

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, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together, the “Group”) are principally engaged in provision of property & facility management services, property agency and related services for buildings, car park management services, cleaning & pest control 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, provision of ELV engineering services, trading of building materials, landscaping services in Hong Kong and provision of mechanical and electrical engineering services and technical support and maintenance 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 27 February 2024.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 31 December 2023 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 2023, which has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies applied are consistent with those set out in the annual report for the year ended 30 June 2023, except for the adoption of new and amended standards as set out below.

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

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

For the six months ended 31 December 2023, the Group adopted the following new amendments to existing standards which are effective for the accounting periods of the Group beginning on 1 July 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules
HKFRS 17 and its Amendments	Insurance Contracts
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information

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

(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 2023 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
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 HKAS 7 and HKFRS 7	Supplier Finance Arrangements	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 HKAS 21	Lack of Exchangeability	1 January 2025
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 2023.

There have been no changes in the risk management policies since the Group's financial year ended 30 June 2023.

3.2 Fair value estimation

At 31 December 2023 and 30 June 2023, 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 2023.

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 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 & facility management services, property agency and related services for buildings, car park management services and guarding services;
- (ii) City essential services — Provision of cleaning & pest control and waste disposal services, recycling and environmental disposal services, technical support & maintenance services, security guarding & event services, insurance solutions, environmental solutions services (including environmental engineering consultancy services, ELV engineering 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)*

	For the six months ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
Revenue		
Property & facility management services	329,797	356,802
City essential services		
— Cleaning services & pest control services	1,128,052	826,803
— Technical support & maintenance services		
— Renovations, system retrofit and repairing ⁽ⁱ⁾	448,139	402,798
— Routine maintenance ⁽ⁱⁱ⁾	51,795	58,728
— Security guarding & event services		
— Rendering of services	302,460	322,383
— Sales of goods ⁽ⁱⁱⁱ⁾	3,855	9,191
— Insurance solutions	58,091	61,333
— Environmental solutions		
— Rendering of services ^(iv)	124,622	133,961
— Sales of goods ^(v)	25,588	34,176
City essential services subtotal	2,142,602	1,849,373
E&M services	1,642,124	1,505,943
Total ^(vi)	4,114,523	3,712,118

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 CCTV, burglar alarm, mobile patrol, access control, intercom, car park barrier and face reader systems, and handheld and walkthrough metal detectors.
- (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 and landscape management.
- (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 2023 HK\$'000	2022 HK\$'000
Contracting revenue recognised based on percentage of completion method		
Technical support & maintenance services		
— Renovations, system retrofit and repairing	181,672	123,122
Environmental solutions		
— Rendering of services	76,169	83,527
E&M services	1,642,124	1,505,943
Total	1,899,965	1,712,592

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 2023 and 30 June 2023, 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).

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) For the six months ended and as at 31 December 2023

The segment results for the six months ended 31 December 2023 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	329,797	2,142,602	1,642,124	–	4,114,523
Revenue — Internal	1,365	42,296	–	(43,661)	–
Total revenue	331,162	2,184,898	1,642,124	(43,661)	4,114,523
Timing of revenue recognition					
Over time	331,162	2,121,758	1,642,124	(41,304)	4,053,740
At a point of time	–	63,140	–	(2,357)	60,783
Total revenue	331,162	2,184,898	1,642,124	(43,661)	4,114,523
Operating profit before unallocated corporate expenses	72,243	117,275	114,933	–	304,451
Unallocated corporate expenses					(3,462)
Operating profit					300,989
Finance income					10,938
Finance costs					(10,640)
Share of results of associates					802
Share of results of joint ventures					131
Profit before income tax					302,220
Income tax expenses (Note 8)					(46,765)
Profit for the period					255,455
Other items					
Depreciation and amortisation	6,342	16,285	14,866	–	37,493
Impairment losses on trade and other receivables, net (Note 7)	–	419	–	–	419
Reversal of provision for inventories (Note 7)	–	(21)	–	–	(21)
Additions to non-current assets (other than financial instruments and deferred income tax assets)	431	11,630	7,089	–	19,150

