535.0	14.4%

During the Period, the Group's property & facility management services segment, city essential services segment and E&M services segment contributed 20.8% (2022: 21.8%), 44.0% (2022: 45.9%) and 35.2% (2022: 32.3%) of its gross profit respectively. The Group's gross profit decreased by HK\$18.6 million or 3.5% to HK\$516.4 million from HK\$535.0 million for the same period last year, with an overall gross profit margin decreased to 12.6% from 14.4%, mainly reflecting a decrease in epidemic-induced ad hoc security guarding, intensive cleaning and disinfection works, higher labour costs of the security guarding & event services business and a decrease in government grants.

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	For the six months ended 31 December			
	2023		2022	
	Gross profit HK\$'M	Gross profit margin %	Gross profit HK\$'M	Gross profit margin %
Gross profit and gross profit margin excluding government grants				
Gross profit and gross profit margin as reported	516.4	12.6%	535.0	14.4%
Excluding government grants*	(8.2)	(0.2%)	(23.2)	(0.6%)
Gross profit and gross profit margin excluding government grants	508.2	12.4%	511.8	13.8%

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

If excluding the effects of these grants in the Group's gross profit for both periods (i.e. HK\$8.2 million for the Period and HK\$23.2 million for the same period last year) to better illustrate the Group's performance without such effects, its adjusted gross profit margin decreased to 12.4% from 13.8% for the same period last year. This was mainly caused by a lower gross profit margin of the city essential services segment, principally driven by a decrease in epidemic-induced ad hoc security guarding, intensive cleaning and disinfection works and higher labour costs of the security guarding & event services business.

- **Property & facility management services:** This segment recorded a decrease in its gross profit of HK\$9.0 million to HK\$107.5 million from HK\$116.5 million, with a stable gross profit margin at 32.6%. This was caused by reduced epidemic-induced ad hoc works for government buildings and a decrease in government grants.

- **City essential services:** This segment recorded a decrease in its gross profit of HK\$18.4 million to HK\$227.2 million from HK\$245.6 million, with its gross profit margin decreased to 10.6% from 13.3%. This was caused by (i) reduced epidemic-induced ad hoc security guarding works and higher labour costs of the security guarding & event services business; (ii) a lower contribution from its environmental solutions business reflecting income from its ELV device installations for the Inland Revenue Tower project in Kai Tak with significant progress in the same period last year, (iii) a decrease in insurance brokerage fee income from construction projects and (iv) a decrease in government grants.
- **E&M services:** The gross profit of the E&M services segment increased by HK\$8.8 million to HK\$181.7 million from HK\$172.9 million with its stable gross profit margin at 11.1%, principally reflected higher revenue from its projects in Hong Kong, Mainland China and Macau, partly offset by a decrease in government grants.

General and administrative expenses

General and administrative expenses of the Group for the Period increased by HK\$11.6 million or 5.1% to HK\$237.0 million from HK\$225.4 million for same period last year, reflected an increase in staff costs following an increase in the number of staff and a decrease in government grants.

	For the six months ended 31 December			
	2023	2022	Change	% Change
	HK\$'M	HK\$'M	HK\$'M	
General and administrative expenses excluding government grants				
General and administrative expenses as reported	237.0	225.4	11.6	5.1%
Excluding government grants	1.0	4.5	(3.5)	(77.8%)
General and administrative expenses excluding government grants	238.0	229.9	8.1	3.5%

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If excluding the effects of government grants in the Group's general and administrative expenses for both periods (i.e. HK\$1.0 million for the Period and HK\$4.5 million same period last year) to better compare their amounts without such effects, its adjusted general and administrative expenses increased 3.5% to HK\$238.0 million compared to HK\$229.9 million for the same period last year.

Other income, net

Other net income of HK\$21.6 million was recorded by the Group during the Period compared to HK\$19.2 million recorded in same period last year.

The other net income recorded during the Period mainly represented the recognition of government grants in Hong Kong and gains on disposal of properties in the Mainland China. The net income recorded in the same period last year mainly represented government grants in Hong Kong and Macau.

Finance income

The Group recorded finance income of HK\$10.9 million (2022: HK\$3.4 million). The increase mainly reflected higher average market interest rates and the principal sum of the Group's bank deposits placed during the Period.

Finance costs

The Group's finance costs of HK\$10.6 million (2022: HK\$7.5 million) for the Period included interest expenses of (i) HK\$7.8 million (2022: HK\$4.3 million) for the Group's bank loan financing its acquisition of property & facility management services business in December 2019, (ii) HK\$1.9 million (2022: HK\$2.3 million) for other bank borrowings and (iii) HK\$0.9 million (2022: HK\$0.9 million) for lease liabilities. The increase in interest expenses mainly reflected higher average market borrowing rates.

Income tax expenses

The effective tax rate of the Group increased by 1.5% to 15.5% (2022: 14.0%), mainly attributable to a decrease in the non-taxable government grants.