Notes to the Condensed Consolidated Interim Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) For the six months ended and as at 31 December 2023 *(Continued)*

The segment assets and liabilities as at 31 December 2023 are as follows:

	Property & facility management services HK\$'000	City essential services HK\$'000	E&M services HK\$'000	Total HK\$'000
Segment assets	391,531	1,880,284	1,583,686	3,855,501
Unallocated assets				4,200
Total assets				3,859,701
Segment liabilities	151,012	936,604	1,575,782	2,663,398
Unallocated liabilities				343,728
Total liabilities				3,007,126

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) For the six months ended 31 December 2022 and as at 30 June 2023

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					656
Share of results of joint ventures					–
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

Notes to the Condensed Consolidated Interim Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) For the six months ended 31 December 2022 and as at 30 June 2023 *(Continued)*

The segment assets and liabilities as at 30 June 2023 are as follows:

	Property & facility management services HK\$'000	City essential services HK\$'000	E&M services HK\$'000	Total HK\$'000
Segment assets	417,015	1,738,859	1,827,246	3,983,120
Unallocated assets				7,314
Total assets				3,990,434
Segment liabilities	175,768	903,379	1,849,899	2,929,046
Unallocated liabilities				361,967
Total liabilities				3,291,013

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	
	2023 HK\$'000	2022 HK\$'000
Revenue		
Hong Kong	3,763,035	3,488,626
Mainland China	263,719	166,678
Macau	87,769	56,814
Total	4,114,523	3,712,118

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 2023 HK\$'000	As at 30 June 2023 HK\$'000
	Non-current assets, other than deferred income tax assets and pension assets	
Hong Kong	275,926	289,357
Mainland China	21,048	27,559
Macau	5,156	6,255
Total	302,130	323,171

6 OTHER INCOME, NET

	For the six months ended 31 December	
	2023 HK\$'000	2022 HK\$'000
Government grants ⁽ⁱ⁾	15,218	17,447
Gains on disposal of right-of-use assets, net	4,279	–
Gains on disposal of property, plant and equipment, net	1,200	135
Ex-gratia payment from the government for retirement of motor vehicles	305	485
Exchange gains, net	199	127
Sundries	398	976
Total	21,599	19,170

Note:

- (i) During the six months ended 31 December 2023, the Group was entitled to government grants under various schemes from the Government of the Hong Kong Special Administrative Region (the "HKSAR Government") as financial support for its businesses, amounting to HK\$24.4 million in total (Six months ended 31 December 2022: HK\$45.1 million from the HKSAR Government and the Government of the Macau Special Administrative Region). Out of which, (i) HK\$15.2 million was recognised as "Other income, net" (Six months ended 31 December 2022: HK\$17.4 million) and (ii) HK\$9.2 million (Six months ended 31 December 2022: HK\$27.7 million) was net off in its staff costs (Note 7).

7 OPERATING PROFIT

	Note	For the six months ended 31 December	
		2023 HK\$'000	2022 HK\$'000
Operating profit is stated after charging/(crediting):			
Staff costs (including Directors' emoluments)		1,756,649	1,516,607
Subcontracting fees		1,190,369	1,115,236
Raw materials and consumables used		697,243	585,514
Depreciation of right-of-use assets	11	24,738	24,791
Cost of inventories sold		13,807	22,530
Depreciation of property, plant and equipment	11	10,829	9,085
Amortisation of other intangible assets ⁽ⁱ⁾	11	1,926	2,030
Expenses relating to short-term leases		752	972
Impairment losses/(reversal of impairment losses) on trade and other receivables, net		419	(180)
Reversal of provision for inventories		(21)	(328)

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.

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8 INCOME TAX EXPENSES

	For the six months ended 31 December	
	2023 HK\$'000	2022 HK\$'000
Current income tax		
Hong Kong profits tax	45,337	48,491
Macau taxation	1,883	3,253
Mainland China income tax	378	(24)
Deferred income tax credit	(833)	(6,417)
Total	46,765	45,303

Hong Kong profits tax has been provided at the rate of 16.5% (Six months ended 31 December 2022: 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 2023 and 2022.