Profit for the period attributable to shareholders of the Company

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

	For the six months ended 31 December			
	2023 HK\$'M	2022 HK\$'M	Change HK\$'M	% Change
Profit attributable to shareholders including government grants				
Property & facility management services	65.8	68.9	(3.1)	(4.5%)
City essential services	101.0	121.5	(20.5)	(16.9%)
E&M services	99.9	96.6	3.3	3.4%
Unallocated corporate expenses and finance costs*	(11.3)	(7.5)	(3.8)	50.7%
Total	255.4	279.5	(24.1)	(8.6%)

* Unallocated corporate expenses and finance costs comprise the Company's corporate expenses of HK\$3.5 million (2022: HK\$3.2 million) and interest expenses of HK\$7.8 million (2022: HK\$4.3 million).

The Group's profit for the Period decreased by 8.6% or HK\$24.1 million to HK\$255.4 million compared to HK\$279.5 million for the same period last year. The decrease mainly resulted from (i) lower contributions from the security guarding & event services, insurance solutions and environmental solutions businesses; (ii) a decrease in government grants and (iii) higher corporate

Management Discussion and Analysis

finance costs, partly offset by the strong performance of the E&M business. Details of the government grants recognised by the Group are set out in Notes 6 to the condensed consolidated interim financial statements. The net profit margin of the Group decreased to 6.2% for the Period from 7.5% for the same period last year.

	For the six months ended			
	31 December		Change HK\$'M	% Change
	2023 HK\$'M	2022 HK\$'M		
Profit attributable to shareholders excluding government grants				
Profit attributable to shareholders as reported	255.4	279.5	(24.1)	(8.6%)
Excluding government grants	(24.4)	(45.0)	20.6	(45.8%)
Profit attributable to shareholders excluding government grants	231.0	234.5	(3.5)	(1.5%)

If excluding the effects of government grants in the Group's result for both periods to better illustrate the Group's financial results without such effects, the Group would record a decrease in adjusted net profit for the Period of 1.5% to HK\$231.0 million (i.e. after excluding government grants of HK\$24.4 million from its profit attributable to shareholders of the Company of HK\$255.4 million) as compared to its adjusted net profit of HK\$234.5 million for the same period last year (i.e. after excluding government grants of HK\$45.0 million from its profit attributable to shareholders of the Company of HK\$279.5 million).

Other comprehensive income/(loss)

The Group recorded other comprehensive income for the Period of HK\$2.0 million (2022: other comprehensive loss of HK\$1.6 million), reflected a favourable exchange reserve movement of HK\$2.4 million (2022: unfavourable exchange movement of HK\$4.7 million) recorded during the Period following an appreciation of the Renminbi ("RMB") for conversion of the Group's net investments in Mainland China and the remeasurement gains on long service payment liabilities of HK\$0.2 million (2022: HK\$3.0 million), partly offset by the remeasurement losses on defined benefit retirement scheme of HK\$0.6 million (2022: gains of HK\$0.1 million).

Capital structure

	As at		As at		Increase/ (decrease) HK\$'M
	31 December 2023 HK\$'M	% to total equity	30 June 2023 HK\$'M	% to total equity	
Non-current assets	316.0	37.1%	338.0	48.3%	(22.0)
Cash and bank balances	512.6	60.1%	751.9	107.5%	(239.3)
Borrowings ⁽ⁱ⁾	277.3	32.5%	282.0	40.3%	(4.7)
Net cash ⁽ⁱⁱ⁾	235.3	27.6%	469.9	67.2%	(234.6)
Working capital ⁽ⁱⁱⁱ⁾	622.8	73.0%	723.4	103.4%	(100.6)
Total equity	852.6	100.0%	699.4	100.0%	153.2

Notes:

(i) All borrowings are bank loans.

(ii) Net cash is calculated as cash and bank balances less total bank borrowings.

(iii) Being net current assets.

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Liquidity and financial resources

The Group's finance and treasury functions are centrally managed and controlled at its headquarters in Hong Kong. As at 31 December 2023, the Group had total cash and bank balances of HK\$512.6 million (30 June 2023: HK\$751.9 million), of which 91%, 5% and 4% (30 June 2023: 96%, 2% and 2%) were denominated in Hong Kong dollars, RMB and other currencies respectively, and total borrowings of HK\$277.3 million (30 June 2023: HK\$282.0 million), of which HK\$271.8 million (30 June 2023: HK\$263.6 million) were denominated in Hong Kong dollars and HK\$5.5 million (30 June 2023: HK\$18.4 million) were denominated in RMB. The Group's net cash balance decreased by HK\$234.6 million to HK\$235.3 million as at 31 December 2023 as compared to HK\$469.9 million as at 30 June 2023 mainly reflecting the net cash outflow from operating activities, the distribution of the Company's final dividend for its financial year ended 30 June 2023 of HK\$95.9 million and preferred distribution on the convertible preference shares of HK\$8.5 million and the Group's payments for principal portions of lease liabilities of HK\$24.5 million. The Group's net gearing ratio was maintained at zero as at 31 December 2023 (30 June 2023: 0%). This ratio is calculated as net debt divided by total equity. Net debt is calculated as total bank borrowings less cash and cash equivalents.

Revenue increased by 10.8% to HK\$4,114.5 million. Net gearing ratio was remained at zero.

Adopting a prudent financial management approach in implementing its treasury policies, the Group maintained a healthy liquidity position throughout the reporting period. As at 31 December 2023, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank

guarantees and/or trade financing of HK\$2,908.8 million (30 June 2023: HK\$2,649.7 million). As at 31 December 2023, HK\$1,040.1 million (30 June 2023: HK\$1,052.3 million) of the Group's banking facilities had been utilised for bank borrowings, bank guarantees and trade finance. The Group believes it has sufficient committed and unutilised banking facilities to meet current business operation and capital expenditure requirements.

Debt profile and maturity

As at 31 December 2023, the Group's total debts amounted to HK\$277.3 million (30 June 2023: HK\$282.0 million), of which HK\$58.5 million is renewed on a monthly basis and HK\$218.8 million matures in December 2024. The Group has managed its debt maturity profile to minimise its refinancing risks. All of these debts, including HK\$271.8 million denominated in Hong Kong Dollar and HK\$5.5 million denominated in RMB, bear interest at floating rates.

Foreign currency exposure

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

As part of the Group's business is carried out in Mainland China, some of its assets and liabilities are denominated in RMB. The majority of these assets and liabilities had arisen from the net investments in Mainland China operations with net assets of HK\$131.9 million as at 31 December 2023 (30 June 2023: HK\$128.7 million). The foreign currency translation arising from translation of these Mainland China operations' financial statements from RMB (functional currency of these Mainland China operations) into Hong Kong dollars (the Group's presentation currency) does not affect the Group's profit before and after tax and will be recognised in its other comprehensive income.

Management Discussion and Analysis

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

During the Period, the fluctuation of RMB against Hong Kong dollars was 4% (comparing the highest exchange rate with the lowest exchange rate of the RMB against the Hong Kong dollars during the Period).

As at 31 December 2023, if the Hong Kong dollars had strengthened/weakened by another 4% against the RMB with all other variables unchanged, the Group's other comprehensive income would have been HK\$5.3 million lower/higher.

Capital commitments

As at 31 December 2023, the Group had capital commitments of HK\$1.0 million (30 June 2023: HK\$1.4 million) in relation to purchase of plant and equipment.

Contingent liabilities

In carrying out the ordinary course of business, the Group is subject to the risk of being named as defendant in legal actions, claims and disputes in connection with its business activities. The nature of the legal proceedings initiated against the Group mainly includes claims for compensation by the Group's existing or former employees for work-related injuries. The Group maintains insurance cover and, in the opinion of the Directors, based on current available evidence, any such existing claims and legal proceedings against the Group are not expected to have significant adverse financial impact to the Group as at 31 December 2023.

Convertible preference shares

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

The convertible preference shares are (i) convertible into 43,676,379 ordinary shares of the Company at an initial price of HK\$3.2260 per share (subject to adjustments upon occurrence of certain prescribed events, including consolidation, subdivision or reclassification of shares in the capital of the Company, capitalisation of profits or reserves etc., in each case if not also made available to the holder(s) of the convertible preference shares), provided that any conversion shall not result in the Company failing to comply with any public float requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, within a period of 10 years after their date of issue of 16 December 2019 (the "Issue Date") and (ii) redeemable by the Company at its sole discretion at a redemption price equals to the Issue Price together with all outstanding preferred distributions accrued to the date fixed for redemption at any time after 10 years following the Issue Date. The convertible preference shares are treated as contingently issuable potential ordinary shares under Hong Kong Accounting Standard ("HKAS") 33 "Earnings per Share" and, since the conditions for their conversion were not met as at 31 December 2023, the effect of their conversion is

Management Discussion and Analysis

not included in the calculation of the diluted earnings per share for six months ended 31 December 2023 and 2022 pursuant to HKAS 33's requirements as described in Note 9 to the condensed consolidated interim financial statements. Assuming that all of the outstanding convertible preference shares were converted as at the end of the Period of 31 December 2023 and assuming their conditions for conversion were met, the Company's earnings per share after taking into account of the dilutive impact of such conversion for the six months ended 31 December 2023 would be HK\$0.52 per share, calculated as the Group's profit attributable to shareholders of the Company of HK\$255.4 million divided by the weighted average number of the Company's ordinary shares in issue of 493.7 million (after taking into account the weighted average number of incremental number of ordinary shares that would be issued from the conversion of the convertible preference shares on its Issue Date of 43.7 million). The convertible preference shares confer their holder(s) the right to receive preferred distributions from the Issue Date at a rate of 6.0% per annum on its Issue Price, payable annually in arrears.