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	
	2023 HK\$'000	2022 HK\$'000
Profit attributable to shareholders of the Company	255,430	279,537
Less: Preferred distribution to the holder of convertible preference shares	(4,262)	(4,262)
Earnings used in the basic earnings per share calculation	251,168	275,275
Weighted average number of ordinary shares in issue (shares in thousands)	450,000	450,000
Basic earnings per share (HK\$)	0.56	0.61

(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 2023 and 2022, 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 2023 and 2022. As a result, the diluted earnings per share equals to the basic earnings per share for the six months ended 31 December 2023 and 2022.

10 DIVIDEND AND DISTRIBUTION

At a meeting held on 27 February 2024, the Board has resolved to declare the payment of an interim dividend of HK22.4 cents (Six months ended 31 December 2022: HK24.5 cents) per ordinary share to the ordinary shareholders of the Company for the six months ended 31 December 2023, equivalent to a total amount of HK\$100.80 million (Six months ended 31 December 2022: HK\$110.25 million). The interim dividend will be paid in cash.

At a meeting held on 27 September 2023, 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 2022: HK\$8.5 million). The preferred distribution was paid in December 2023.

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 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
Six months ended 31 December 2023			
Opening net book value as at 1 July 2023	57,415	87,696	176,870
Exchange differences	49	127	–
Additions	7,861	11,289	–
Disposals	(573)	(2,424)	–
Depreciation and amortisation charges	(10,829)	(24,738)	(1,926)
Closing net book value as at 31 December 2023	53,923	71,950	174,944

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12 TRADE AND OTHER RECEIVABLES

	As at 31 December 2023 HK\$'000	As at 30 June 2023 HK\$'000
Trade receivables		
Third parties	1,155,557	872,672
Related companies (Note 17(c))	200,409	326,131
	1,355,966	1,198,803
Less: Provision for impairment		
Third parties	(10,593)	(10,174)
Related companies (Note 17(c))	(45)	(45)
	1,345,328	1,188,584
Retention receivables		
Third parties	300,962	293,383
Related companies (Note 17(c))	126,587	124,619
	427,549	418,002
Other receivables and prepayments		
Third parties	309,915	239,988
Related companies (Note 17(c))	69,379	28,801
	379,294	268,789
Accrued contract revenue	283,181	443,760
Less: Provision for impairment	(149)	(149)
	283,032	443,611
Total	2,435,203	2,318,986

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 2023 included trade and retention 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, retention receivables, accrued contract revenue 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 receivables, retention receivables, accrued contract revenue and contract assets 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 2023 HK\$’000	As at 30 June 2023 HK\$’000
Current to 90 days	1,184,667	1,085,138
91 to 180 days	80,228	42,697
Over 180 days	80,433	60,749
Total	1,345,328	1,188,584

13 CASH AND BANK BALANCES

	As at 31 December 2023 HK\$’000	As at 30 June 2023 HK\$’000
Time deposits with original maturities within three months	132,713	426,300
Trust cash ⁽ⁱ⁾	74,036	35,952
Other cash at banks and on hand	305,818	289,649
Total	512,567	751,901

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 authorised and issued shares are as follows:

	For the six months ended 31 December			
	2023		2022	
	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 2023 and 30 June 2023, 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 FSE Management Company Limited ("FMC, a fellow subsidiary of the Company) 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 2023 HK\$'000	As at 30 June 2023 HK\$'000
Trade payables		
Third parties	448,722	414,318
Other payables		
Third parties	331,307	262,267
Related companies (Note 17(c))	60,886	81,496
	392,193	343,763
Retention payables		
Third parties	277,381	299,460
Accrued expenses	427,448	465,077
Provision for contracting costs	427,529	520,155
Total	1,973,273	2,042,773

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 2023 HK\$'000	As at 30 June 2023 HK\$'000
1 to 90 days	343,714	374,229
91 to 180 days	31,886	19,540
Over 180 days	73,122	20,549
Total	448,722	414,318

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.