As (i) the Company may at its sole discretion redeem either in whole or in part the convertible preference shares for the time being outstanding (i.e. it has no obligation to settle them in cash unless it elects at its sole discretion to redeem) and (ii) the convertible preference shares are only convertible within a period of 10 years after the Issue Date but redeemable only after 10 years following the Issue Date, an analysis on the Company's share price at which it would be equally financially advantageous for the convertible preference share holder(s) to convert or redeem the convertible preference shares based on their implied rate of return at a range of dates in the future is not applicable. Based on the financial and liquidity position of the Group (with details set out in the paragraphs headed "Liquidity and financial resources" of this section), to the best knowledge of the Company, the Company expects that it will be able to meet its redemption obligations under the outstanding convertible preference shares issued by it.

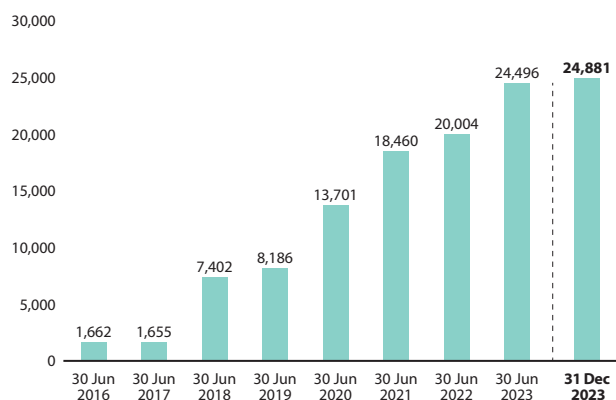
EMPLOYEES AND REMUNERATION POLICY



As at 31 December 2023, the Group had a total of 24,881 employees (31 December 2022: 20,873) including 9,683 (31 December 2022: 8,605) casual workers and employees whose relevant costs are directly reimbursed by or charged to our customers or charged by sub-contractors. Staff costs for the Period, including salaries and benefits, were HK\$1,756.6 million (2022: HK\$1,516.6 million). The increase mainly reflects an increase in the number of staff.

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

Number of Staff



Management Discussion and Analysis

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

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

- There is an increasing demand for professional property management services in Hong Kong due to the government's policy to boost the supply of residential units over the next 10 years. The increased supply of both private and public housing has created promising market opportunities, leading to strong prospective demand for professional property management services in Hong Kong.
- As societal demand increases to protect property owners' rights, there is a growing demand for independent property and facility management companies that are not subsidiaries of property developers.

Increasing demand for professional property management services due to the government's policy to boost the supply of residential units over the next 10 years.

OUTLOOK



Property & Facility Management Services Segment

With over 50 years of experience, our Property & Facility Management Group provides quality management services to maintain clients' properties and facilities, improving quality, reputation and asset value. As corporate clients' and investors' expectations grow, so does the demand for enhanced and one-stop professional property and facility management solutions, it transforms into opportunities for our Group's business growth. We foresee a robust outlook in our Property & Facility Management Group's business, propelled by rising market demands and our strengths in this industry:

- The ongoing growth in Hong Kong's residential properties supply offers increased opportunities for the Group in the firsthand property sales market. The property sales and leasing market also benefitted from the government's new admission schemes, particularly the Top Talent Pass Scheme ("TTPS"), which attracts skilled individuals to Hong Kong. This influx of talent is expected to drive housing demand and provide opportunities for the Group to offer sales and leasing services targeting this talent market.
- Leveraging over 5,000 staff, our Property & Facility Management Group has embarked on new operating methodologies, combining skilled manpower strengths with innovative technologies and IoT applications to enhance overall service efficiency and effectiveness. As societal demand grows for technological solutions, our Property & Facility Management Group clearly acknowledges the importance of the use of advanced technologies to the sustainability of its business and is well-positioned to capitalise on opportunities arising from

Management Discussion and Analysis



this increasing digitalisation trend. Our Property & Facility Management Group's technology applications, including Sm@rtUrban, ComEasy and drones, have been deployed in over 120 sites to enhance its operational efficiency and service excellence to our customers.

- Our Property & Facility Management Group comprises one of the strongest professionally qualified teams to serve our diverse clientele. While Urban, International Property Management and Kiu Lok are licensed as property management companies under the Property Management Services Ordinance "PMSO" (Cap. 626 of the Laws of Hong Kong), they together also maintain a strong team of over 300 Tier 1 and Tier 2 property management practitioners, is one of the largest licensed service teams in the industry, to ensure the smooth operation of the managed property and facility assets and the fulfillment of statutory requirements. As a result, our Group is well-positioned to capitalise on the market openings and demand generated by the full enactment of PMSO and maintains good competitive advantages over its peers in new tenders and business development activities in the coming years.
- Our Property & Facility Management Group has a strong technical and engineering team with extensive experience and expertise in various building repairs, maintenance, renovations and refurbishment projects. It has participated in and coordinated different renovation and improvement projects for large private housing estates, commercial premises and modern intelligent buildings, enhancing facilities and ultimately increasing their asset value. With

over 500 highly trained technical personnel, it currently maintains a strong engineering team to serve its clients.

- Leveraging synergies across business units, our Property & Facility Management Group has also cultivated partnerships with professional service providers and contractors. By creating economies of scale and strong bargaining power, it maximises its competitive advantages for its clients to deliver the most cost-effective services at competitive pricing and operational efficiency. This enables the Group to consistently achieve cost efficiency and operational excellence for its clients.

Sm@rtUrban, ComEasy and Drones have been deployed in over 120 sites to enhance our operational efficiency and service effectiveness.

- Beyond statutory requirements, our Property & Facility Management Group implements stringent governance practices covering environmental protection and care, corporate social responsibility, and risk and crisis control. Moreover, within our Property & Facility Management Group, Urban has become a household name as "Hong Kong's Premier Community Manager" with over 100 annual corporate social responsibility activities. Additionally, Urban maintains an extensive risk and crisis management system addressing issues from building service disruptions to pandemics - providing comprehensive coverage across scenarios.
- As a reputable property manager business, the Group has established a strong customer network and gained the trust of its clients, which allows it to leverage its existing relationships in providing property sales and leasing services. Through digital platforms such as webpages, social media channels and instant messaging platforms, the Group can effectively engage its clients and provide them with convenient access to property information and then promote its property sales and leasing services business accordingly.

Management Discussion and Analysis

City Essential Services Segment

1. Cleaning Services & Pest Control Services

While global economic headwinds persist, Waihong remains confident in Hong Kong's cleaning and hygiene industry outlook. Waihong continues growing rapidly with record revenue since its establishment. Furthermore, numerous new government and private developments launching in the coming years guarantee massive hygienic and environmental service demand. Waihong is well-positioned for further growth with the following impetuses:

Completion of new government and private developments projects in the coming years guarantee massive hygienic and environmental service demands.

- Many new private properties and public facilities will launch in the Kai Tak Development Area and Northern Metropolis in coming years. Additionally, Waihong has already obtained some sizable service contracts for residential, commercial, and public facilities in the Kai Tak Development Area, and is in the process of negotiating some additional ones. Alongside growing public hygiene awareness, demand for specialist cleaning and hygiene services across different properties and facilities will increase. Waihong will leverage its competitive advantages to explore additional opportunities in both private and public market segments.
- As the tourism exhibition industry recovers, Waihong benefits from increasing demands for cleaning and support services from exhibitions, conferences, concerts, and international sport events. These event services provide ad-hoc business opportunities, generate higher revenue and profits to offset the effects of decreasing demands for disinfection services.
- As smart city development pushes innovation globally, technology is transforming the cleaning and pest control industry's landscape. Growing demand for



sustainability and workforce shifts accelerate industry changes. Innovative technology is rapidly being applied to the cleaning and pest control industry. Advancements in software and hardware have improved automatic cleaning processes such as scheduling and inventory management. Adopting IoT sensors and robotic machines is improving the cleaning process. Waihong has actively introduced AI systems, including smart toilets, electronic face recognition attendance system (Check-in Easy) and real-time work monitoring system (ComEasy). These strategic investments strengthen the company's competitive advantage and long-term profitability by enhancing its ability to meet evolving client needs.

- Environmental sustainability concerns are growing globally. To address this pressing issue, Waihong is implementing green cleaning practices through providing disposal of municipal solid waste, medical waste, liquid waste, construction waste, wastepaper, food waste and aged battery. This aligns with clients' increasing demand for eco-friendly cleaning solutions and fulfills Waihong's ESG responsibilities. Green cleaning products and methods have become a mandatory norm for most of the industries like healthcare, hospitality, academy, or government. Waihong will prioritise sustainability to mitigate the environmental impacts while demonstrating social commitment. With Hong Kong's municipal waste charging scheme commencing Q2 2024, Waihong has upscaled its fleet and recycling capacities to address higher than expected demands.

Management Discussion and Analysis

- As always, Waihong is actively exploring different market opportunities. It strives to provide excellent and value-added services to satisfy clients' needs and retain existing clients, renewing service contracts to attain higher contract retention rates. On the other hand, Waihong has invested more resources to strengthen its competitiveness in tendering service contracts from different government agencies to widen its market share.

2. Technical Support & Maintenance Services

In coming years, our technical support & maintenance services division aims to further develop and diversify its government term contracts to include fire services and electrical systems.

As a complementary business within our Group's portfolio, this division has strong growth prospects. Abundant opportunities exist both publicly and privately to increase revenue and profit:

- In the private sector, steady and stable income generated from maintenance and system retrofit works support the underlying operating business of the Group's technical support & maintenance services division. Furthermore, it is expected that there will be growing demand for large-scale renovation works for existing commercial premises in the coming years. According to the Hong Kong Tourism Board, there are more than 300 hotels and 50 major shopping malls in Hong Kong, a market that offers tremendous opportunities for further private sector business development in the next few years.
- As Hong Kong targets to achieve carbon neutrality before 2050 and continuous enhancement of energy performance of buildings is expected, large developers will make strenuous efforts to enhance the energy efficiency of the

Growing demand for large-scale renovation works for existing commercial premises in the coming years.