16 NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Notes	For the six months ended	
		31 December	
		2023	2022
		HK\$'000	HK\$'000
Profit before income tax		302,220	325,383
Depreciation of right-of-use assets	11	24,738	24,791
Depreciation of property, plant and equipment	11	10,829	9,085
Finance costs		10,640	7,464
Long service payment liabilities			
Expenses recognised in the condensed consolidated income statement		3,880	1,961
Benefit paid		(4,110)	(1,728)
Amortisation of other intangible assets	11	1,926	2,030
Impairment losses/(reversal of impairment losses) on trade and other receivables, net	7	419	(180)
Pension costs on defined benefits plan		159	179
Finance income		(10,938)	(3,380)
Gains on disposal of right-of-use assets, net	6	(4,279)	–
Gains on disposal of property, plant and equipment, net	6	(1,200)	(135)
Share of results of associates		(802)	(656)
Share of results of joint ventures		(131)	–
Unrealised exchange differences		(199)	(127)
Reversal of provision for inventories	7	(21)	(328)
Operating cash flows before changes in working capital		333,131	364,359
Change in working capital:			
Net contract assets and liabilities		(165,416)	(171,640)
Trade and other receivables		(108,918)	18,640
Trade and other payables		(76,473)	(29,927)
Pension assets		(22)	(20)
Inventories		2,637	2,959
Cash (used in)/generated from operations		(15,061)	184,371

(b) Acquisition of non-controlling interests

On 12 June 2023, the Group acquired the remaining 30% interest in Wise Plaza Limited at a consideration of HK\$22.8 million, which includes HK\$22.4 million of initial sum of consideration paid in June 2023 and HK\$0.4 million of final cash payment of consideration paid in July 2023.

(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.

Notes to the Condensed Consolidated Interim Financial Statements

16 NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

(d) Major non-cash transactions

During the six months ended 31 December 2023, the Group acquired right-of-use assets and recognised lease liabilities, including lease modifications, totaling HK\$11.3 million (Six months ended 31 December 2022: HK\$8.4 million).

(e) Funds held on behalf of third parties

As at 31 December 2023, the Group held cash and bank balances totalling HK\$1,128.4 million (30 June 2023: HK\$1,136.8 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 2023 and 2022.

(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
China Fame Enterprise Limited	Note i
Ease King Investment Limited	Note i
FSE Management Company Limited	Note i
Great City Developments Limited	Note i
Kingdom of Morocco (Consulate General-HK) Company Limited	Note i
Perfect Modern Limited	Note i
Power Estate Investments Limited	Note i
Prosperity Property Investment Limited	Note i
Silver Asia Investments 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
Build King Construction Limited	Note ii
Build King Interior & Construction Limited	Note ii
Calpella 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
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
Cititop Limited	Note ii
Daily Land Limited	Note ii
Diamond International Limited	Note ii
Discovery Park Commercial Services 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
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 (VEC)	Note ii
Hip Seng Builders Limited	Note ii
Hip Seng Construction Company Limited	Note ii
Hip Seng Contracting Company Limited (formerly known as New World 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
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
K11 Select Limited	Note ii
K11 Theme Parks 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
Kai Tak Sports Park Limited	Note ii
Karnival TP-FT 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
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 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 Tower Company Limited	Note ii
NW Project Management Limited	Note ii
NWS Holdings Limited	Note ii
Park New Astor Hotel Limited	Note ii
Polytown Company Limited	Note ii
Pride Success Fashion Trading Limited	Note ii
Pridemax Limited	Note ii
Renaissance Harbour View Hotel HK	Note ii
Rosewood Hotels (Hong Kong) Limited	Note ii
Roxy Limited	Note ii
Sunfield Investments Limited	Note ii
Sunny Goal 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

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
Treasure Tower Holdings Limited	Note ii
Urban Parking Limited	Note ii
Vibro (H.K.) Limited	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 Co., Limited	Note ii
Wise City Investment Limited	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
清遠新世界旅遊發展有限公司	Note ii
新世界百貨（中國）有限公司	Note ii
新世界協中建築有限公司	Note ii
新世界嘉業（武漢）有限公司	Note ii
寧波新立房地產開發有限公司	Note ii
廣州永沛房地產開發有限公司	Note ii
瀋陽博覽館商務會展有限公司	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.

Notes to the Condensed Consolidated Interim Financial Statements

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 2023 and 2022.

	For the six months ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
Contract revenue (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	1,639	1,446
Other related companies (Note ii)	908,110	1,324,267
Total	909,749	1,325,713
Cleaning service income (Note i)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	846	–
Other related companies (Note ii)	81,335	80,486
Total	82,181	80,486
Premises management service fee and building manager remuneration (Note iii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	792	844
Other related companies (Note ii)	9,621	7,750
Total	10,413	8,594
Security service income (Note iv)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	2,133	1,936
Other related companies (Note ii)	106,942	121,621
Total	109,075	123,557
Insurance solutions consultancy fee income from related companies (Note v)	13	2,579
Landscaping service income (Note vi)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	14	13
Other related companies (Note ii)	3,172	4,005
Total	3,186	4,018
Additions of right-of-use assets and rental expenses (Note vii)		
Related companies commonly controlled by the Ultimate Controlling Shareholder	6,914	478
Other related companies (Note ii)	25	25
Total	6,939	503

17 RELATED PARTY TRANSACTIONS *(Continued)*

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

	For the six months ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
Appointment fees to related companies (Note viii)	1,408	1,378
Contracting service expenses to a related company (Note ix)	4,004	2,722
Miscellaneous service fees expenses to related companies (Note x)	308	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 were charged based on certain percentages of total expenditures of the properties in accordance with the management contracts.
- (iv) Security service 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 income was charged at prices and terms as agreed by both parties.
- (vii) Additions of rights-of-use assets and rental expenses 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.

Notes to the Condensed Consolidated Interim Financial Statements

17 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

	As at 31 December 2023 HK\$'000	As at 30 June 2023 HK\$'000
Trade receivables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	101	943
Other related companies (Note i)	200,263	325,143
Total	200,364	326,086
Retention receivables due from related companies (Note i)	126,587	124,619
Other receivables due from related companies (Note i)	69,379	28,801
Contract assets due from related companies (Note i)	207,641	243,215
Contract liabilities due to related companies (Note i)	263,769	334,554
Other payables		
Related companies commonly controlled by the Ultimate Controlling Shareholder	4,887	1,320
Other related companies (Note i)	55,999	80,176
Total	60,886	81,496
Lease liabilities		
Related companies commonly controlled by the Ultimate Controlling Shareholder	31,651	40,620

Note:

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

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	
	2023	2022
	HK\$'000	HK\$'000
Fees	1,863	1,666
Salaries and other emoluments	54,137	45,422
Contributions to defined contribution schemes	2,441	1,966
Total	58,441	49,054

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
	2023	2023
	HK\$'000	HK\$'000
Property, plant and equipment	976	1,396

19 EVENTS AFTER THE REPORTING PERIOD

On 1 February 2024, Nova Insurance Consultants Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, as the purchaser and (i) Guangzhou Sheng Gao Property Development Limited ("Sheng Gao"), (ii) Baohua Equity Investment Limited ("Baohua") and (iii) Nova Risk Services Holdings Limited ("Nova Risk Services", a fellow subsidiary of the Company), collectively as the vendors (the "Vendors") entered into a conditional sales and purchase agreement, pursuant to which the Purchaser has conditionally agreed to acquire from the Vendors the entire registered and paid up capital of Beijing Nova Insurance Services Limited ("Beijing Nova"), of which 40.1% is held by Sheng Gao, 35.0% is held by Baohua and 24.9% is held by Nova Risk Services, at a total cash consideration of RMB143.0 million (equivalent to HK\$155.6 million) (subject to adjustments, if any), funded by the Group's internal resources and bank borrowing. Beijing Nova is a national insurance brokerage for the insured established in Mainland China. The completion of the transaction is subject to the fulfilment of certain conditions including the independent shareholders' approval. Upon completion of this acquisition transaction, Beijing Nova would become an indirect wholly-owned subsidiary of the Company.