new projects as well as the existing buildings to reduce their carbon emissions through retrofitting works. It offers immense and sustainable markets for our technical support & maintenance services division to expand its business in this field. In 2023, our technical support & maintenance services division has successfully undertaken a contract with CLPe Solutions, a wholly-owned subsidiary of CLP Holdings, on chiller replacement work – the first zero-carbon chiller system in Hong Kong. By accomplishing this great challenge - converting the air-cooled to water-cooled chiller system having a capacity of 9,300 refrigerant tons, it will be our significant milestone and foster the forthcoming collaboration with power companies and other commercial parties. Furthermore, retro-commissioning is another effective way to optimise buildings' operational performance and it is highly recommended and promoted by the Electrical and Mechanical Services Department of the Hong Kong government. Our technical support & maintenance services division has thoroughly prepared for itself, including relevant talent developments and acquisition of professional certifications, to effectively address the forthcoming marketing demands.

- The Group's technical support & maintenance services division advocates the implementation of innovative technologies to increase the efficiency and effectiveness of works. Combining Building Information Modeling ("BIM") with our well-developed mobile application for maintenance services can enable our customers to experience an innovative management system in existing buildings. Moreover, enhancing occupational safety is our utmost priority. By leveraging technology to aid in the design of our mobile applications, it facilitates our employees managing safety issues effectively and promotes a safety culture in our workplace, which in turn can help reduce work-related accidents and enhance our work efficiency.



Management Discussion and Analysis

3. Security Guarding & Event Services

Demand for security services is expected to grow in the coming years. Coupled with the expected recovery of the event service industry, the outlook of our Group's security guarding and event services is optimistic:



- A major contributing factor is the demand for 440,000 units of public and private housing over the next ten years. In addition, several government projects are in the pipeline, including AsiaWorld-Expo Phase 2, the Hong Kong Airport third runway and the Lok Ma Chau development. Once these projects are operational, there will be a huge demand for security services. Coupled with upcoming debut of the Kai Tak Sports Park and full operation of 11 SKIES, a mega signature office and entertainment project near the Airport, the demand for security services are expected to be further enhanced, which will have a positive impact on the future performance of General Security.
- With the opening of Hong Kong in early 2023 after the peak of the pandemic, the exhibition and convention industry

General Security will diversify its business by AI and new technology in security system business.

is expected to undergo a recovery phase. Perfect Event is proactively positioning itself in the event services industry. Since Perfect Event's establishment about two years ago, it has performed well in engaging customers' needs and expectations and achieved remarkable profit growth.

- The manpower shortage poses challenges for the current operation and business growth of the security industry. General Security and Perfect Event will take advantage of their experiences in event security and customer services in the market together with good strategic partnerships with major event operators and managers. They will focus on allocation of resources in event and ad hoc business which can contribute to higher financial return. In addition, General Security will diversify its business by AI and new technology in security system business instead of traditional systems.

Nova's flexibility of services and strong customer-focused approach helps it win more accounts from its competitors.

4. Insurance Solutions

As the largest local insurance broker with a 35-year history and a strong team of professionals, Nova has the comparative advantage to benefit from this initiative and has well positioned itself for further growth in the coming years:

- As the needs of corporate insurance buyers are becoming more complex and they are extremely price conscious, they need a professional broker to help them get a better deal. The flexibility of Nova's services and its strong customer-focused approach helps it win more accounts from its competitors. Despite the advancements in technologies, such as online insurance services, there are still robust demands for the insurance brokers' services due to the complex needs of the insurance buyers. Nova, which possesses ample knowledge of local culture and needs and strong international connections, coupled with excellent relationships with underwriters, is well-

Management Discussion and Analysis



positioned to create win-win situations between clients and insurance companies.

- Nova continues to do what it does best, such as insurance related to construction projects. There are a lot of new commercial and residential developments and infrastructure projects in the pipeline that present additional business opportunities for Nova.
- Due to mergers and acquisitions in the global brokerage space over the past few years, the number of sizable international insurance brokers has been reduced. However, Nova is perfectly positioned to fill this gap, as it has experience and a proven track record with local flair.
- In the coming year, Nova will further leverage its market niche and expertise to win more clients in the industries it is well experienced in, such as construction, property management, hospitality, educational institutions, non-government organisations and employee benefits such as group medical and MPF schemes. Nova will also focus on specialty products with higher yields such as cyber insurance, professional indemnity insurance, directors & officers liability insurance and trade credit insurance.

5. Environmental Solutions

In tandem with the escalating public demands for various solutions to our living environments, our Group's Environmental Solutions, which provides Environment Solutions, Smart Solutions and Green Solutions to its clients, foresees considerable amount of business opportunities to emerge in the coming years:

Environment Solutions

- Increasing public awareness of the importance of a sustainable environment is driving demand for environmentally friendly services and products. The enactment of the Building Energy Efficiency Ordinance (Cap. 610 of the Laws of Hong Kong) in 2012 and the Hong Kong Government's pledge to achieve carbon neutrality by 2050 in the "Hong Kong Climate Action Plan 2050" published in 2021 continue to support the business development of the Group's environmental assessment services.
- The Group's environment solutions business has experienced steady growth in its environmental engineering segment, driven by its seawater and freshwater treatment products, such as electrochlorination systems, and odor removal products like biotech deodorisation systems. Despite the fierce competition in HVAC water treatment services, its patented nanobubble ozonation and the use of real-time monitoring systems offers good opportunities to enlarge its market share.

Increasing public awareness of the importance of a sustainable environment is driving demand for environmentally friendly services and products.

Management Discussion and Analysis



Smart Solutions

- Regarding the ELV business, with more property developers adopting IT infrastructure and advanced technologies in their projects to enhance building sustainability and energy control, good opportunities to generate business revenues and profit in the ELV business are emerging.
- The announcement of the Hong Kong Roadmap on Popularisation of Electric Vehicle (“EV”) by the Government in 2021, which aims to achieve zero vehicular emissions by 2050, presents a significant business opportunity for the Group. There is a growing demand for electricity installation of the supporting facilities in the car park to support the adaption of EVs.
- The Group’s smart solutions business is committed to staying abreast of the market trends and facilitating the identification of new products. It will continue to work with vendors to customise systems according to specific customer needs and smart city blueprints, using advanced technologies and smart solutions such as AI and IoT, intelligent intellectual property/information technology-based systems and various 5G mobile applications to strengthen the building management and environmental monitoring system to enhance building sustainability and environmental quality, thereby increasing customer satisfaction.

Green Solutions

- The growing market demand for green elements in both indoor and outdoor spaces, coupled with customers’ needs to enhance the visual and ecological environment, have provided more opportunities for green solutions offered by the Group’s landscape services business. The greening policies, urban planning initiatives and various support provided by the government will be highly beneficial to the development of the industry and our landscape services business.
- With technological advancement and focus on green concepts, our building materials trading business is presented with new opportunities to promote new products with new features in these areas, including anti-bacterial tiles. By strategically collaborating with the Group’s environment solutions team, the Group’s environment solutions team will help its building material trading business keep up with market trends and facilitate the identification of new products.

E&M Services Segment

The Group’s E&M services business is well-equipped to seize the significant business opportunities on sizeable infrastructure and building projects that are expected to arise in Hong Kong, Mainland China and Macau in the coming years:

- Capital and Construction Expenditure – According to the construction expenditure forecast provided by the Construction Industry Council in July 2023, it is projected that each year, expenditure in E&M construction works will exceed HK\$30 billion for the public sector and over HK\$25 billion for the private sector over the next five years. With such increasing demand for professional construction services, the Group will focus on the public and private housing development and infrastructure projects.
- Public Housing – In the 2023 Policy Address, the Hong Kong Government announced the identification of sufficient land to construct 410,000 public housing units and 132,000 private housing units to meet the demand in the coming 10 years. In addition, the Hong Kong Government has proposed to develop the northern part of Hong Kong which encompasses Yuen Long District

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It is projected that the yearly expenditure in E&M construction works will exceed HK\$30 billion for the public sector and exceed HK\$25 billion for the private sector over the next five years.

and North District into a metropolitan area (“Northern Metropolis”), providing over 500,000 housing units in the next 20 years.

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

With the introduction of the new Light Public Housing (“LPH”) using the MiC approach, the overall public housing production will reach 172,000 units (including 30,000 LPH units at eight sites) and 80,000 private housing units in the next five years (from 2024-2025 to 2028-2029). In addition, three sites have been identified to build subsidised sales flats under a new pilot scheme on public-private partnership, with the first two sites providing at least 2,000 units.

- Private Housing – The redevelopment of private residential and commercial developments is driven by the Urban Renewal Authority (“URA”) and the Hong Kong Housing Society, along with the developments in the Kai Tak Development Area, Yau Tong and Ap Lei Chau, together with the railway property developments. The Hong Kong Government will put forward the development of Tseung Kwan O Area 137 for residential and commercial development and other relevant purposes. Over the next five years, the URA will commence the redevelopment project of the “Nullah Road Urban Waterway” in Mong Kok East and the “Street Consolidation Areas” in Yau Ma Tei South.

- Railway Development – The Hong Kong Government strives proactively implement new and extension of railway projects. The MTR has undergone the construction or tendering processes on two-line extensions (Tuen Mun South Extension and Tung Chung Line Extension), Hung Shui Kiu Station and Oyster Bay Station. In addition, the Government has completed public consultation on the enhanced Three Railways, which include the Hong Kong-Shenzhen Western Rail Link (Hung Shui Kiu-Qianhai), the Central Rail Link and the Tseung Kwan O Line Southern Extension. To address the development of new towns in the Northern Metropolis, the MTR has conducted studies on the proposal of building two new railways – Northern Link Eastern Extension and Northeast New Territories Line.
- Airport Development – The Hong Kong Government also worked with the Airport Authority Hong Kong to fully realise the “Airport City” vision and to create at Lantau an Aerotropolis connecting the Greater Bay Area and the world.
- District Cooling System – Use of the District Cooling Systems (“DCS”) is also one of the Hong Kong Government’s initiatives and commitment to low-carbon development. Apart from the additional DCS in the West Kowloon Cultural District, providing DCS in new development areas – Tung Chung East and Kwu Tung North have also been under tendering or construction process. Other new development areas including the Northern Metropolis will also incorporate the DCS to further reduce energy consumption.
- Convention and Exhibition – To support Hong Kong as a premier venue for large-scale international convention and exhibition activities, the Government will proceed with the AsiaWorld-Expo Phase 2 project in 2024 and the Wan Chai North redevelopment project near the Hong Kong Convention and Exhibition Centre a few years later.
- Sports and Recreation Facilities - The Culture, Sports and Tourism Bureau will map out a 10-year development blueprint for 30 sports and recreation facilities, including Hong Kong’s second sports park to be developed in Whitehead, Ma On Shan, and large-scale sports and recreation facilities in the Northern Metropolis.

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- Technology Park and Manufacturing Centre - To encourage and enhance Innovation and Technology (“I&T”), the Hong Kong Government will collaborate with Shenzhen in the development of the Shenzhen-Hong Kong I&T Co-operation Zone under the “one zone, two parks” model. The Hong Kong Government will expedite the development of San Tin Technopole in the Northern Metropolis, and the expansion works of the Science Park and Cyberport will be completed in phases from 2025 onwards.
- Technology and Operational Efficiency – With increasing construction volumes, rising construction costs and ageing skilled workforce in recent years, together with multiple incidents in individual large-scale projects, the construction industry in Hong Kong has been facing enormous pressure and challenges. The Group has been

Our E&M services invested in innovative construction technologies to boost operational efficiency and project management capabilities.

endeavoring to support the “Construction 2.0” initiative (Innovation, Professionalisation and Revitalisation) as launched by the Development Bureau in 2019 to capitalise on future development opportunities and scale new heights. In 2023, the Development Bureau has reviewed the labour shortage situation and introduced the Labour Importation Scheme for the Construction Sector, with a quota ceiling of 12,000.

- Macau – In Macau, there is a constant demand for renovation and improvement works for hotels and casinos. In addition, there is a robust demand for public and private residential housing, the development of Galaxy Macau Phase 4, the renovation work of existing casinos and hotel areas, and the renewal of gaming licences of its six major casino operators for the next 10 years in November 2022. These factors are expected to create emerging business opportunities for the Group in the coming few years.
- Mainland China - The Group has followed a disciplined business development approach focusing on the provision of E&M services to major property developments of Hong Kong and foreign investors. Apart from the two core bases in Beijing and Shanghai, the Group has also established its

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presence in other first- and second-tier cities in Mainland China such as Tianjin, Shenyang, Wuhan, Kunming and Hangzhou. The development of the Greater Bay Area will certainly enhance the economic and social growth in the 11 cities of that Area. In addition, the 3 rapidly developing Guangdong Pilot Free Trade Zones – Hengqin, Qianhai and Nansha – will bring new business opportunities to the Group.

- In recent years, the Group has been providing project management services across Mainland China to an international exhibition centre development in Shenyang, 2 high-rise building complexes in Tianjin and Guangzhou, and 2 commercial buildings in Beijing. The Group firmly believes that due to its high market recognition and strong value-added E&M project management expertise, it will be a preferred partner of foreign and Hong Kong-based developers for high-end projects in Mainland China.
- With our brand's long history and substantial experience, the Group has maintained its position as one of the leading E&M companies in Hong Kong, capable of providing a comprehensive range of E&M services, ranging from design, installation and testing and commissioning services, and has continued to run its E&M operations in Mainland China and Macau.
- On top of its full range of licences and qualifications and effectiveness in managing tendering risks, the Group's E&M services business has integrated operating and control procedures, a robust network of well-established customers and suppliers, and an experienced and well-trained workforce to support all its operations. Equipped with such high service standards and modern management models, it enables the Group's E&M services business to continuously improve its operational efficiency and provide the most cost-effective service deliveries to its clients at optimum price levels.
- With the growing demand for sustainability and environmental, social, and governance from corporate clients and property investors, the Group's E&M services business remains committed to building a greener future. It continuously optimizes design and explore innovative methods to enhance sustainability. At the project level, green building principles are applied to building services equipment to reduce energy usage, carbon footprint and construction waste through green building design, MiC, MiMEP, DfMA.
- To boost operational efficiency and project management capabilities, the Group invests in innovative construction technologies such as BIM, Digital Works Supervision System ("DWSS"), modularisation and prefabrication, Robotic Total Solution and Sky Drilling Machine, 3D laser scanning and mobile Apps solutions etc.
- In addition, senior executives of the Group's E&M services business actively participated in key roles within leading industry organisations, including the Construction Industry Council as well as in different professional institutions such as The Hong Kong Institution of Engineers and trade/industry associations such as The Hong Kong Federation of Electrical and Mechanical Contractors Limited. Beyond strengthening the Group's brand visibility, these leadership positions reinforce its commitment to professionalism and keeping apace of modern construction advances.

CONCLUSION

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